Important notice (for electronic delivery)

IMPORTANT NOTICE: THIS PRELIMINARY OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR (2) NON U.S. PERSONS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT (AND ONLY TO INVESTORS WHO, IF RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, ARE QUALIFIED INVESTOR INVESTORS UNDER DIRECTIVE 2003/71/EC, AS AMENDED).

IMPORTANT: **You must read the following disclaimer before continuing**. The following disclaimer applies to the attached preliminary offering memorandum, and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached preliminary offering memorandum. In accessing the attached preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each 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 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 OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING 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 U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view this preliminary offering memorandum or make an investment decision with respect to the securities, you must: (i) not be a U.S. person (as defined in Regulation S under the U.S. Securities Act), and be outside the United States; or (ii) be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), provided that investors resident in a Member State of the European Economic Area must be qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). You have been sent the attached preliminary offering memorandum on the basis that you have confirmed to the initial purchasers set forth in the attached preliminary offering memorandum (the "**Initial Purchasers**"), being the sender or senders of the attached, that (1) either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) the e-mail address to which this preliminary offering memorandum 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; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; or (B) you and any customers you represent are qualified institutional buyers, (2) you consent to delivery by electronic transmission; and (3) if you are a resident of a Member State of the European Economic Area, you are a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area).

This 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 transmission and, consequently, none of the Initial Purchasers, any person who controls the Initial Purchasers, the Issuer or any of its subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, 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.

You are reminded that the attached preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession this 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 this preliminary offering memorandum to any other person. You may not transmit the attached preliminary offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, except with the consent of the Initial Purchasers.

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.

Any securities to be issued will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Notwithstanding the foregoing, prior to the expiration of a 40 day distribution compliance period (as defined under Regulation S under the U.S. Securities Act) commencing on the Issue Date, the securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the U.S. Securities Act.

This communication is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (iii) high net worth entities falling within Article 49(2) of the Order and (iv) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This preliminary offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this preliminary offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this preliminary offering memorandum or any of its contents.

SUBJECT TO COMPLETION, DATED OCTOBER 3, 2017

Preliminary Offering Memorandum

Not for general distribution in the United States
Strictly Confidential

AFFLELOU

3AB Optique Développement

€425,000,000 (in a combination of Floating Rate Notes and Fixed Rate Notes)

€   Senior Secured Floating Rate Notes due 2023

€   % Senior Secured Fixed Rate Notes due 2023

3AB Optique Développement, a *société par actions simplifiée* organized under the laws of France (the "**Issuer**"), is offering (the "**Offering**") €   million aggregate principal amount of its senior secured floating rate notes due 2023 (the "**Floating Rate Notes**") and €   million aggregate principal amount of its   % senior secured fixed rate notes due 2023 (the "**Fixed Rate Notes**" and, together with the Floating Rate Notes, the "**Notes**"). Afflelou, the indirect parent of the Issuer (formerly known as "Lion/Seneca France 1" and referred to herein as the "**Parent**"), Lion/Seneca France 2, the direct parent of the Issuer ("**LSF2**") and Alain Afflelou Franchiseur and L'Opticien Afflelou, both direct subsidiaries of the Issuer (the "**Subsidiary Guarantors**" and, together with the Parent and LSF2, the "**Guarantors**"), will guarantee the Notes on a senior secured basis (each, a "**Guarantee**" and, collectively, the "**Guarantees**"). The Notes and the Guarantees will be issued pursuant to an indenture (the "**Indenture**") dated on or about October   , 2017 (the "**Issue Date**") among, *inter alios*, the Issuer, the Guarantors, U.S. Bank Trustees Limited, as trustee (the "**Trustee**"), and U.S. Bank Trustees Limited, as security agent (the "**Security Agent**").

The Floating Rate Notes will bear interest at a rate equal to three month EURIBOR (subject to a 0% floor) plus   basis points per annum, reset quarterly, and will mature on   , 2023. The Issuer will pay interest on the Floating Rate Notes quarterly on each   ,   ,   and   , commencing on   , 2018. Interest will accrue from the Issue Date. At any time on or after   , 2018, the Floating Rate Notes may be redeemed at the redemption prices specified in the Notes. Prior to   , 2018, the Issuer may also redeem all or a portion of the Floating Rate Notes at a redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make whole" premium, as described in this offering memorandum (the "**Offering Memorandum**").

The Fixed Rate Notes will bear interest at a rate of   % per annum and will mature on   , 2023. The Issuer will pay interest on the Fixed Rate Notes semi-annually in arrears on   and   , commencing on   , 2018. Interest will accrue from the Issue Date. At any time prior to   , 2020, the Issuer will be entitled, at its option, to redeem all or a portion of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date plus a "make whole" premium, as described in this Offering Memorandum. At any time on or after   , 2020, the Issuer may redeem all or part of the Fixed Rate Notes at the redemption prices set forth herein. In addition, prior to   , 2020, the Issuer may redeem at its option, up to 40% of the original aggregate principal amount of the Fixed Rate Notes (including the aggregate principal amount of any additional Fixed Rate Notes issued) with the net cash proceeds from certain equity offerings at the redemption price specified herein.

The Issuer may also redeem all but not less than all of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the outstanding amount of the Notes plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain events constituting a change of control, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any. A change of control, however, will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event.

The Notes will be senior secured obligations of the Issuer and will rank equal in right of payment to all of the Issuer's existing and future senior indebtedness and will rank senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes. Each Guarantee will be a senior, joint and several obligation of the relevant Guarantor and will rank equal in right of payment to all of such Guarantor's existing and future senior indebtedness and will rank senior to all of such Guarantor's future indebtedness that is expressly subordinated in right of payment to its Guarantee. On or about the Issue Date, the Issuer's obligations under the Indenture will be secured by the Collateral (as defined herein) on a first ranking basis. The Collateral will include a first ranking pledge over the shares of LSF2, the Issuer and certain other assets of the Issuer and the Guarantors, as described under "*Description of the Senior Secured Notes—Security*". The Collateral will also secure the New Revolving Credit Facility (as defined herein) on a super senior basis pursuant to the New Intercreditor Agreement (as defined herein). In the event of enforcement of the security interests over the Collateral or certain distressed sales, lenders under the New Revolving Credit Facility and, if any, counterparties to certain hedging obligations and creditors of certain other future indebtedness will be entitled to be repaid with the proceeds from enforcement or such distressed sale in priority to the Notes. The Guarantees and the security interests in the Collateral will be subject to contractual and legal limitations that may materially limit their enforceability, and the Guarantees may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral*" and "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*".

There is currently no public market for the Notes. Application will be made to list the Notes on the Official List of the Irish Stock Exchange and to admit them for trading on the Global Exchange Market thereof. There is no assurance that the Notes will be listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof.

Investing in the Notes involves risks. See "*Risk factors*" beginning on page 26 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue price for the Floating Rate Notes: % of principal plus accrued interest, if any, from the Issue Date.

Issue price for the Fixed Rate Notes: % of principal plus accrued interest, if any, from the Issue Date.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees are being offered and sold inside the United States only to qualified institutional buyers ("QIBs") in accordance with Rule 144A under the U.S. Securities Act ("Rule 144A") and non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act ("Regulation S"). Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Notice to investors*", "*Plan of distribution*" and "*Transfer restrictions*" or additional information about eligible offerees and transfer restrictions.

The Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented upon issuance by one or more global notes in registered form, which we expect will be deposited and registered in the name of a nominee for a common depositary for Euroclear SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on the Issue Date. See "*Book-entry, delivery and form*".

Sole Global Coordinator

J.P. Morgan

Joint Bookrunners

BNP PARIBAS **Crédit Agricole CIB** **UniCredit Bank**

The date of this Offering Memorandum is   , 2017.

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

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Important information about this Offering Memorandum

We are offering the Notes and the Guarantees in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes and the Guarantees have not been recommended by any U.S. federal, state or any non U.S. securities authorities, nor have any such authorities determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the Offering. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Notes and the Guarantees. 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 the purchase of the Notes and the Guarantees is unauthorized, and any disclosure of any of the contents of this Offering Memorandum, in whole or in part, 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, in whole or in part.

You are not to construe the contents of this Offering Memorandum as investment, legal, business or tax advice. You should consult your own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of purchasing the Notes. You are responsible for making your own examination of the Issuer and your own assessment of the merits and risks of investing in the Notes and the Guarantees. We are not, and none of the Trustee, the Agents (as defined herein) and the Initial Purchasers is, making any representation to you regarding the legality of an investment in the Notes by you under applicable investment or similar laws. You may contact us if you need any additional information. By purchasing the Notes and the Guarantees, you will be deemed to have acknowledged that:

- you have reviewed this Offering Memorandum; and
- you have had an opportunity to request any additional information that you need from us.

You should base your decision to invest in the Notes and the Guarantees solely on information contained in this Offering Memorandum. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, such other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this Offering Memorandum is as of the date hereof and is subject to change, completion or amendment without notice. The delivery of this Offering Memorandum at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in our business since the date of this Offering Memorandum. The information contained in this Offering Memorandum has been furnished by us and other sources we believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers, any of the Trustee or the Agents or their respective directors, affiliates, advisors and agents and the advisors of the Issuer as to the accuracy or completeness of any of the information set forth in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their respective directors, affiliates, advisors and agents and the advisors of the Issuer, whether as to the past or the future. Certain documents are summarized herein, and such summaries are qualified entirely by reference to the actual documents, copies of which will be made available to you upon request. By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers, any of the Trustee or the Agents or their respective directors, affiliates, advisors and agents and the advisors of the Issuer in connection with your investigation of the accuracy of this information or your decision to invest in the Notes. We undertake no obligation to update this Offering Memorandum or any information contained in it, whether as a result of new information, future events or otherwise, save as required by law.

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes and the Guarantees in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any of the Notes and the Guarantees or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any of the Notes and the Guarantees. We and the Initial Purchasers are not responsible for your compliance with these legal requirements.

The Issuer is offering the Notes, and the Guarantors are issuing the Guarantees, in reliance on an exemption from the registration requirements of the U.S. Securities Act for offers and sales of securities that do not involve a public offering. The Notes and the Guarantees are subject to restrictions on resale and transfer as described under "*Transfer restrictions*" and "*Plan of distribution*". By purchasing any of the Notes and the Guarantees, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this Offering Memorandum. You may be required to bear the financial risks of investing in the Notes and the Guarantees for an indefinite period of time.

We reserve the right to withdraw the Offering at any time. We are making the Offering subject to the terms described in this Offering Memorandum and the purchase agreement relating to the Notes (the "**Purchase Agreement**"). We and the Initial Purchasers may, for any reason, reject any offer to purchase the Notes and the Guarantees in whole or in part, sell less than the entire principal amount of the Notes and the Guarantees offered hereby or allocate to any purchaser less than all of the Notes and the Guarantees sought by it. The Initial Purchasers and certain of their respective affiliates may acquire, for their own accounts, a portion of the Notes.

We will apply to have the Notes listed on the Official List of the Irish Stock Exchange and to admit them for trading on the Global Exchange Market thereof. In the course of any review by the competent authority, we may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of our business, financial statements and other information contained in this Offering Memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information in the listing particulars. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. We cannot guarantee that such application for the admission of the Notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market thereof 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. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent (as identified herein). Any investor or potential investor should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to the listing particulars.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything material that is likely to affect the import of such information. The Parent accepts responsibility for the inclusion of its consolidated financial statements in this Offering Memorandum. However, the content set forth under the headings "*Exchange Rates*", "*Industry*", "*Management's discussion and analysis of financial condition and* *results of operations*" and "*Business*" include extracts from information and data, including industry and market data, released by publicly available sources or otherwise published by third parties. While the Issuer accepts responsibility for accurately extracting and summarizing such information and data, none of the Issuer, the Initial Purchasers, the Trustee or the Agents have independently verified the accuracy of such information and data, and none of the Issuer, the Initial Purchasers, the Trustee or the Agents accepts any further responsibility in respect thereof. Furthermore, the information set forth in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-entry, delivery and form*", is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, none of the Issuer, the Initial Purchasers, the Trustee or the Agents accepts further responsibility in respect of such information.

We expect that delivery of the Notes will be made against payment on the Notes on or about the Issue Date, which will be business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act of 1934, as amended (the "**Exchange Act**")) following the date of pricing of the Notes (this settlement cycle is referred to as "**T+** "). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Stabilization

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (THE "**STABILIZING MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to investors

Notice to U.S. investors

The Offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for offers and sales of the Notes and the Guarantees which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Transfer restrictions*". This Offering Memorandum is being provided (1) to a limited number of U.S. investors that the Initial Purchasers reasonably believe to be QIBs (as defined under Rule 144A) for informational purposes only in connection with the Offering and (2) to non-U.S. persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act. The Notes and the Guarantees described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States, or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense. See "*Transfer restrictions*".

Notice to investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below), from the requirement to produce a prospectus for offers of the Notes. In relation to each Member State of the EEA (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State no offer of Notes to the public in that Relevant Member State may be made other than:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

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

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, any

Guarantor, each Initial Purchaser and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

Notice to investors in France

This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L.411-1 of the French Monetary and Financial *Code* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the French Financial Markets Authority) (the "**AMF**") and therefore has not been and will not be submitted for clearance to the AMF.

Consequently, the Notes are not being offered directly or indirectly to the public in France and this Offering Memorandum has not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France.

Offers, sales and distributions of the Notes have been and shall only be made in France to persons licensed to provide portfolio management investment services for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code.

The direct or indirect distribution to the public in France of the Notes so acquired may be made only as provided by Articles L.411-1 to L.411-4, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Notice to investors in the United Kingdom

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or cause to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is permitted only by relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Directive 2003/71/EC (the "**Prospectus Directive**") and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Available information

Each purchaser of Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer, and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained 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 decision to invest in the Notes; 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.

We will agree in the Indenture governing the Notes that, if at any time we are not subject to Section 13 or Section 15(d) of the Exchange Act, or are exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, we will, upon the request of a holder of the Notes, furnish to such holder or beneficial owner or to the Trustee or the Paying Agent for delivery to such holder or beneficial owner or prospective purchaser of the Notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the Notes. Any such request should be directed to the Issuer at 11, rue d'Argenson 75008 Paris France.

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Senior Secured Notes—Certain covenants—Reports*" and "*Listing and general information*".

Information contained on our website is not incorporated by reference into this Offering Memorandum and is not part of this Offering Memorandum.

Forward-looking statements

This Offering Memorandum contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the securities laws of other jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes", "estimates", "aims", "targets", "anticipates", "expects", "intends", "plans", "continues", "ongoing", "potential", "product", "projects", "guidance", "seeks", "may", "will", "could", "would", "should" or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. The absence of such terminology does not necessarily mean that a statement is not forward-looking. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, competition in areas of our business, outlook and growth prospects, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are based on potentially inaccurate assumptions and are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those material differences include:

- our exposure to macroeconomic and other macro trends;
- our ability to adapt to evolving customer tastes and preferences;
- our exposure to risks relating to the reimbursements framework in France;
- the increasing influence of care networks in France;
- the shortage of certain health professionals, such as ophthalmologists and audio prosthetists, in France;
- the ability of our franchisees to generate sufficient sales or the appropriation or use to our detriment by former franchisees of our know-how and commercial offers;
- our limited influence over our franchisees' operations due to their status as independent operators;
- the risk that our franchisees may challenge the terms of our franchise agreements;
- regulations of the franchisee relationship, particularly in France;
- our reliance on franchisees' accurate reporting of network sales as the basis of calculation of fees owed from them;
- the risks associated with a highly competitive environment and new market entrants;
- technical, technological or medical advances that may reduce the attractiveness of our products;
- the lengthening of the hearing aid development cycle and our inability to develop or exploit new technologies in time to remain competitive;
- operational and other risks in relation to e-commerce and online sales;

- our failure to respond appropriately to risks relating to e-commerce that may reduce our revenue and damage our reputation and brand image;
- our reliance upon the skills and continued service of our existing senior management team and skilled employees;
- the close connection between our historical success and our founder;
- our reliance on brand awareness, reputation and know-how and on our ability to protect our brands and other intellectual property rights;
- our ability to protect our brands and other intellectual property rights;
- our ability to successfully manage and develop our existing banners, brands and store networks;
- our exposure to counterparty risks in relation to customers, franchisees, suppliers and health insurance companies;
- certain risks associated with operating directly-owned stores;
- the risk that our marketing and communication strategy may be ineffective;
- our ability to successfully introduce new product innovations and implement commercial offers;
- the impact of future acquisitions or investments on our business;
- the risk of catastrophic events that could adversely affect our business;
- the risks associated with potential future expansions of our retail operations into new markets;
- the risks associated with doing business in emerging markets;
- exposure to defective or unsafe products and resultant product recalls;
- exposure to repair or replacement costs in respect of product guarantees;
- our exposure to liability and reputational harm from injury at our and our franchisees' stores;
- the risk that we may incur liabilities that are not covered by insurance;
- the disruption of our business due to the failure of our IT systems or the destruction or damage of our databases;
- the risk that reimbursements for hearing aids in France may not be adequate;
- the erosion of hearing aid prices;
- reliance on certain suppliers and service providers, including our intermediary agent in China;
- the loss of, or an action taken by, our suppliers and damage to our contractual agreements and license agreements;
- exposure to political, economic and other business risks in sourcing markets;
- exposure to risks from legal and arbitration proceedings, including antitrust and tax proceedings;
- risks associated with operating in a highly regulated business environment;
- exposure to risks of strikes, work stoppages and other industrial action;
- the risks associated with our relationships with our customers and suppliers and related regulations;

- our exposure to confidentiality and security breaches and risks related to compliance with stringent security and data privacy laws;
- risks related to changes in laws and regulations affecting the advertising methods we employ or the commercial offers we implement;
- risks related to changes in customs regulations;
- risks related to impairment charges in respect of goodwill and other intangible assets;
- certain tax risks;
- risks related to our financial profile and capital structure;
- risks related to our indebtedness;
- risk related to the Notes, the Guarantees and the Collateral; and
- the other factors described in more detail under "*Risk factors*".

The foregoing factors and others described under "*Risk factors*" should not be construed as exhaustive. Due to such uncertainties and risks, investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Offering Memorandum. We urge you to read the sections of this Offering Memorandum entitled "*Risk factors*", "*Management's discussion and analysis of financial condition and results of operations*", "*Industry*" and "*Business*" for more detailed discussions of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. Moreover, we operate in a very competitive and rapidly changing environment. We may face new risks from time to time, and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

The forward-looking statements are based on plans, estimates and projections as they are currently available to our management. We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

Presentation of financial and other information

Financial data

The financial information contained in this Offering Memorandum is taken from our consolidated financial statements for the years ended July 31, 2015, 2016 and 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") included elsewhere in this Offering Memorandum.

The consolidated financial statements for the years ended July 31, 2015, 2016 and 2017 were subject to an audit by Ernst & Young et Autres and Constantin Associés, the Parent's statutory auditors for those years.

In preparing our consolidated financial statements for the years ended July 31, 2015, 2016 and 2017, changes, improvements and corrections were made to the information taken from the consolidated financial statements for the year ended July 31, 2015. These included a change to the operating segments, the reorganization of the notes to the consolidated financial statements, the inclusion of additional information and the reformulation of certain indicators, including corrections to the treatment of deferred taxes, the valuation of a derivative embedded in a supplier contract, the staggering of entry fees over the set term of franchise agreements, the reclassification of impairment of the property, plant and equipment of directly-owned stores and the reclassification of the impairment of trade receivables. These adjustments are described in detail in note 1.3 "*Context of the publication*" and note 7 "*Corrections of errors*" to the consolidated financial statements for the years ended July 31, 2015, 2016 and 2017. The consolidated financial statements contained in this Offering Memorandum were prepared for the specific requirements of the Offering and data for the year ended July 31, 2015 have been adjusted to correct errors in the historical financial statements.

During the periods under review, certain changes in our scope of consolidation affected the comparability of our results of operations, including the acquisitions of Optical Finance, the franchisor operating the Optical Discount banner, LSFA, the franchisor operating the Alain Afflelou Acousticien banner, Ursa Vision, the franchisor operating the Optimil banner, and Happyview.fr and Malentille.com, and may make it more difficult for investors to evaluate the historical performance of our business. We have included certain *pro forma* information in this Offering Memorandum to illustrate to prospective investors what our results of operations would have been for certain historical periods had such acquisitions been consummated at the beginning of the relevant period. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Changes in our scope of consolidation*".

In addition, we also present data regarding our "network sales" in this Offering Memorandum. Network sales include all optical and hearing aid sales generated by the stores bearing our various banners (including franchised stores and directly owned stores). Network sales does not constitute financial information of the Group itself, but rather is based on reported monthly statements by our franchisees in accordance with the provisions of our franchise agreements. Due to certain changes in our scope of consolidation, our network sales data may not be entirely comparable; for example, Optimil, a discount banner in Spain acquired in July 2016 did not have network sales figures available for dates prior to the acquisition. Network sales are not an audited figure and therefore investors should not place undue reliance on network sales. See "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Network sales*" and "*Risk factors—Risks related to our franchise activities—We rely on franchisee's accurate reporting of network sales as a key performance indicator and the basis of calculation of fees owed from franchisees*".

Segment information

In accordance with IFRS 8–Operating Segments, our business is organized according to the following into geographical segments:

- *France*. The "France" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in France (as well as the activities of Happyview.fr and Malentille.com);

- *Spain.* The "Spain" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in Spain (including Andorra); and

- *Other countries.* The "other countries" segment, which includes the optical business in countries outside France and Spain, including Algeria, Belgium, Burkina Faso, Chile, China, Côte d'Ivoire, Lebanon, Luxembourg, Morocco, Portugal, Senegal, Switzerland, and Togo.

Other financial measures

In this Offering Memorandum, we present certain non-IFRS measures, including Adjusted EBITDA, *Pro forma* Adjusted EBITDA, capital expenditure, network sales and like-for-like network sales growth.

You should exercise caution in comparing Adjusted EBITDA, *Pro forma* Adjusted EBITDA, capital expenditure and like-for-like network sales growth of other companies. The information presented by each of Adjusted EBITDA, *Pro forma* Adjusted EBITDA, capital expenditure, network sales and like-for-like network sales growth is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission; compliance with its requirements would require us to make changes to the presentation of this information.

Definitions and, if applicable, reconciliations to IFRS measures, are presented under "*Summary historical consolidated financial information and other data—Other financial information*".

Adjusted EBITDA and Pro forma Adjusted EBITDA.

"***Adjusted EBITDA***" is defined as income from ordinary activities as presented in our audited consolidated financial statements, before (i) depreciation and amortization of property, plant and equipment, and intangible assets, (ii) changes in provisions for trade receivables and inventories and (iii) the management fees payable to our principal shareholder.

"***Pro forma* Adjusted EBITDA**" is defined as Adjusted EBITDA plus certain adjustments for acquisitions completed during the periods under review and certain other adjustments as further described in footnote 1 under "*Summary historical consolidated financial information and other data—Other financial information*". The adjustments to Adjusted EBITDA have been prepared on the basis of certain assumptions, including in respect of the performance of our business units and the absence of changes in behavior resulting from price changes. For example, the renegotiation of prices for certain of our products, as further described in the applicable footnotes to "*Pro Forma* Adjusted EBITDA" that appear elsewhere herein, for which we also retain a margin and/or receive fees may have redirected demand which could have cannibalized volumes of other lens products, affecting gross margin and Adjusted EBITDA. Furthermore, we may not have adjusted for any changes to consumer behavior or franchise salesforce incentives that price changes may have caused. Such assumptions do not take into account all conceivable variables and are therefore inherently subject to risks and uncertainties and they may not give an accurate or complete picture of our financial condition or results of operations, may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum and undue reliance should not be placed upon these measures when evaluating an investment decision.

Neither Adjusted nor *Pro forma* Adjusted EBITDA is a measurement of performance under IFRS and you should not consider Adjusted EBITDA or *Pro forma* Adjusted EBITDA as an alternative to operating income or consolidated profit, as a measure of our operating performance, cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that Adjusted EBITDA and *Pro forma* Adjusted EBITDA are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. Adjusted EBITDA and *Pro forma* Adjusted EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Adjusted EBITDA and *Pro forma* Adjusted EBITDA may not be indicative of our historical operating results, nor are they meant to be predictive of potential future results. Adjusted EBITDA and *Pro forma* Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- they do not reflect changes in, or cash requirements for, our working capital needs;

- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and Adjusted EBITDA and *Pro forma* Adjusted EBITDA do not reflect any cash requirements that would be required for such replacements;

- in the case of *Pro Forma* Adjusted EBITDA, they eliminate cash losses that we experienced during the year ended July 31, 2017 and assume no changes to volumes of products resulting from changes in price, rebates and/or fees; and

- the fact that other companies in our industry may calculate Adjusted EBITDA and *Pro forma* Adjusted EBITDA differently than we do, which limits their usefulness as comparative measures.

Network Sales

We also present network sales and like-for-like network sales growth in this Offering Memorandum. Network sales include all optical and hearing aid sales generated by the stores bearing our various banners (including franchised stores and directly owned stores) as well as online sales. Network sales do not reflect financial information of the Group itself, but rather are based on reported monthly statements prepared by our franchisees in accordance with the provisions of our franchise agreements. While we review and conduct control procedures on network sales figures, network sales are unaudited and are not part of our accounting system. Due to certain changes in our scope of consolidation, our network sales data may not be entirely comparable. For example, Optimil, a discount banner in Spain acquired in July 2016, did not report network sales figures for dates prior to the acquisition. Network sales are not an audited figure and therefore investors should not place undue reliance on network sales. See "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Network sales*" and "*Risk factors—Risks related to our franchise activities—We rely on franchisee's accurate reporting of network sales as a key performance indicator and the basis of calculation of fees owed from franchisees*".

Rounding

Certain figures contained in this Offering Memorandum, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Offering Memorandum may not conform exactly to the total figure given for that column or row.

Industry and market data

This section contains information about our markets and our competitive positions, including information about the size of our markets and our position in those markets. Certain of the information set forth in this section has been derived from external sources. Other than the estimations and analyses carried out by us and unless otherwise indicated, the facts and information on which we base certain statements in this Offering Memorandum are from: (i) a market study carried out at our request in 2016 by an independent, third-party market consultant, (ii) recent general market and industry studies and statistics obtained from other independent third-party market consultants and professional data providers including, but not limited to, Arcane Research ("**Arcane**"), Gallileo Business ("**Gallileo**") and Strategy with Vision ("**SWV**"), (iii) professional associations and international organizations, such as IGAS (*Inspection générale des affaires sociales*), UNSAF (*Syndicat National des Audioprosthésistes*), Euromonitor International, EuroTrak (hearing aids), SNITEM (*Syndicat National de l'Industrie des Technologies Médicales*) and the International Monetary Fund and (iv) publicly-available information, including information from our competitors, interviews and visits carried out by experts and market participants, secondary market analyses and operating and financial information provided by us. To our knowledge, this information has been faithfully reproduced and no fact has been omitted which would render the information provided inaccurate or misleading.

Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation. While we believe this market data and other information to be accurate and correct, we have not independently verified it. The projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Further, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk factors*" and "*Forward-looking statements*" elsewhere in this Offering Memorandum. The projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "*Risk factors*" and "*Forward-looking statements*".

We believe that the information contained in the sources used herein has been obtained from sources that are reliable, but there can be no assurance as to the accuracy or completeness of the included information. While we have taken reasonable actions to ensure that the industry and market data cited herein has been extracted accurately and used in its proper context, we have not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein.

This Offering Memorandum also contains illustrations and charts derived from our internal information, which has not been independently verified unless specifically indicated.

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its respective holder.

Certain definitions

The following terms used in this Offering Memorandum have the meanings assigned to them below (unless the context requires otherwise):

"**3ABOD**" or the "**Issuer**"	means 3AB Optique Développement;
"**AAF Proceeds Loan**"	has the meaning ascribed to it in "*Summary corporate and financing structure*";
"**Afflelou**", "**the Group**", "**we**", "**our**" and "**us**"	unless otherwise indicated, collectively refer to the Parent, its direct and indirect subsidiaries, the Issuer and its direct and indirect subsidiaries;
"**Agents**"	means collectively, the Paying Agent, the Calculation Agent, the Transfer Agent, the Listing Agent, the Security Agent and the Registrar, each as defined herein or identified on the back cover of this Offering Memorandum;
"**Agreed Security Principles**"	means the agreed security principles annexed to the Indenture as summarized under the "*Description of the Senior Secured Notes—Security*", as interpreted and applied in good faith by the Issuer;
"**BeLux**"	means Belgium and Luxembourg;
"**Calculation Agent**"	means Elavon Financial Services DAC, UK Branch;
"**Clearstream**"	means Clearstream Banking S.A.;
"**Collateral**"	means (i) pledges of certain securities accounts relating to all securities issued by or held in LSF2, the Issuer and the Subsidiary Guarantors, (ii) pledges of certain bank accounts of the Parent, LSF2, the Issuer and the Subsidiary Guarantors, (iii) pledges of certain intercompany receivables of the Parent, LSF2, the Issuer and the Subsidiary Guarantors, each on a first-ranking basis, taken together; the Collateral will also secure the New Revolving Credit Facility on a super senior basis pursuant to the New Intercreditor Agreement. See "*Description of the Senior Secured Notes—Security*";
"**EURIBOR**"	means the Euro Interbank Offered Rate;
"**euro**", "**EUR**" or "**€**"	refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
"**Euroclear**"	refers to Euroclear Bank SA/NV;
"**European Economic Area**" or "**EEA**"	means the European Union, Iceland, Norway and Liechtenstein;

"European Union" or **"EU"**	means an economic and political union of 28 Member States, which are located primarily in Europe;
"Eurozone"	means the Member States of the European Union that have adopted the euro as their common currency and sole legal tender;
"Existing Intercreditor Agreement"	means the intercreditor agreement entered into on May 6, 2014, among, *inter alios*, the arrangers named therein, the Existing Notes Issuers, the agents named therein, and the other parties named therein, as amended, restated or otherwise modified or varied from time to time;
"Existing Notes"	means, collectively, the Existing Senior Notes and the Existing Senior Secured Notes;
"Existing Notes Issuers"	means, collectively, LSF2 and 3ABOD;
"Existing Senior Notes"	means the €75,000,000 aggregate principal amount of 7.875% senior notes due 2019 issued by LSF2 on April 17, 2014, which we intend to redeem and repay in full with proceeds from the Offering on or about the Closing Date;
"Existing Senior Notes Indenture"	means that indenture dated April 17, 2014 pertaining to the Existing Senior Notes, as amended, restated or otherwise modified or varied from time to time;
"Existing Senior Notes Issuer"	means LSF2;
"Existing Senior Secured Notes"	means the €365,000,000 aggregate principal amount of 5.625% senior secured notes due 2019 issued by 3ABOD on April 17, 2014, which we intend to redeem and repay in full with proceeds from the Offering on or about the Closing Date;
"Existing Senior Secured Notes Indenture"	means that indenture dated April 17, 2014 pertaining to the Existing Senior Secured Notes, as amended, restated or otherwise modified or varied from time to time;
"Existing Senior Secured Notes Issuer"	means 3ABOD;
"Existing Revolving Credit Facility"	means the revolving credit facility made available under the Existing Revolving Credit Facility Agreement;
"Existing Revolving Credit Facility Agreement"	means the super senior revolving credit agreement entered into on May 6, 2014, among, *inter alios*, 3ABOD, as parent, the original obligors specified therein, the lenders specified therein, Credit Agricole Corporate and Investment Bank, as agent and Citibank, N.A., London Branch, as security agent, pursuant to which the Existing Revolving Credit Facility was provided, as amended, restated or otherwise modified or varied from time to time;

"Guarantors"	means the Parent, LSF2 and the Subsidiary Guarantors;
"IFRS"	means International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;
"IGAS"	means the French *Inspection générale des affaires sociales*;
"Indenture"	means the indenture to be dated the Issue Date and governing the Notes, by and among, *inter alios*, the Issuer, the Trustee and the Security Agent, as amended from time to time;
"Initial Purchasers"	means collectively, J.P. Morgan Securities plc, BNP Paribas, Crédit Agricole Corporate and Investment Bank, and UniCredit Bank AG;
"Intercompany Tax Group Receivable"	has the meaning ascribed to it in "*Summary corporate and financing structure*";
"ISIN"	means International Securities Identification Number;
"Issue Date"	means the date of issuance of the Notes;
"Listing Agent"	means Walkers Listing Services Ltd.;
"LOA Proceeds Loan"	has the meaning ascribed to it in "*Summary corporate and financing structure*";
"LSF2"	means Lion/Seneca France 2;
"LSL2"	means Lion/Seneca Lux 2, a company (*société anonyme*) organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 169596;
"LSFA"	means Lion / Seneca France Audio, the franchisor entity for the hearing aid business;
"Member State"	means a member state of the European Union;
"New Intercreditor Agreement"	means the new intercreditor agreement expected to be entered into on or prior to the Issue Date, among, *inter alios*, the Issuer, the Guarantors, the Security Agent, the Trustee and the other parties named therein, as amended, restated or otherwise modified or varied from time to time;
"New Revolving Credit Facility"	means the new revolving credit facility to be made available under the New Revolving Credit Facility Agreement;
"New Revolving Credit Facility Agreement"	means the super senior revolving credit agreement to be entered into on or about the Issue Date, among, inter alios, the Issuer, the lenders specified therein, Crédit Agricole Corporate and Investment Bank, as agent and U.S. Bank Trustees Limited, as security agent, pursuant to which the New Revolving Credit Facility will be provided, as amended, restated or

	otherwise modified or varied from time to time;
"Parent"	means Afflelou, a *société par actions* simplifiée incorporated under the laws of France and formerly known as Lion/Seneca France 1;
"Paying Agent"	means Elavon Financial Services DAC, UK Branch;
"Offering"	means the offering of the Notes hereby;
"Refinancing"	means, collectively, (i) the redemption and repayment in full of the Existing Notes and (ii) the cancellation of the Existing Revolving Credit Facility;
"Registrar"	means Elavon Financial Services DAC;
"Security Agent"	means U.S. Bank Trustees Limited;
"Security Documents"	means the agreements creating security interests over the Collateral, as described under "*Description of the Senior Secured Notes—Security*";
"Sponsors"	means Lion Capital LLP, Apax Partners SA and CDPQ (Caisse de Dépôt et Placement du Québec);
"SWV"	means Strategy with Vision, an eyecare and eyewear consultancy and market research group;
"Subsidiary Guarantors"	means L'Opticien Afflelou and Alain Afflelou Franchiseur;
"Transactions"	means, collectively, (i) the Offering, (ii) the Refinancing, (iii) the entering into of the New Revolving Credit Agreement and the New Intercreditor Agreement and (iv) the payment of related commissions, fees and expenses;
"Transfer Agent"	means Elavon Financial Services DAC, UK Branch;
"Trustee"	means U.S. Bank Trustees Limited, as trustee under the Indenture;
"U.S. Exchange Act"	means the U.S. Securities Exchange Act of 1934, as amended; and
"United States" or "U.S."	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

Exchange rates

In this Offering Memorandum, all references to "**euro**", "**EUR**" or "**€**" are to the single currency of the participating Member States of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "**U.S. Dollars**", "**USD**" and "**$**" are to the lawful currency of the United States of America.

The following table sets forth for the periods indicated, the period high, period low, period average and period-end Bloomberg Composite Rates expressed in U.S. Dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for a partial month, means the average of the daily Bloomberg Composite Rate during that month, or partial month, as the case may be.

	High	Low	Average	Period End
Year ended July 31:	($ per €1.00)			
2013	1.3671	1.2164	1.3004	1.3276
2014	1.3925	1.3127	1.3608	1.3385
2015	1.3431	1.0492	1.1804	1.1003
2016	1.1529	1.0560	1.1105	1.1157
2017	1.1811	1.0384	1.0939	1.1811
2018 (through September 29, 2017)	1.2026	1.1702	1.1858	1.1803
Month:				
April 2017	1.0949	1.0599	1.0711	1.0901
May 2017	1.1237	1.0867	1.1055	1.1237
June 2017	1.1430	1.1125	1.1236	1.1413
July 2017	1.1811	1.1338	1.1522	1.1811
August 2017	1.2016	1.1702	1.1815	1.1881
September 2017 (through September 29, 2017)	1.2026	1.1752	1.1904	1.1803

Our functional and presentational currency is the euro. The above rates may differ from the actual rates used in the preparation of our financial information and other financial information appearing in this Offering Memorandum. The inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such U.S. Dollar amounts or that such amounts have been or could have been converted into U.S. Dollars at any particular rate, if at all.

Summary

This summary contains basic information about us and the Offering, and highlights information contained elsewhere in this Offering Memorandum about the Offering and our business, financial performance and prospects. This summary does not contain all of the information that may be important to you in deciding to invest in the Notes and it is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum, including the sections entitled "Risk factors", "Management's discussion and analysis of financial condition and results of operations", "Industry" and "Business" as well as the financial information and related notes contained in this Offering Memorandum before making an investment decision.

Overview

Founded by Mr. Alain Afflelou in Bordeaux in 1972, we are a leading optical product and hearing aid franchisor in Europe. The retail sale of optical products and hearing aids represented 95.8% and 4.2%, respectively, of our revenue for the year ended July 31, 2017. As of 2017, we operate the largest French optical product franchise network (in terms of revenue and number of stores) and the Alain Afflelou banner is the fourth largest optical banner in France (in terms of number of stores), with 9% of market share in France based on turnover (including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers. In addition to our historical French market, we hold a strong position in Spain, where we operated the largest retail optical franchise network in 2017 (in terms of number of stores).

We are pursuing an international strategy and are present in a number of geographic markets, with 1,474 stores as of July 31, 2017, across 16 countries that together represent our international coverage, including our two main markets, France and Spain, as well as Algeria, Andorra, Belgium, Burkina Faso, Chile, China, Côte d'Ivoire, Lebanon, Luxembourg, Morocco, Portugal, Senegal, Switzerland, and Togo. During the year ended July 31, 2017, France and Spain, our main areas in terms of networks, represented 77.0% and 16.3%, respectively, of network sales. We pursue a strategy based on strong branding, exclusive products, multi-possession, payment solutions and positive customer experience, based on a multi-banner and multi-offer approach that reaches a variety of price points and target customers. The Alain Afflelou umbrella brand is positioned as a generalist optical product and hearing aid retailer and includes the highly recognizable "Alain Afflelou" optical banner as well as the "Alain Afflelou Acousticien" hearing aid banner, the "Afflelou Sun" banner for sunglasses and the "Afflelou-Paris" banner in selected international markets. We also operate in the discount segment through the Optical Discount banner in France, Belgium, Côte d'Ivoire, Morocco and Togo and the Optimil banner in Spain. Our banners offer a wide range of optical and hearing aid products, including our exclusive products, which consist of (i) signature label frames and sunglasses bearing the "Afflelou" signature; (ii) frames and sunglasses under exclusive licenses; and (iii) exclusive collections from designer brands such as Calvin Klein Jeans.

We connect with and understand consumers in our markets through our communications and marketing efforts, which have created a powerful and enduring brand image in France and Spain, as evidenced by our superior brand awareness with customers in those markets. We ranked first in terms of spontaneous and assisted awareness for optical retailers in France and first in terms of spontaneous awareness for optical retailers in Spain, according to market studies we commissioned in 2017 and 2016, respectively. We also connect with consumers via our online presence. We began developing our online presence in 2012 and have progressively been incorporating our online initiatives into a unified digital umbrella. Currently we maintain websites in the principal languages where our banners operate. Additionally, in September 2016, we acquired Happyview.fr and Malentille.com, two online pure players, in order to expand our online presence.

We operate in highly attractive markets that are differentiated from traditional retail markets due to the largely non-discretionary nature of optical and hearing aid expenses and a favorable regulatory environment in France. We believe that both the optical product and hearing aid markets are supported by positive structural drivers, including demographic trends, changing lifestyles, technological innovations, product penetration dynamics and value-adding product add-ons.

Our principal activity is to act as a franchisor, licensing the use of our brand and banners to franchisees and providing them with the right to trade under one of our banners and implement our value proposition through our commercial offers. Our directly-owned stores support our principal franchisor activity by (i) serving as flagship locations in and around Paris and other key strategic locations; (ii) helping to test new concepts; and (iii) facilitating store network management.

Our services as franchisor are aimed at helping franchisees to grow their sales by fostering a strong brand image, driving customers to our stores through the design and promotion of our commercial offers and facilitating franchisee operations via a number of support services. Our scale and expertise yield tangible benefits to our franchisees, allowing us to offer (i) commercial support and innovation through new commercial offers and through high-impact national and local communications campaigns that create superior brand awareness; (ii) access to central listing and purchasing unit services that lower costs for our franchisees; (iii) dedicated services that enhance store attractiveness, including assistance with location selection and store design; (iv) training programs designed to enhance sales performance; and (v) other general support functions, including legal, human resources and recruiting assistance, as well as assistance with joining care networks. In addition, our signature products are a key value differentiator, generating customer interest and good margins for us and our franchisees. This unique, franchisee-centered business model results in revenue per store in France and Spain that strongly outperforms market averages and independent retailer stores sales in France and Spain For example, in France in 2015, our revenue per store in our Alain Afflelou banner was 1.5 times the market average and 2.6 times the independent retailer store average and in Spain in 2015, our revenue per store was 2.2 times the market average and 3.0 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our global network of stores. We also provide suppliers with distribution services, including a central listing and payment unit that allows suppliers to list and offer their products to our franchisees, while offering the benefit of having a single counterparty for commercial negotiations and payments. We also support suppliers by actively promoting their innovative products to our franchisees as well as through sales in our directly-owned stores.

Our franchise model combines (i) revenue based on network sales of our franchisees, (ii) revenue based on purchases and (iii) revenue generated by sales to end-customers in our directly-owned stores and through our websites. Revenue based on network sales includes, in particular, entry fees, franchise fees and communication fees, as well as other fees charged for services that we provide to our franchisees. Revenue based on purchases includes, in particular, trading as well as central listing and payment unit fees and licensing fees and revenue from sales of our exclusive products. Revenue generated by our directly-owned Alain Afflelou, Optical Discount and Alain Afflelou Opticien stores mainly includes sales made directly to end-customers as well as through our websites. This model provides us with revenue diversification.

Our main costs are related to the supply, design and production of products that we sell under our own brands or for which we have a license. For our exclusive frames, Okia, a company based in China, has long been our favored intermediary. Okia is not a manufacturer but sources its products from a network of independent factories in Asia and allows us to benefit from optimal production conditions through this unique commercial relationship.

Our competitive strengths

Markets benefiting from structural growth dynamics

We operate in highly attractive markets that are differentiated from traditional retail markets due to the mostly non-discretionary nature of certain optical and hearing aid health expenses as well as a favorable regulatory environment, particularly in France. Consumers replace their glasses, contact lenses and hearing aids for various reasons, such as improved technology and changing fashion trends and consumer preferences, changes in prescription and loss or damage. These factors drive particularly stable replacement cycles for prescription glasses (an estimated average of 3.9 years in Spain and 2.2 years in France in 2015).

We also believe that the optical product and hearing aid markets are supported by positive structural demographic trends and other drivers such as changing lifestyles, technological improvements and product penetration dynamics. As the global population grows and ages, the number of people needing vision correction and/or hearing aids will grow. We believe that the following dynamics, among others, will support further growth in our markets:

- It is estimated that, by 2021, 46% of the French population and 50% of the Spanish population will be over age 45 and that 55.9% of each of the French and Spanish populations will need vision correction (with 55.0% of the French population and 54.5% of the Spanish population using vision correction).
- Because eye and ear conditions such as farsightedness and age-related hearing loss usually develop after the ages of 40 and 55, respectively, and generally become more common and serious with age, the number of potential customers will increase as a consequence of the aging population.
- The hearing aid market is characterized by significant under penetration: in France in 2015, only 54% of people with hearing loss who were fit to wear hearing aids were equipped, resulting in a significant opportunity for us to transform such unequipped people into customers.
- Evolving technology for corrective lenses and hearing aids, such as improvements in multi-focal lenses and increasingly small microphones leading to smaller hearing aids, is expected to lead consumers to replace old equipment and also to drive increased average basket size.

Supportive regulatory environment in one of our core markets: France

Our largest core market, France, currently benefits from a private health insurance reimbursement framework that reduces the price sensitivity of customers. Approximately 95% of the French population were covered by private health insurance plans as of 2015. While presently the government-related social security system reimburses only approximately 4% of end-customers' optical expenses, widespread private health insurance companies' ("**OCAMs**") policies generally reimbursed approximately 72% of such expenses, leaving approximately 24% to be paid by end customers as of 2015. Despite the economic downturn, the market for optical products in France has proved to be relatively resilient, with a compound annual growth rate of 1.7% for the 2011 to 2016 period, due to the supportive regulatory environment.

A leading multi-expertise European franchisor within the optical product and hearing aid markets

We are one of the leading franchisors in the European optical product and hearing aid markets with over forty years of experience. The Alain Afflelou umbrella brand is positioned as a generalist optical and hearing aid retailer and includes our deeply-entrenched "Alain Afflelou" optical banner and our "Alain Afflelou Acousticien" hearing aid banner, as well as a range of associated concepts, such as Afflelou Sun for sunglasses and Afflelou-Paris for selected international markets. We also operate in the discount segment, which is organized around price as the key purchase criterion, through our Optical Discount banner in France, Belgium and Morocco and our Optimil banner in Spain.

Our core activity is our franchise business. As of July 31, 2017, our networks included 1,474 stores, which generated network sales of €759.5 million in the year ended July 31, 2017. Our networks include 184 directly-owned stores as of July 31, 2017, which help us manage our franchise network in an efficient and optimal manner.

We are active in a number of geographic markets across 16 countries including our two core domestic markets, France and Spain. We have successfully expanded in adjacent markets: Belgium, Luxembourg, Switzerland and Portugal. We currently also operate in Algeria, Andorra, Belgium, Burkina Faso, Chile, China, Côte d'Ivoire, Lebanon, Morocco, Portugal, Senegal, Switzerland, and Togo.

As of 2017, we operate the largest French optical product franchise network (in terms of revenue and number of stores) and the Alain Afflelou banner was the fourth largest banner overall (in terms of number of stores), holding 9% of market share in France (in terms of revenue, including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers. In addition to our historical French market, we have a strong footprint in Spain, our second domestic market, where we had 373 stores as of July 31, 2017. We operate the largest network of optical product franchises in Spain in 2017 (in terms of number of stores) and have implemented both our generalist and our discount concepts, successfully replicating our proven franchise model. In the hearing aid market, Alain Afflelou Acousticien, we have grown faster than the market average and held approximately 3% market share in France in 2016 (in terms of number of points of sale).

Our high-impact communication and marketing strategy has created a powerful and enduring brand image in France and Spain, as evidenced by our superior brand awareness with customers in those markets. We ranked first in terms of spontaneous and assisted awareness for optical retailers in France and first in terms of spontaneous awareness for optical retailers in Spain, according to market studies we commissioned in 2017 and 2016, respectively.

A proven franchise model at the heart of the value chain

We have developed a successful franchise model in the optical product sector, combining our superior brand image with commercial innovations and close relationships with suppliers. Since 2003, we have been replicating and expanding this franchise model beyond our home market, France, and, since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), into the hearing aid market in France and Spain. Our success is driven by our place at the center of the relationships among our suppliers, franchisees and customers.

Our scale and expertise generates multiple synergies and offers tangible benefits to our franchisees. We provide our franchisees: (i) commercial support and innovation through new commercial offers, including high-impact national and local communication campaigns that create superior brand awareness; (ii) access to central purchasing unit services that lower costs for our franchisees; (iii) dedicated services that enhance store attractiveness, including assistance with location selection and store design; (iv) training programs designed to enhance sales performance; and (v) other general support functions, including human resources, recruiting assistance and financing assistance. In addition, our signature products are a key value differentiator, generating customer interest with affordable products and good margins for us and our franchisees. Our franchisee-centered business model resulted in revenue per Alain Afflelou store in France in 2015 being 1.5 times the market average and 2.6 times the independent retailer store average and, in Spain in 2015, our revenue per store was 2.2 times the market average and 3.0 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees, which helps us retain current franchisees and attract new ones.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our global store network. Additionally, we provide suppliers with distribution services, such as a central listing and payment unit that allows suppliers to list and offer their products to our franchisees. We then generally centralize payments from our networks, to obtain optimal terms and facilitate credit management for these suppliers. We also support suppliers by jointly developing and actively promoting their innovative products to our franchisees, as well as through sales in our directly-owned stores.

A multi-dimensional and fully flexible model centered around consumers

We have leveraged our historical focus on the optical product segment, employing a generalist concept focused mainly on city centers to diversify our offering. To that end, we have: (i) developed multiple store formats and actively managed the locations of our stores, extending our banners into shopping centers and retail parks; (ii) introduced differentiated discount offerings, including through our acquisitions of Optical Discount and Optimil; (iii) developed a digital presence with a "click-and-mortar" approach as well as a new pure play online offering through our acquisitions of Happyview.fr and Malentille.com and the distribution of our own branded products through both channels; and (iv) expanded into the complementary hearing aid business, including hearing aid corners within existing optical stores and standalone hearing aid franchised stores.

- Multi-format

We actively manage our store networks and store formats, using our expertise to identify changes in the market and to adapt our stores' locations and size to meet demand, including through strategic relocations, adjustments to store sizes in city centers and through development of larger store formats outside city centers. In recent years, a growing share of our franchised stores have been located in shopping centers and retail parks, with notable success.

- Multi-banner

We use our several banners to cater to a wide spectrum of customers, including those who seek quality design and those who value multi-possession and strong customer service at our generalist banner Alain Afflelou stores and want to shop for name brands at low prices at our discount-focused Optical Discount and Optimil stores. We operate our discount banners using the same successful model that underpins our generalist banner, combined with a clear price-focused proposition for a different customer experience. We acquired Optical Discount in France in July 2015 and Optimil in Spain in July 2016, leading to a significant expansion of our discount network and enabling us to develop a clear and powerful discount offering.

- Multi-channel

We are developing our online functionalities, providing a complementary and integrated shopping experience to our store network. Our websites offer inspiration to our customers, who can access them 24/7 and can select and order frames directly online for delivery in a store for fitting and lens mounting. By allocating online-generated sales to specific stores, we increase the traffic in our various locations. Our "Afflelou" website was ranked as the most consulted optical Internet site in France in 2016, as per a market survey conducted in June 2016. We also sell contact lenses and sunglasses through our Optical Discount website. In September 2016, we purchased Happyview.fr and Malentille.com, expanding our presence in the online market for optical products and acquiring know-how that we intend to replicate through our various existing online platforms. We are also present on social media and have developed apps that our customers can use to interact with our product offering, for example allowing them to track their contact lens replacement cycle or to virtually try on our frames.

- Multi-offer

Since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), we have pursued a multi-offer strategy through the creation of our Alain Afflelou Acousticien banner in the French and Spanish hearing aid markets and in 2016 rolled out our Afflelou Sun concept in France and Spain. The reintegration of the Alain Afflelou Acousticien banner after the purchase of LSFA on July 31, 2016, demonstrates our desire to increase its market presence. We have modelled the Alain Afflelou Acousticien strategy on our successful approach in the optical product segment, capitalizing on key success factors (such as our franchise experience, strong branding, disruptive price-focused approach and constant commercial innovation) and leveraging our high network density to develop cross-selling opportunities and synergies (through hearing aid corners within optical shops) and expand our footprint in a cost efficient manner.

An expanding international presence

We have a well-established and expanding presence outside of our core markets of France and Spain, having successfully expanded our Alain Afflelou banner into Belgium (1995), Luxembourg (2002), Switzerland (2005) and Portugal (2008). These markets represent, collectively, millions of potential end-customers. In addition, we have significantly expanded our offering outside of France in the discount and hearing aid markets. with a discount offering in Spain and Belgium and hearing aids points of sale in Spain.

We believe that our franchise model adapts well to various geographies, languages and types of markets. Our international roll-out strategy to penetrate new geographies rests on three pillars that reduce the risk we take on when we expand into new geographies:

- We first enter a new market through wholesale activities to test the appetite for our branded products, while limiting our exposure and investment risk.
- If this first phase is successful, we replicate our proven franchise model, with limited capital expenditure and execution risk.
- We then expand our store network in the new market, using our proven business strategy.

Robust financial track record with superior cash generation and high profitability

As a franchisor, we have built an asset-light model that requires limited capital expenditure: all capital expenditures for the franchised stores in our networks are borne by our franchisees who are responsible for their own store investments. We only bear the investment costs for our limited network of directly-owned stores and, therefore, we operate with limited capital expenditure, contributing to a robust record of cash generation with strong free cash flow and profitability.

In addition, our franchise model combines multiple sources of revenue from both franchisees (franchise fees (entry fees and royalty fees), communication fees, wholesale activity consisting of revenue from the sale of exclusive own-branded products and central purchasing units revenue) and from suppliers (central listing and payment fees and license royalties). This approach provides us with revenue diversification and attractive margins, with an 20.8% Adjusted EBITDA margin as of July 31, 2017.

In 2016 and 2017, we accelerated our store network growth and network sales, benefitting from the acquisitions described above as well as the strength and reputation of our franchise network which incentivizes franchisees to open new stores and expand our store network. This growth was evident in an increase in our revenues and our ability to maintain Adjusted EBITDA margins above 20%. Additionally, we have achieved strong cash flow generation and attractive free cash flow conversion dynamics with a 73.9% free cash flow conversion rate for the year ended July 31, 2017 as a result of our limited capital expenditures and working capital requirements.

Experienced management team with a proven track-record

We benefit from the experience and industry know-how of our senior management team. Members of senior management have worked together as a team for many years and have significant experience in the optical retail industry in addition to a thorough understanding of regulatory dynamics in the jurisdictions where we operate. Our CEO, Mr. Frédéric Poux, has 24 years of experience within the Group. Our management team has delivered significant operational improvements and achieved Adjusted EBITDA growth in recent years despite challenging market conditions.

Our strategy

Our strategy has six pillars: (i) increase our franchise network footprint in our domestic markets through new store openings while continuing to optimize our efficiently-managed network and enhance our multi-channel offering; (ii) drive organic growth through marketing, innovation and central support to franchisees; (iii) expand our discount offering in France and Spain; (iv) continue to build momentum in the French and Spanish hearing aid markets, eventually becoming a reference brand in these markets; (v) extend our European reach through consolidation and focus on network density and (vi) continue delivering operating efficiencies across all of our banners.

Increase our franchise network footprint in our domestic markets

We intend to further develop our network through new franchised store openings in our domestic markets with our Alain Afflelou banner, while continuing to optimize our network and enhance our online offering. We believe that there are opportunities to further develop our franchise network, both in France and in Spain. There are also several avenues for continued network optimization, such as actively managing our network and redeploying stores in order to capture more consumer traffic.

In addition, we intend to strengthen the multi-channel experience we offer to end customers. We currently have a "click-and-mortar" approach that encourages end customers to explore and test products online before ultimately buying products in one of our stores. With our acquisitions of Happyview.fr and Malentille.com, we are engaging with consumers through additional distribution channels.

Drive organic growth through marketing, innovation and central support to franchisees

We intend to continue growing our store networks by enhancing our brand image, including by promoting awareness of our banners and commercial offers, remaining engaged with customers and potential customers through innovative communications campaigns and further strengthening access to potential customer pools by encouraging and assisting franchisees' accession to care networks in France. With respect to our franchise store network, we will seek to maintain our strong framework of services and support functions to enhance franchisee customer services and financial performance, including opening, day-to-day and *ad hoc* support, such as through access to our central purchasing unit services, our expanded *prêt-à-porter* logistics platform and offering customer relations training programs to acquaint franchisees and their employees with the benefits of our latest commercial offers. These services increase customer satisfaction and improve performance in our stores, key elements of our financial performance. Additionally, we intend to continue our rollout of a multi-offer approach, converting existing franchisees into operators of, as applicable, multiple stores bearing our generalist and discount banners, and/or an hearing aid or sunglasses corner in addition to an optical store. We believe that our strong focus on cultivating and promoting our franchisee-centered business model will continue to support robust levels of revenue per store in France and Spain that has historically outperformed independent retailers' levels of sales.

Expand our discount offering

We intend to accelerate the roll-out of our discount banners in the French and Spanish optical product markets. Existing Alain Afflelou franchisees are the key constituent group for marketing our Optical Discount (in France, Belgium and Morocco) and Optimil (in Spain) banners. We intend to continue our current sales strategy of demonstrating to franchisees the value of operating two differentiated and complementary banners (a generalist Alain Afflelou banner and a discount concept under the Optical Discount or Optimil banners), offering franchisees an opportunity to cater to the full spectrum of potential customers.

Become a reference brand in the French and Spanish hearing aid markets

We intend to continue our expansion into the French and Spanish hearing aid markets, aiming to become a reference brand in these markets. In addition to benefitting from strong intrinsic growth in the market, due to an aging and growing population coupled with relatively low equipment penetration rates and a favorable regulatory environment, we believe there is growth potential in our existing countries of operation. Our strategy in the hearing aid segment is based on synergies between our historical core, the optical product segment, and the hearing aid segment. As consumers age, the need for optical and hearing aid products increases. Our combined offering provides consumers with the ability to acquire both products provides consumers with the ability to satisfy their needs. Approximately two-thirds of our hearing aid points of sale are corners in Alain Afflelou optical stores, in part due to the fact that there is substantial overlap in the population seeking vision correction and the population seeking hearing aids.

Further penetrate the European market

We intend to further extend our European footprint in countries in which we already operate (mainly BeLux, Switzerland and Portugal) by deepening our franchise network and exploiting opportunities for consolidation, given the high level of fragmentation of these markets.

In Belgium, we intend to accelerate the development of both our Alain Afflelou and Optical Discount banners. In both Belgium and Switzerland, we are mainly present in French-speaking regions and we are increasing our presence in Flemish-speaking regions of Belgium and the German- and Italian-speaking regions of Switzerland.

In Portugal, we intend to develop organically, with the expansion of our generalist Alain Afflelou banner and the launch of the Afflelou Sun banner.

Deliver operating efficiencies across all banners

We intend to continue to take advantage of the economies of scale provided by our network organization by streamlining our administrative and overhead functions and controlling our cost base.

In our Alain Afflelou banner, we intend to continue to evaluate the performance of our store network with a view to optimizing such performance. We will seek to expand our performance monitoring system by improving data collection from franchisees, reinforcing the supervision of franchisees by regional network managers, sharing best practices across our network and encouraging the use of our common point-of-sale software solutions by our franchisees. We also intend to continue our advertising efforts to support the development of our network, while leveraging our economies of scale. In addition, we intend to continue to leverage our long-standing relationships with suppliers to obtain the most favorable commercial terms for our store network. The expansion of our network, together with the implementation of dedicated central purchasing units, has reinforced our purchasing power and our ability to negotiate discounts and rebates with suppliers. Savings generated from these discounts or rebates are shared with franchisees. We intend to continue to generate savings for our directly-owned and franchised stores in connection with the purchase of optical products from suppliers.

Separately, we will focus on the integration of our recently acquired banners (Optical Discount, Optimil, Alain Afflelou Acousticien, Happyview.fr and Malentille.com). We intend to improve the scale and profitability of each banner.

The Transactions

The gross proceeds from the Offering, assuming an issuance of the Notes at par, will be used, directly and indirectly, together with cash on hand, to (1) redeem and repay in full the Existing Notes and (2) pay commissions, fees and expenses relating to the Transactions. See "*Use of proceeds*". We will also (i) cancel the Existing Revolving Credit Facility and (ii) enter into the New Revolving Credit Facility Agreement and the New Intercreditor Agreement. We refer to (i) the Offering, (ii) the Refinancing, (iii) the entering into of the New Revolving Credit Facility Agreement and the New Intercreditor Agreement and (iv) the payment of related commissions, fees and expenses as the "**Transactions**" in this Offering Memorandum.

Sources and uses for the Transactions

The gross proceeds from the Offering, assuming an issuance of the Notes at par, will amount to €425.0 million. We intend to use the gross proceeds from the Offering along with existing cash to (i) redeem and repay in full the Existing Notes and (ii) pay commissions, fees and expenses incurred in connection with the Transactions.

The estimated sources and uses of funds related to the Transactions are shown in the table below, assuming that the Issue Date and the Refinancing take place on October 17, 2017. Actual amounts may vary from estimated amounts depending on several factors, including the actual date on which the Issue Date occurs, the accrued and unpaid interest on the Existing Notes and any drawings under the Existing Revolving Credit Facility as of the Issue Date, the amount of cash of the Issuer as of the Issue Date and the commissions, fees and expenses incurred in connection with the Transactions. The table below should be read in conjunction with "*Capitalization*".

Sources of Funds		Uses of Funds	
(€ million)			
Notes offered hereby	425.0	Redemption and repayment of the Existing Notes[(1)]	440.0
		Accrued and unpaid interest[(2)]	13.3
Existing cash on balance sheet	33.3	Estimated fees and expenses related to the Transactions	5.0
Total sources	**458.3**	**Total uses**	**458.3**

(1) Represents €440.0 million of aggregate principal amount of the Existing Notes which will be redeemed and repaid using a redemption price of 100.000% applicable as of the expected Issue Date of October 17, 2017.

(2) Represents €13.2 million of unpaid interest that accrued between April 15 and October 15, 2017 to be paid on October 13, 2017 and accrued and unpaid interest of €0.11 million for the Existing Senior Secured Notes and €0.03 million for the Existing Senior Notes to be paid on the expected Issue Date of October 17, 2017. See "*Capitalization*".

The Issuer

The Issuer was incorporated on March 2, 2006 as a *société par actions simplifiée* under the laws of France. The Issuer is registered in France under sole identification number 488 863 358 R.C.S. Paris. The Issuer's registered office and principal business address is 11, rue d'Argenson 75008 Paris France. See "*Listing and general information*".

Principal shareholders

The beneficial ownership of the share capital of the Parent is currently as follows (in each case, through one or more holding entities) (presented *pro forma* for the partial repayment of the Shareholder Convertible Bonds):

- Lion Capital, together with minority co-investors: approximately 38.5%;
- Apax France, together with minority co-investors: approximately 13.7%;
- CDPQ, together with the funds it advises or manages: approximately 29.2%;
- Mr. Alain Afflelou and his family: approximately 13.4%; and
- Group management: approximately 5.1%.

Lion Capital is a consumer-focused investor passionate about driving growth through strong brands. The firm seeks to make investments in mid and large-sized, consumer and retail businesses in Europe and North America. Lion Capital's senior leadership brings over 160 years of collective experience to the firm's activities and has been responsible for the investment of approximately €6 billion of equity capital in 36 consumer businesses. Past and present investments in consumer and retail companies include: (i) Picard, the market leader in frozen products in France, with a network of more than 1,000 stores, purchased in 2010; (ii) AllSaints, a trendy clothing retailer that sells its products online and through a network of 220 stores and concessions throughout the world, purchased in 2011; (iii) Jimmy Choo, a high-end shoe and handbag brand for women, purchased in 2004 and resold in 2007; (iv) Orangina Schweppes, a European leader of non-alcoholic beverages, with a presence in more than 80 countries throughout the world and a portfolio of 20 brands, purchased in 2006 and resold in 2009; and (v) Materne, one of the European leaders of compotes and jams, purchased in 2004 and resold in 2006.

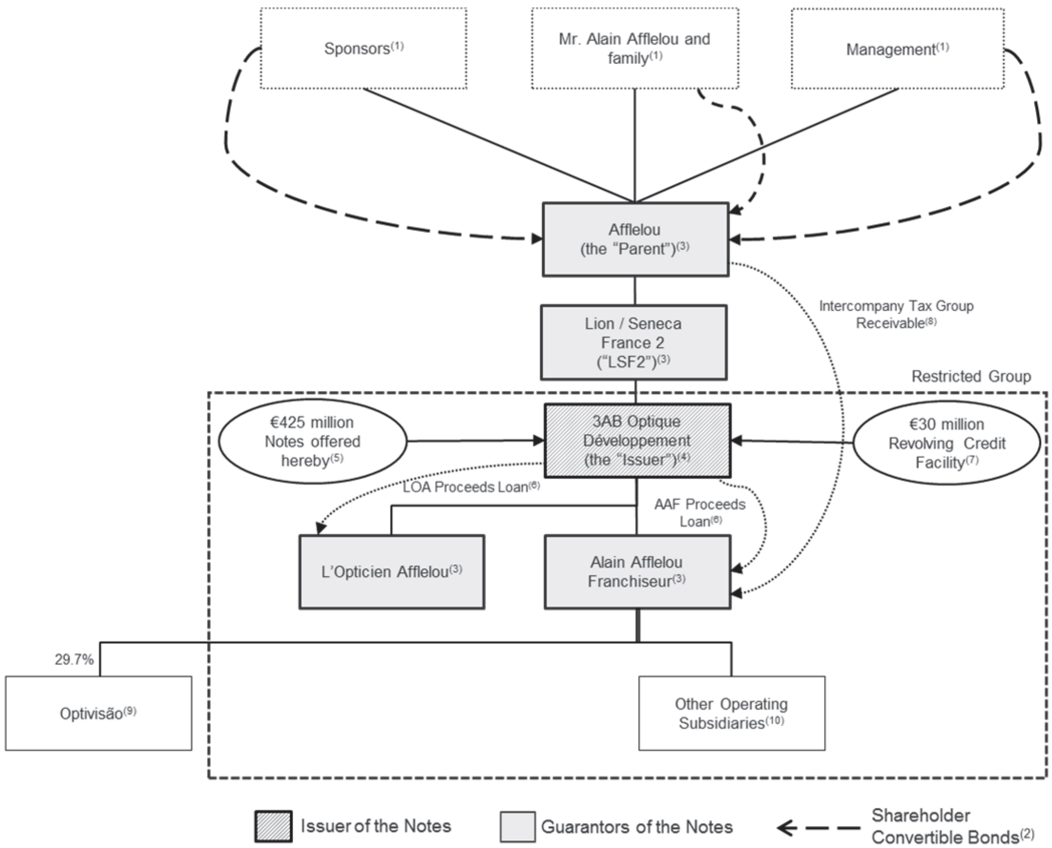
Apax Partners is one of the leading private equity firms in Europe's francophone countries. With more than 40 years of experience, Apax Partners remains with companies to establish them as leaders in their sector. The funds managed and advised by Apax Partners total more than €3 billion. These funds invest in small and medium companies or middle market companies experiencing significant growth, in four areas of specialization: distribution and consumer goods (along with Alain Afflelou: Europe Snacks, Royer Group and Thom Europe), technology, media and telecommunications (Altran, Cabovisão-ONI, Gfi Informatique, Melita and Vocalcom), Health (Amplitude Surgical and Unilabs) and Company and Financial Services (INSEEC Group and SK FireSafety).

Established in 1965, Caisse de Dépôt et Placement du Québec ("**CDPQ**") is an institutional investor that mainly manages fund assets from Quebec retirement funds and public and private insurance. As of December 31, 2016, its net assets total CAD $286 billion. CDPQ is one of the leading institutional investment managers in Canada. CDPQ invests in financial markets through private placements in infrastructure or real estate worldwide.

See "*Principal shareholders and related party transactions*".

Summary corporate and financing structure

The following chart shows a simplified summary of the corporate and financing structure and nominal amounts of the principal indebtedness of the Group as of July 31, 2017 after giving effect to the Transactions. The chart does not include all entities in the Group, nor all of the debt obligations thereof. All entities shown below are, unless otherwise indicated, directly or indirectly owned by their respective parent company. Outstanding debt amounts are based on the nominal value figures as of July 31, 2017. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of the Senior Secured Notes*", "*Description of certain other indebtedness*" and "*Capitalization*".



(1) The Parent is indirectly owned through one or more holding companies by the Sponsors and certain co-investors (Lion Capital LLP, Apax Partners and CDPQ), Mr. Alain Afflelou and his family and the Group's management (which hold direct participations in the Parent through one or more management companies). See "*Principal shareholders and related party transactions*" for more information.

(2) Our shareholders indirectly hold Shareholder Convertible Bonds issued by the Parent which amounted to €305.3 million as of July 31, 2017 (principal amount and accrued interest). The Shareholder Convertible Bonds accrue pay-in-kind interest, mature on July 17, 2027 and represent subordinated obligations of the Parent. On or prior to the Issue Date, approximately €6 million will be indirectly paid by the Issuer to certain managers of the Group in connection with the partial repayment of the Shareholder Convertible Bonds. As a result, following such payment, €299.2 million of Shareholder Convertible Bonds will remain outstanding. See "*Description of certain other indebtedness—Shareholder Convertible Bonds*".

(3) Each of the Parent, LSF2, L'Opticien Afflelou and Alain Afflelou Franchiseur are simplified joint stock companies (*société par actions simplifiées*) organized under the laws of the Republic of France. Neither Parent nor LSF2 conducts any business operations of its own or has any significant assets other than the securities it holds in its respective subsidiaries. See "*Listing and general information—Legal Information—The Guarantors*" for more information. For the year ended July 31, 2017, the Issuer and the Guarantors generated 41.6% of the Group's total revenue and 67.3% of the Group's Adjusted EBITDA (gross of intercompany balances and consolidation eliminations). As of July 31, 2017, Issuer and the Guarantors constituted 83.3% of the Group's total assets (gross of intercompany balances and consolidation eliminations). The Guarantee will be subject to contractual and legal

limitations that may limit its enforceability, and the Guarantee may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee*" and "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*". LSF2 also has certain outstanding warrants which were granted to the former holders of the Group's mezzanine indebtedness that was refinanced in 2014. These warrants grant, for the benefit of entities affiliated with former holders of mezzanine indebtedness, access to the LSF2's share capital under certain conditions and in the event of a sale by the controlling shareholders, including an initial public offering, to purchase ordinary shares of the Issuer (or a parent entity) at a price based on the Group's valuation at the time of its acquisition by Lion Capital in July 2012.

(4) The Issuer is a simplified joint stock company (*société par actions simplifiée*) organized under the laws of the Republic of France that is an intermediate holding company for the rest of the Group.

(5) On or about the Issue Date, the Notes will be secured by the Collateral consisting of: (i) pledges of certain securities accounts relating to all securities issued by or held in LSF2, the Issuer and the Subsidiary Guarantors, (ii) pledges of certain bank accounts of the Parent, LSF2, the Issuer and the Subsidiary Guarantors, (iii) pledges of certain intercompany receivables of the Parent, LSF2, the Issuer and the Subsidiary Guarantors, each on a first-ranking basis. See "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*" for certain legal considerations that may limit the enforceability of the security interests in the Collateral. The Collateral may also be released in certain circumstances, including in connection with a "Permitted Reorganization" of the Group. See "*Description of the Senior Secured Notes*". The Issuer will use the proceeds from the Offering to effect the Transactions as further described under "*Summary—The Transactions*" and "*Use of proceeds*".

(6) On or about the Issue Date, the Issuer will enter into the AAF intra-group loan (the "**AAF Proceeds Loan**") and the LOA intra-group loan (the "**LOA Proceeds Loan**" and, together with the AAF Proceeds Loans, the "**Proceeds Loans**") in a maximum amount of €59.7 million and €24.2 million, respectively, with a portion of the proceeds from the Offering. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The principal amount of the Proceeds Loan forming part of the Collateral, may be less than anticipated as a result of prepayments of such loans prior to the maturity date of the Notes*".

(7) On or prior to the Issue Date, the Issuer as parent will enter into the New Revolving Credit Facility providing for up to €30.0 million of senior secured revolving credit. The Issuer, LSF2 and the Parent will be original guarantors and L'Opticien Afflelou and Alain Afflelou Franchiseur will be the original borrowers and original guarantors under the New Revolving Credit Facility. The New Revolving Credit Facility will be secured, subject to the Agreed Security Principles, on a first-ranking basis, by the Collateral. Additional subsidiaries of AAF are expected to accede as guarantors of the New Revolving Facility within 60 days following the Issue Date. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after lenders under the New Revolving Credit Facility and counterparties to certain future hedging obligations and certain other indebtedness permitted under the Indenture, if any, have been repaid in full. See "*Description of certain other indebtedness—New Intercreditor Agreement*". For further information on the New Revolving Credit Facility, see "*Description of certain other indebtedness—New Revolving Credit Facility*".

(8) The Issuer and its Restricted Subsidiaries (including Alain Afflelou Franchiseur) may owe from time to time to the Parent or to LSF2 amounts resulting from the execution, delivery, performance and maintenance of any Tax Sharing Agreement (such receivable, an "**Intercompany Tax Group Receivable**"). Payments under Intercompany Tax Group Receivables will be regulated under the Senior Secured Notes Indenture (see "*Description of the Senior Secured Notes—Limitation on intercompany receivables created under Tax Sharing Agreements*"). As of the Issue Date and as adjusted for the transactions to occur on the Issue Date in connection with the Refinancing, the Parent will own an Intercompany Tax Group Receivable on Alain Afflelou Franchiseur of approximately €10.0 million.

(9) Optivisão is our 29.7%-owned associate (the remaining interest is owned by other investors) that operates the eponymous optical franchisor banner in Portugal. Optivisão is not controlled by the Group and will not be subject to the covenants of the New Revolving Credit Facility and the Indenture. See "*Business—Legal and arbitration proceedings—Proceeding between Alain Afflelou and Brodheim".*

(10) Certain operating subsidiaries of the Parent are not guarantors of the Notes. These subsidiaries are organized under the laws of the Republic of France as well as certain other jurisdictions where we are present, such as Spain, Belgium, Portugal, Luxembourg and Hong Kong. Though the Indenture will impose certain limitations on the amount of indebtedness that can be incurred by non-Guarantor subsidiaries of the Issuer, any indebtedness incurred by non-Guarantors in compliance with the Indenture will be structurally senior to the Notes, and, within certain limitations, may be secured by other assets or receivables, making such indebtedness, effectively senior to the Notes. In the event of a bankruptcy or liquidation of any of these non-Guarantor subsidiaries, such non-Guarantor subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent and ultimately to the Issuer. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries*".

The Offering

The following is a brief summary of certain terms of the Offering of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes, see "*Description of the Senior Secured Notes*" and "*Description of certain other indebtedness—New Intercreditor Agreement*".

Issuer	3AB Optique Développement.
Notes Offered	
Floating Rate Notes	€ million aggregate principal amount of Floating Rate Senior Secured Notes due 2023.
Fixed Rate Notes	€ million aggregate principal amount of % Fixed Rate Senior Secured Notes due 2023.
Issue Date	On or about October , 2017.
Issue Price	
Floating Rate Notes	%, plus accrued and unpaid interest, if any, from the Issue Date.
Fixed Rate Notes	%, plus accrued and unpaid interest, if any, from the Issue Date.
Maturity Date	
Floating Rate Notes	, 2023.
Fixed Rate Notes	, 2023.
Interest Rate	
Floating Rate Notes	Three-month EURIBOR, with a 0% floor, *plus* % per annum, reset quarterly.
Fixed Rate Notes	% per annum.
Interest Payment Dates	
Floating Rate Notes	Quarterly in arrears on , , and of each year, commencing on , 2018. Interest on the Floating Rate Notes will accrue from the Issue Date.
Fixed Rate Notes	Semi-annually in arrears on and of each year, commencing on , 2018. Interest on the Fixed Rate Notes will accrue from the Issue Date.
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.

Ranking of the Notes	The Notes will: • be general senior secured obligations of the Issuer; • be guaranteed on a senior basis by the Guarantors, subject to the limitations described in "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*"; • be secured as set forth below under "—*Security*" along with obligations under the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness obligations; however, holders of the Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness obligations, have been repaid in full; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • rank *pari passu* in right of payment among themselves and with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the obligations of the Issuer under the New Revolving Credit Facility; • be effectively subordinated to any existing and future indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors and, to the extent drawings are borrowed by such subsidiaries, obligations under the New Revolving Credit Facility. Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Notes, the New Revolving Credit Facility or other debt subject to the New Intercreditor Agreement, neither the

	Issuer nor the Guarantors may make payments in respect of the Notes or the Guarantees except in connection with the realization or enforcement of the Collateral or a transaction in lieu of such enforcement or amounts turned over to the Security Agent as described under "*Description of certain other indebtedness—New Intercreditor Agreement*", in which case such payments will be applied in respect of the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness obligations until such obligations are repaid in full prior to the repayment of the Notes. See "*Description of certain other indebtedness—New Intercreditor Agreement*".
Guarantees...	On the Issue Date, the Notes will be guaranteed on a senior basis (the "**Guarantees**") by the Parent and LSF2, and Alain Afflelou Franchiseur and L'Opticien Afflelou (the "**Subsidiary Guarantors**" and collectively with the Parent and LSF2, the "**Guarantors**"). For the year ended July 31, 2017, the Issuer and the Guarantors generated 41.6% of our revenue, 67.3% of our Adjusted EBITDA and as of July 31, 2017, constituted 83.3% of our assets (in each case gross of intercompany balances and consolidation eliminations). The Guarantees will be subject to certain contractual and legal limitations under French law. See "*Description of the Senior Secured Notes—Note Guarantees*", "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*" and "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*".
Ranking of the Guarantees....................	The Guarantees will: • be a general, senior, joint and several obligations of each Guarantor; • be secured as set forth below under "*—Security*" along with obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain other future indebtedness obligations; however, holders of the Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility Agreement and, if any, certain hedging

obligations and certain other future indebtedness obligations, have been repaid in full;

- rank *pari passu* in right of payment with all existing or future obligations of the Guarantors that are not expressly subordinated in right of payment to the Guarantees, including its obligations under the New Revolving Credit Facility Agreement and any hedging obligations;
- rank senior in right of payment to any and all of the Guarantors' existing or future obligations that are expressly subordinated in right of payment to the Guarantee;
- be effectively subordinated to any existing and future indebtedness of the Guarantors and its subsidiaries that is secured by property and assets that do not secure the Guarantees, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of that Guarantor that are not Guarantors, including the obligations of such subsidiaries owed to trade creditors.

The Guarantees may be terminated under certain circumstances. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee*" and "*Description of the Senior Secured Notes—Note Guarantees*".

Security.. On or about the Issue Date, the Notes and the Guarantees will be secured by the Collateral consisting of: (i) pledges of certain securities accounts relating to all securities issued by or held in LSF2, the Issuer and the Subsidiary Guarantors, (ii) pledges of certain bank accounts of the Issuer and the Guarantors and (iii) pledges of certain intercompany receivables of the Issuer and the Guarantors, each on a first-ranking basis.

For more information on the Collateral, see "*Description of the Senior Secured Notes—Security*".

Subject to the terms of the Security Documents, the Collateral will also secure on and equal and ratable basis the obligations outstanding under the New

	Revolving Credit Facility Agreement and, if any, certain hedging obligations and certain future indebtedness obligations; *provided, however*, that the proceeds of enforcement of the Collateral and certain distressed disposals will be applied to the repayment of the New Revolving Credit Facility and, if any, certain hedging obligations and certain other future indebtedness obligations prior to being applied to the repayment of the Notes. The New Revolving Credit Facility will be guaranteed by the Guarantors on the Issue Date. See "*Description of certain other indebtedness—New Revolving Credit Facility*" and "*Description of certain other indebtedness—New Intercreditor Agreement*". The security interests in the Collateral will be subject to certain contractual and legal limitations and defenses provided by French law, as described in "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*" and may be released under certain circumstances. See "*Description of certain other indebtedness—New Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Security—Release of Liens*".
Use of proceeds	The gross proceeds from the Offering, assuming an issuance of the Notes at par, will amount to €425.0 million. We intend to use the gross proceeds from the Offering to (i) redeem and repay in full the Existing Notes and (ii) pay commissions, fees and expenses incurred in connection with the Transactions (including estimated fees and expenses to be incurred in connection with the Offering). See "*—The Transactions*" and "*Use of Proceeds*".
Optional redemption	
Floating Rate Notes	Prior to , 2018, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Notes at a redemption price equal to 100% of the principal amount of such Floating Rate Notes, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Secured Notes—Optional redemption*". On or after , 2018, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Notes at the applicable redemption prices set forth under "*Description of the Senior Secured Notes—Optional redemption*" plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

Fixed Rate Notes	Prior to , 2020, the Issuer will be entitled at its option to redeem all or a portion of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount of such Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of the Senior Secured Notes—Optional redemption*". On or after , 2020, the Issuer will be entitled at its option to redeem all or a portion of the Fixed Rate Notes at the applicable redemption prices set forth under "*Description of the Senior Secured Notes—Optional redemption*" plus accrued and unpaid interest and additional amounts, if any, to the redemption date. At any time prior to , 2020, the Issuer may on one or more occasions redeem up to 40% of the principal amount of the Notes, using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 60% of the aggregate original principal amount of the Fixed Rate Notes remains outstanding after the redemption. See "*Description of the Senior Secured Notes—Optional redemption*".
Additional Amounts	Any payments made by the Issuer with respect to the Notes or the Guarantors with respect to their Guarantees will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer or the Guarantors, as applicable, are required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, the Issuer or the Guarantors, as applicable, will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See "*Description of the Senior Secured Notes—Withholding taxes*".
Optional redemption for tax reasons	In the event of certain developments affecting taxation or certain other circumstances which would require the Issuer or a Guarantor to pay additional amounts, the Issuer or the applicable Guarantor may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but excluding the date of redemption. See "*Description of the Senior Secured Notes—Redemption for taxation reasons*".

Change of Control	Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. A change of control, however, will not be deemed to have occurred if a consolidated net leverage ratio is not exceeded in connection with such event. See "*Description of the Senior Secured Notes—Change of control*".
Certain covenants	The Indenture will restrict the ability of the Issuer and its restricted subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue certain preferred stock; • create or permit to exist certain liens; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • impose restrictions on the ability of the Issuer's subsidiaries to pay dividends or make other payments to us; • sell, lease or transfer certain assets including stock of restricted subsidiaries; • engage in certain transactions with affiliates; • consolidate or merge with other entities; and • impair the Collateral. Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain covenants*".
Transfer restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer restrictions*". We have not agreed to, or otherwise undertaken to, nor do we intend to, register the Notes in the United States (including by way of an exchange offer) or file a shelf registration statement with respect to the Notes.
No established markets	The Notes will be new securities for which there are currently no established trading markets. Although the Initial Purchasers have advised us that they intend to make markets in the Notes, they are not obligated to do so and they may discontinue

	market-making at any time without notice. Accordingly, there is no assurance that active trading markets will develop for the Notes.
Listing and trading	Application will be made for the Notes to be listed on the Official List of the Irish Stock Exchange and to admit them for trading on the Global Exchange Market thereof.
Governing law for the Notes, the Guarantees and the Indenture	New York.
Governing law for the New Intercreditor Agreement and the New Revolving Credit Facility Agreement	England and Wales.
Governing law for the Security Documents	France.
Trustee	U.S. Bank Trustees Limited.
Registrar	Elavon Financial Services DAC.
Listing Agent	Walkers Listing Services Ltd.
Original issue discount	Each series of Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. If series of Notes is issued with OID for U.S. federal income tax purposes, U.S. holders (as defined below under "*Certain tax considerations—U.S. federal income tax considerations*") of such Notes will generally be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. See "*Certain tax considerations—U.S. federal income tax considerations*".
Calculation Agent	Elavon Financial Services DAC, UK Branch.
Paying Agent and Transfer Agent	Elavon Financial Services DAC, UK Branch.
Security Agent	U.S. Bank Trustees Limited.
Risk factors	Investing in the Notes involves substantial risks and uncertainties. Please see the "*Risk factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

Summary historical consolidated financial information and other data

The following tables present summary historical consolidated financial information of the Group as well as certain operating data. The summary historical consolidated financial information in the tables below is derived from our audited consolidated financial statements for the years ended July 31, 2015, 2016 and 2017, prepared in accordance with IFRS included elsewhere in this Offering Memorandum.

The following tables should be read in conjunction with the information contained in "*Presentation of financial and other information*", "*Use of Proceeds*", "*Capitalization*", "*Management's discussion and analysis of financial condition and results of operations*" and the Parent's consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

Consolidated income statement information

	For the year ended July 31		
(in € millions)	**2015**	**2016**	**2017**
Revenue	**311.0**	**345.7**	**372.8**
Cost of purchases	(153.0)	(177.9)	(194.2)
Wages and salaries including social security contributions	(52.1)	(52.3)	(57.6)
Other purchases and external expenses	(38.5)	(39.5)	(42.5)
Duties and taxes other than income tax	(2.9)	(3.1)	(2.2)
Depreciation, amortization and impairment	(10.8)	(8.2)	(8.9)
Income from ordinary activities	**53.7**	**64.8**	**67.5**
Other non-recurring operating items	(21.9)	(3.3)	(12.8)
Operating profit	**31.9**	**61.5**	**54.7**
Financial income	6.5	3.5	2.6
Borrowing costs	(62.1)	(67.9)	(74.6)
Other financial expense	(4.1)	(4.1)	(5.3)
Net financial income/(expense)	**(59.8)**	**(68.5)**	**(77.3)**
Net income before tax of consolidated companies	**(27.9)**	**(6.9)**	**(22.6)**
Tax income/(expense)	3.9	(2.7)	21.7
Net income/(loss)	**(24.0)**	**(9.6)**	**(1.0)**

Condensed consolidated statement of financial position information

	As of July 31,		
(*in € millions*)	**2015**	**2016**	**2017**
Assets			
Non-current assets	**914.8**	**936.2**	**932.8**
Of which trademarks	*655.6*	*655.6*	*661.0*
Of which goodwill	*153.8*	*175.6*	*171.5*
Current assets	**210.6**	**237.4**	**240.9**
Of which inventories	*24.7*	*23.4*	*26.2*
Of which trade receivables	*55.6*	*76.9*	*83.1*
Of which cash and cash equivalents	*27.8*	*39.4*	*35.3*
Of which other current assets	*101.1*	*96.3*	*96.3*
Total assets	**1,125.5**	**1,173.6**	**1,173.7**
Equity and liabilities			
Total equity	**115.4**	**105.8**	**104.8**
Non-current liabilities	**850.1**	**889.8**	**906.6**
Of which non-current borrowings	*658.2*	*698.5*	*745.0*
Of which deferred tax liabilities	*184.6*	*182.0*	*156.1*
Current liabilities	**160.0**	**178.0**	**162.4**
Of which trade payables	*34.1*	*40.5*	*43.3*
Of which other current liabilities	*111.1*	*107.5*	*106.1*
Total equity and liabilities	**1,125.5**	**1,173.6**	**1,173.7**

Consolidated statement of cash flows information

(in € millions)	For the year ended July 31 2015	2016	2017
Net cash from operating activities	55.0	53.1	53.8
Net cash used in investing activities	(18.4)	(29.6)	(11.8)
Net cash used in financing activities	(30.2)	(10.6)	(45.7)
Change in net cash	**6.3**	**12.9**	**(3.7)**
Cash and cash equivalents at beginning of period	19.7	26.0	38.9
Cash and cash equivalents at end of period	26.0	38.9	35.2

Other financial information

(in € millions, except percentages)	For the year ended July 31 2015	2016	2017
Adjusted EBITDA(1)	65.1	74.4	77.7
Adjusted EBITDA margin(2)	20.9%	21.5%	20.8%
Pro Forma Adjusted EBITDA(3)	-	-	82.5
Net interest expense(4)	25.6	27.1	27.4
Change in working capital(5)	(2.7)	(12.7)	(9.2)
Capital expenditure(6)	(12.9)	(4.8)	(7.4)
Free cash flow conversion(7)	66.6%	72.7%	73.9%

Other as adjusted financial information

(in € millions, except percentages and ratios)	2017
As adjusted estimated cash and cash equivalents as of September 30, 2017(8)	4.7
As adjusted third-party gross debt as of July 31, 2017(9)	426.9
As adjusted third-party net debt(9)	422.2
As adjusted net interest expense(10)	
Ratio of Pro forma Adjusted EBITDA(3) to As adjusted third-party net debt(9)	5.1x
Ratio of Pro forma Adjusted EBITDA(3) to As adjusted net interest expense(10)	x

(1) "Adjusted EBITDA" is defined as income from ordinary activities as presented in our consolidated financial statements, before (i) depreciation and amortization of property, plant and equipment, and intangible assets, (ii) changes in provisions for trade receivables and inventories and (iii) the management fees payable to our principal shareholder. See "*Presentation of financial and other information—Other financial measures*". The following table sets forth a reconciliation of income from ordinary activities to Adjusted EBITDA for the years indicated.

(in € millions)	For the year ended July 31 2015	2016	2017
Income from ordinary activities	**53.7**	**64.8**	**67.5**
Amortization of intangible assets	1.0	1.7	2.1
Depreciation of property, plant and equipment	6.1	6.0	6.0
Changes in provisions for trade receivables and inventories	3.2	0.8	0.9
Management fees	1.1	1.0	1.1
Adjusted EBITDA	**65.1**	**74.4**	**77.7**

(2) "Adjusted EBITDA margin" is defined as Adjusted EBITDA divided by revenue.

(3) "*Pro forma* Adjusted EBITDA" is defined as Adjusted EBITDA *plus* certain adjustments for the year ended July 31, 2017 as further described below. The adjustments to Adjusted EBITDA presented herein are for informational purposes only. This information is prepared on the basis of certain assumptions as further described below but such assumptions do not take into account all conceivable variables and are therefore inherently subject to risks and uncertainties and they may not give an accurate or complete picture of our financial condition or results of operations, may not be comparable to our consolidated financial statements or the other financial information included in this Offering Memorandum and undue reliance should not be placed upon them when evaluating an investment decision. See "*Presentation of financial and other information—Other financial measures*". The following table sets forth a reconciliation of Adjusted EBITDA to *Pro Forma* Adjusted EBITDA for the year ended July 31, 2017.

	For the year ended July 31, 2017			
(*in € millions*)	France	Spain	Other countries	Total
Adjusted EBITDA	**66.3**	**10.3**	**1.1**	**77.7**
Digital development fee[(a)]	0.5	-	-	**0.5**
Exclusive products prices adjustment[(b)]	0.9	0.4	0.1	**1.3**
Forum Les Halles refurbishment adjustment[(c)]	0.3	-	-	**0.3**
Hearing aid business adjustment[(d)]	1.4	-	-	**1.4**
Lens supplier fees[(e)]	0.6	-	-	**0.6**
Optimil adjustment[(f)]	-	0.5	-	**0.5**
Stores sold and closed[(g)]	0.2	0.1	-	**0.3**
***Pro Forma* Adjusted EBITDA**	**70.2**	**11.2**	**1.1**	**82.5**

(a) Represents the full fiscal year effect of a new fixed monthly charge of €80 per Alain Afflelou store in metropolitan France introduced in June 2017 to develop the network's digital investments.

(b) This adjustment represents the application of the new prices for our exclusive frames and sunglasses that we implemented in February 2017, applying the new gross margin based on actual volumes sold during the fiscal year ended July 31, 2017 as though such prices had been implemented on August 1, 2016.

(c) Represents the EBITDA before headquarters costs for the year ended July 31, 2017 generated by the directly-owned store located at the Forum Les Halles shopping center in central Paris that was (i) negatively affected by the complete renovation of the shopping center that significantly reduced footfall and (ii) itself closed during part of the fiscal year ended July 31, 2017 for a complete refurbishment. The renovation of the Forum Les Halles shopping center commenced in 2013 and our store, which was profitable in prior periods, has experienced operating losses since the beginning of the refurbishment period for which we have made no adjustment to Adjusted EBITDA. During the periods under review, the store generated negative EBITDA of €0.3 million and €0.4 million for the years ended July 31, 2016 and 2015, respectively. This store has since returned to full operations with a new store concept as of April 2017. The store itself and the shopping center have become more attractive shopping destinations following the renovation and refurbishment which should attract greater footfall and we expect to generate improved results.

(d) Represents the negative EBITDA attributable to the Alain Afflelou Acousticien banner for the year ended July 31, 2017 that was acquired in July 2016. Following the acquisition, we incurred certain ramp-up costs in our hearing aid business including higher advertising costs to raise its profile among consumers and potential franchisees, investment in human resources at headquarters level and roll-out of the hearing aid directly-owned flagship and test store concepts. Although loss-making, the banner's results have been steadily improving and we expect to harness greater economies of scale and better absorb those costs as more hearing aid stores are opened and more optical franchisees open hearing aid corners.

(e) In March 2017, we approached certain of our listed ophthalmic lens suppliers that have been approved by certain care networks that the stores in our network have joined in recent years to renegotiate prices to exploit our economies of scale. This adjustment represents the application of the newly-negotiated prices and related fees for ophthalmic lenses we obtained from such suppliers based on actual volumes purchased as though these prices and fees had been implemented on August 1, 2016.

(f) Represents the negative EBITDA for the year ended July 31, 2017 attributable to the Spanish discount banner Optimil which was acquired in July 2016 related to the integration and roll-out of our business practices. Optimil was profitable in periods prior to the acquisition.

(g) Represents the negative EBITDA for the year ended July 31, 2017 generated by certain directly-owned stores, before headquarters costs, that were sold to franchisees or closed during the period, net of positive EBITDA of stores sold. No adjustment has been made for incremental EBITDA generated subsequent to the transfer of ownership to a franchisee in the form of royalties nor for a limited number of directly-owned stores that were transferred to franchisee management during the period (though we retained ownership of the relevant store). Additionally, we have made no adjustment to Adjusted EBITDA for sales of directly-owned stores in prior years during the periods under review, even though every year stores are sold to franchisees and occasionally stores are closed.

We have not adjusted for any changes in consumer behavior or franchisee salesforce incentives that price changes may have caused. See "*Risk factors—Risks related to our general operations—Acquisitions or investments may disrupt our ongoing business, distract management and employees, increase expenses and adversely affect our business. In addition, we may not be able to identify suitable acquisitions*", "*Risk factors—Risks related to our general operations—The operation of our directly-owned stores requires us to incur fixed costs and to undertake investment and operational risks associated with operating points of sale*", "*Risk factors—Risks related specifically to our hearing aid business*" and "*Forward-looking statements*".

(4) "Net interest expense" is defined as gross borrowing costs less capitalized interest expense less accrued but unpaid interest. For a full breakdown of its constituent components, see note 6.1.7. to our consolidated financial statements included elsewhere in this Offering Memorandum.

(5) "Change in working capital" is presented in our consolidated statement of cash flows. For a full breakdown of its constituent components, see our consolidated financial statements included elsewhere in this Offering Memorandum.

(6) "Capital expenditure" is calculated as net cash from/(used) in investing activities *net of* external growth transactions (defined as net cash outflows for the acquisitions of Optical Finance, Optimil, LSFA, Optivisão and Happyview.fr and Malentille.com) for the periods under review. A reconciliation of capital expenditure to net cash from/(used in) investing activities is presented below.

	For the year ended July 31		
(*in € millions*)	2015	2016	2017
Net cash from/(used in) investing activities	**(18.4)**	**(29.6)**	**(11.8)**
Reversal of external growth transactions	5.6	24.9	4.4
Capital expenditure	**(12.9)**	**(4.8)**	**(7.4)**

See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Capital expenditure*".

(7) "Free cash flow conversion" is defined as (x) Adjusted EBITDA *minus* (i) capital expenditure, (ii) change in working capital and (iii) income tax paid divided by (y) Adjusted EBITDA.

(8) "As adjusted estimated cash and cash equivalents as of September 30, 2017" reflects our estimated cash and cash equivalent position of €44.0 million as of September 30, 2017 *less* (i) €33.3 million of cash used in connection with the Transactions as described under "*Use of proceeds*" and (ii) approximately €6 million indirectly paid by the Issuer to certain managers in connection with the partial repurchase of the Shareholder Convertible Bonds that is to occur on or prior to the Issue Date (see "*Description of certain other indebtedness—Shareholder Convertible Bonds*").

(9) "As adjusted third-party net debt" is defined as third-party gross debt as July 31, 2017 as adjusted for the Transactions *less* As adjusted estimated cash and cash equivalents as of September 30, 2017.

(10) "As adjusted interest expense" represents our net interest expense on As adjusted third-party debt as if the Transactions had occurred on August 1, 2016. As adjusted interest expense has been presented for illustrative purposes only and does not purport to be what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

Operating and segment information

	As of and for the year ended July 31		
(*in € millions, except percentages and number of stores*)	2015	2016	2017
Network sales (excluding hearing aid activities)[1]	**643.5**	**692.6**	**729.9**
of which France	*493.8*	*533.6*	*584.8*
of which Spain	*108.3*	*112.6*	*123.4*
of which other countries	*41.5*	*46.3*	*51.2*
Network sales generated by hearing aid activities[2]	15.1	21.9	29.6
Total network sales[1]	**643.5**	**692.6**	**759.5**
Store count at the end of the period	**1,272**	**1,395**	**1,474**
of which France	*863*	*906*	*950*
of which Spain	*301*	*369*	*391*
of which other countries	*108*	*120*	*133*
Like-for-like network sales growth[3]	**(0.9)%**	**3.4%**	**2.9%**
of which France	*(1.9)%*	*3.8%*	*3.7%*
of which Spain	*3.9%*	*1.0%*	*(0.6)%*
of which other countries	*(0.5)%*	*4.5%*	*2.3%*

(1) Network sales figures prior to July 31, 2016 exclude sales generated by the hearing aid business which we acquired on July 31, 2016. Network sales are not an audited figure and therefore investors should not place undue reliance on network sales. See "*Presentation of financial and other information—Other financial measures*".

(2) In order to facilitate comparison of our network sales during the periods under review, we present herein the network sales figures recorded by LSFA in France for periods prior to its acquisition by the Group. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Changes in our scope of* consolidation," however, no additional information regarding network sales is provided for the network sales of the other acquired banners, Optical Discount and Optimil.

(3) The growth in like-for-like network sales for a given period corresponds to the increase in sales in stores which were open throughout the entire relevant period under consideration and the entire prior year and for which no substantial changes (such as construction or refurbishment work with a duration of more than one month) or closure are planned during period under consideration. To determine growth in like-for-like network sales, the Group's network sales include Alain Afflelou Acousticien network sales from August 1, 2015. The growth of Alain Afflelou Acousticien's like-for-like network sales is calculated using the same method as the Group's like-for-like network sales.

Risk factors

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Memorandum, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below, individually or together, could materially adversely affect our business, financial condition, results of operations and prospects. If these events occur, the trading prices of the Notes could decline, and we may not be able to pay any or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial could also adversely affect our business, results of operations, financial condition and prospects or our ability to fulfill our obligations under the Notes, which in turn would affect your investment in the Notes.

This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Memorandum. See "Forward-looking statements".

Risks related to our business and industry

Risks related to macroeconomic conditions

We are exposed to macroeconomic and other macro trends that could diminish demand for our products.

Our principal domestic markets are France and Spain, which represented 64.5% and 26.5%, respectively, and 91.0% collectively, of our stores as of July 31, 2017. Additionally, France and Spain generated 77.0% and 16.3%, respectively, and 93.3%, collectively, of network sales for the year ended July 31, 2017. As a result, we are particularly influenced by economic developments in France and Spain and a significant economic downturn in either country could have a material adverse effect on our business. In addition, our franchise operations elsewhere indirectly expose us to economic trends in those countries because our franchisor revenue is related in part to the level of franchisee sales, which are subject to local economic conditions, among other things. Insofar as we expand into other countries and territories, we will become exposed to economic conditions in such regions.

Macroeconomic trends can have a significant impact on consumer discretionary spending and some of our products are perceived as more discretionary than others. For example, purchases of non-prescription sunglasses could decline during periods in which disposable income is lower or in periods of actual or perceived unfavorable economic conditions. Discretionary spending is affected by many factors, including general economic conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside of our control. For more information about macroeconomic trends, see "*Industry—The optical product market—General optical product market drivers*" and "*Industry—The optical product market—General hearing aid product market drivers*".

Expenses related to our other products, namely corrective lenses, frames and contact lenses are generally less discretionary and are consequently less dependent on macroeconomic indicators. However, during a period categorized by difficult economic conditions, we believe that customers may delay the purchase or replacement of optical products and hearing aids or opt to purchase less expensive models (for example, plastic frames which generally carry lower selling prices than acetate frames or lenses without scratch-resistant or anti-reflective coatings). These effects may be more significant in countries where the level of reimbursement by public and/or private insurance systems is comparatively low, which is the case for most of the markets in which we carry out our activities, save for our largest market, France. For example, the optical retail market in Spain, which is our second home market in terms of network sales and where optical products are not reimbursed by the public health system and/or private insurance systems, was significantly affected by macroeconomic difficulties from 2008 to 2013, thus negatively impacting the pace of our development in this country during that time period.

A portion of our franchisor revenue is directly related to our network sales as royalties or communication fees that we receive are calculated as a percentage of our network sales. In addition, other revenue streams are indirectly linked to our network sales, including listing fees paid by suppliers and calculated on the basis of store purchases, and margins retained in connection with our purchasing and trading activities. Any deterioration in macroeconomic conditions in France, Spain or the other markets in which we carry out our activities or into which we decide to expand may result in short- and long-term decreases in consumer disposable income and demand, may lead to lower overall Group network sales or to changes in the mix of products that we sell in ways that may impact our overall profitability and which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, on October 1, 2017, a referendum concerning independence was held in Catalonia, a region of Spain where we operate stores under our Alain Afflelou and Optimil banners, despite opposition from the central government of Spain, in which the participants voted in favor of independence. This development may lead to greater calls for the secession of Catalonia. Although the legality of the referendum has been challenged, political uncertainty could result, which could adversely affect the Spanish economy and our business, results of operations, financial condition and prospects.

Our performance is subject to our ability to adapt to evolving customer tastes and preferences.

Consumer purchasing decisions regarding optical and hearing aid products are generally influenced by highly subjective factors, including fit, style, brand and durability. The tastes and preferences of customers in terms of optical and hearing aid products are subject to change based on demographics and fashion, lifestyle and other trends. Fashion and aesthetic considerations, technical and technological advances, as well as increased health and well-being awareness, have had and are likely to continue to have a significant effect on consumer purchasing decisions and on the type of products offered and sold by us and our franchisees. While our individual stores may offer a customized selection (ordered via our listing and payment unit) of frames and hearing aids that they believe correspond best to customer demand, the optical products and hearing aids that we design, offer and/or make available to stores in our networks may not reflect the needs, tastes and preferences of customers. As a result, the offering of such products by us and our franchisees may fail to meet customers' expectations or respond to customer demand. This risk is particularly acute as we focus most of our marketing efforts on our own-branded products which, if they are unsuccessful in attracting customer interest, could lead to reduced sales volumes. In addition, the commercial offers and advertising campaigns that we launch may not appropriately target potential customers.

In order to cater to evolving customer tastes and preferences, we continuously monitor our stores and websites and make strategic decisions to adjust our product offering, open, close or refurbish stores, revise store concepts and layouts and expand or enhance our websites. However, we may not be able to anticipate and implement decisions regarding our stores or websites with sufficient speed or efficacy and our product offering and the location, concept and layout of our stores and websites may not correspond to customers' needs and tastes. For more information about consumers preferences, see "*Industry—General Optical Product Market Drivers—Consumption trends and demographics*". Failures and delays in responding to customer tastes and demands or in optimizing our stores and websites could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to the French healthcare system

We are exposed to risk relating to the reimbursement framework in France.

The demand for our products in France, which is our principal market, representing 77.0% of our network sales for the year ended July 31, 2017, is directly impacted by the level of reimbursement provided by the French public health system and/or under private insurance policies offered by complementary health insurance companies (*organismes complémentaires d'assurance maladie* or "**OCAMs**"). Reimbursement received from the public health system accounts for a small fraction of the total reimbursement received by customers, particularly for optical products, with the remainder being reimbursed by OCAMs and the customer. Nonetheless, the public health system plays a significant role in the optical product market as reimbursement by OCAMs is conditional upon reimbursement by the public health system. Any decrease in the level of reimbursement for optical and hearing aid expenses that customers obtain from either the public health system or OCAMs would negatively impact their spending power.

For example, one important characteristic of an OCAM contract is whether it is deemed "responsible" by the French public health authorities and thus qualifies for favorable tax treatment. OCAM contracts are deemed "responsible" if they comply with a number of criteria, including, as of April 1, 2015, the imposition of minimum and maximum thresholds on reimbursements of optical products. The maximum reimbursement threshold for qualification as "responsible" has been set at €850 for a pair of glasses. In general, the legislation provides that the maximum price for a pair of glasses with unifocal lenses is between €470 and €750 (depending on prescription strength) and for a pair of glasses with multifocal lenses is between €750 and €850 (depending on prescription strength) and, in each case, including a maximum of €150 per frame irrespective of the type of lenses used. A Price Observatory (*Observatoire des prix et de la prise en charge en optique médical*) has been established to monitor and adjust these thresholds going forward. Such caps on reimbursements may result in greater potential out-of-pocket costs to customers, which may lead such customers to select less expensive optical products or to delay purchases of optical products, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Other regulatory changes may impact us. For example, under Decree n° 2014-1374, the maximum replacement frequency for glasses was changed from one to two years (other than for children or in case of a change in prescription or breakage) in 2014, which may result in customers replacing their optical products less frequently. In addition, the Loi Macron n° 2015-990 (*loi pour la croissance, l'activité et l'égalité des chances économiques*) is aimed at introducing more transparency in the market for optical products by differentiating prices charged for optical products from prices charged for associated services (such as adjusting frames to fit customers). These provisions will come into effect on January 1, 2018 and may foster increased competition as prices charged for each product or service become easier to understand and may ultimately result in price decreases. Such a breakdown of prices may also encourage OCAMs to further differentiate between products and services when setting reimbursement levels, which may negatively impact customers' spending power. For more information about reimbursement schemes in France, see "*Regulation—France—Regulations governing the French complementary health insurance system*". The impact of such regulatory changes could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be materially disadvantaged by the increasing influence of care networks in France.

Care networks act as intermediaries between OCAMs and healthcare professionals, including opticians and audio prosthetists. Care networks may be "open", admitting all professionals who satisfy certain criteria defined by the care network, or "closed", which limit the number of healthcare professionals able to join the care network. For further information about care networks, see "*Industry—The optical product market—Our optical product geographic markets*". OCAM members are often incentivized to go to opticians that have joined the care network affiliated with their insurance provider, because they are likely to be reimbursed at a higher rate than they would be at an optician that is not a member of a care network that is affiliated with their insurance provider. Additionally, OCAMs increasingly require that customers purchase optical and hearing aid products from a store that has joined a care network in order to benefit from third-party payment, *i.e.*, the reimbursement of optical and hearing aid expenses made by the relevant OCAM through direct payment to the optician or audio prosthetist. In 2015, approximately 62% of people who were covered by an OCAM, whether knowingly or not, used an optician recommended by that OCAM's care network. In addition, a considerable number of OCAMs have joined a care network and we believe this trend will continue in the future.

Customers and OCAMs are making greater use of care networks, which exercise significant influence on how optical products and hearing aids are reimbursed in France. In particular, membership in care networks may affect our commercial strategy as prices and standards may be strongly influenced by such care networks. Certain care networks may impose limits on which suppliers we may use and which products we may offer, sometimes even requiring the purchase of such care network's own products. The increasing influence and negotiating power of care networks, as well as the increasing share of the population whose health insurance is covered by an OCAM that has joined a care network, may also lead to a general decline in prices of optical products and hearing aids in the long term in France due to care networks' willingness to be more attractive to OCAMs by selecting optical and hearing aid retail stores offering products at lower prices, thus potentially reducing the levels of reimbursement made by OCAMs and consequently healthcare professionals' margins and profits.

Our store network in France was previously underrepresented in care networks, as we discouraged our franchised stores from joining such care networks prior to 2014. Our delay in joining these care networks may have placed stores in our network in France at a comparative disadvantage. This situation may have caused such stores to lose customers and they may not be able to successfully catch up with competitors that joined care networks before we did. Due to our limited presence in care networks prior to January 2015 when we gradually started joining care networks, we observed a decline in our revenue in the years ended July 31, 2014 and 2015 and a decline in Adjusted EBITDA for the year ended July 31, 2015. Further, the operations of stores in our network in France that have not already joined a care network may be adversely impacted as customers are incentivized to go to optical retail stores that are members of their care network where they will be able to benefit from a higher level of reimbursement. There also can be no guarantee that franchisees in our network who are not currently part of a care network will be admitted in the future or that our franchisees' membership in care networks will be maintained. The increasing influence of care networks in France may therefore have a material adverse effect on our business, results of operations, financial condition and prospects. For more information about care networks in France, see "*Regulation—France—Regulations governing the French complementary health insurance system*".

The demand for our optical products and hearing aids may be adversely affected by the shortage of certain health professionals, such as ophthalmologists and audio prosthetists, in France.

Unlike other countries, where optometrists may conduct routine eye examinations and prescribe corrective lenses and contact lenses, only ophthalmologists are permitted to prescribe corrective lenses in France. Although ophthalmological prescriptions are valid for a maximum of three years, there is a limited number of ophthalmologists in France and customers may have to wait a significant period of time before securing an appointment with an ophthalmologist and obtaining a prescription for optical products. In France, hearing aids are prescribed by ear, nose and throat specialists but patients must be subsequently outfitted with hearing aids by an audio prosthetist.

We believe that there is a shortage of both ophthalmologists and audio prosthetists in France, our principal market, and that this shortage may continue in the future. The overall number of physicians as well as the number of medical interns in each specialty is limited by a *numerus clausus* system which is determined by governmental decrees. Although the *numerus clausus* has increased in recent years (it was set at approximately 130 ophthalmology students and approximately 200 audio prosthetist students, in each case for the 2016-2017 academic year), the number of graduating ophthalmologists and audio prosthetists in France remains limited. Thus, we believe that patients may still encounter difficulties in obtaining appointments with ophthalmologists and audio prosthetists within a short timeframe, in particular in rural areas. In certain areas, it is also difficult to recruit sufficient numbers of audio prosthetists to ensure the development of the Alain Afflelou Acousticien banner. As a result, we believe that the shortage of ophthalmologists affects both the demand for and number of purchases of optical products by customers in France and the shortage of audio prosthetists affects our ability to respond to the demand for hearing aids in France. Notwithstanding recent increases to the *numerus clausus* for each of these professions, we believe that such shortages may continue to have a material adverse effect on our business, results of operations, financial condition and prospects. For further information about the regulatory environment in France, see "*Regulation*".

Risks related to our franchise activities

Our revenue may decrease significantly if our franchisees do not generate sufficient sales or if current or former franchisees use our know-how and commercial offers similar to ours to our detriment.

Our revenue depends on our franchisees' ability to generate sales from the operation of their stores. As of July 31, 2017, approximately 87.5% of stores in our networks were operated by franchisees and our franchisor activities generated 68.5% of our revenue for the year ended July 31, 2017. We occasionally terminate franchise contracts, leading to the closure of certain franchised stores. In the year ended July 31, 2017, 13 Alain Afflelou banner stores and four Optical Discount banner franchised stores were closed in France.

Although most terminations of our franchise agreements have historically been made following a franchisee's failure to implement our commercial policies or for non-payment or due to poor performance or inadequate location of the store, the closure of franchised stores may adversely affect our reputation and reduce the amount of franchisor fees and commissions we receive from franchisees.

We may also face competition from our former franchisees. In the event of non-renewal or termination of a franchise agreement, a former franchisee may decide to conduct business as an independent optician or join a competing network following the expiry or breach of the one-year non-compete clause, included in the franchise agreement. In addition, a disgruntled franchisee may decide to share our know-how or other confidential information with persons outside the Group, including with the press. As all franchisees benefit from our know-how and expertise, including in particular our communications and marketing strategies, competition from former franchisees or the unauthorized sharing of such know-how may undermine our competitive advantage that this know-how provides and have a material adverse effect on our business, results of operations, financial condition and prospects.

Our franchisees are independent operators and we have limited influence over their operations.

Our revenue substantially depends upon our franchisees' sales volumes. However, our franchisees are independent operators and we cannot control many factors that impact the performance of franchised stores. Although we are responsible for, among other things, implementing marketing and communications strategies and preparing merchandizing and store layout and decoration concepts, franchisees may set their own business targets and devise their own means to achieve them. We are not in a position to impose budgetary constraints on our franchisees that would otherwise help to ensure that their performance is maximized and maintain consistency across stores in our networks. For instance, our franchise agreements require franchisees to regularly update their store layout to reflect our latest store concept, but franchisees are responsible for financing the refurbishment and may delay the process, which may harm our brand image and undermine our reputation and negatively impact our commercial practices across our network. In addition, our strategy in recent years has been to implement common tools for use by all franchisees in order to improve and harmonize commercial practices across our networks and enhance their relationships with customers. Franchisees may be reluctant to accept any such initiatives. For more information about our franchisees, see "*Business—Description of our business—Franchise model*".

In addition, we have been and may from time to time be subject to allegations that we failed to adequately monitor our franchisees, particularly in the context of allegations that such franchisees have committed health insurance fraud. Customers show low sensitivity to price when they expect insurance providers to fully or even partially reimburse optical product and hearing aid costs. As a result, some of our franchisees may be tempted to artificially inflate the price of optical products and hearing aids sold to a customer, up to the reimbursement threshold set by the customer's OCAM. Any such claims may undermine our reputation, result in the imposition of fines, and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We also face the risk that franchisees may intentionally work against our interests. For example, franchisees may fail to pay fees when due or at all, may publicly object to certain fees or may decide to share our confidential information or know-how with persons outside the Group, including the press. Additionally, a disgruntled franchisee may decide to share his or her complaints with other franchisees in an attempt to incite collective action against us. While such behavior might violate the terms of the given franchise agreement, it could also have a material adverse effect on our business, results of operations, financial condition and prospects.

Our franchisees may challenge the terms of our franchise agreements.

There can be no assurance that our franchisees will continue to accept the terms of our franchise agreements, in particular the levels of fees and commissions that we charge them in exchange for the services we provide as franchisor. For more information about our franchise agreements, see "*Business—Description of our business—Franchise model—Our franchise agreements*". In the main European countries where we operate networks of stores, our franchisees are represented by a national franchisee commission (the "**CNF**") which we implemented to facilitate relationships between us and our franchisees. In France, for example, the CNF is composed of 15 members for a term of three years. Members are elected by the franchisees in the jurisdiction covered by such CNF. For example, our advertising plan is prepared by management and presented to the CNFs on an annual basis. Similarly, the level of communication fees to be paid by franchisees for the implementation of our advertising plan is submitted for CNF approval on an annual basis. The CNF is likely to have greater bargaining power than individual franchisees and may in the future successfully contest some of the terms of our franchise agreements and commercial arrangements with franchisees and in particular the level of communication fees. Moreover, although this has not occurred to date, our franchisees may initiate formal or informal collective actions against us. Any such action from franchisees could have a material adverse effect on our business, reputation, results of operations, financial condition and prospects. Other than the proceeding described in "*Business—Legal and Arbitration proceedings—Proceeding between Alain Afflelou Franchiseur and Mr. Patrice Casas*", as of the date of this Offering Memorandum, there are no material conflicts or proceedings between us and our franchisees. For more information about the CNF, see "*Business—Description of our business—Franchise model—Franchisee representation*".

Our relationships with franchisees are subject to regulations applicable to franchise agreements, particularly in France.

We are subject to regulations governing the relationship between a franchisor and its franchisees in France and other countries where we carry out our activities. In particular, we are subject to regulations preventing undue interference of a franchisor in the franchisees' business operations, as well as regulations requiring that we provide certain information to existing and potential franchisees. In France, pursuant to the *Loi Doubin*, we are required to provide potential franchisees, or current franchisees contemplating the opening of a new store, with certain information concerning the Group at least twenty days prior to entering into a franchise agreement. For more information about regulations applicable to franchise contracts, see "*Regulation*".

Any claim that we have violated regulations applicable to our relationships with franchisees, including claims that we failed to provide sufficient information or support to a franchisee or claims that we impeded the ability of a franchisee to conduct its business freely, may result in the imposition of fines on us, harm our relationships with our franchisees, require us to compensate the affected franchisees, negatively impact the likelihood of potential franchisees joining our networks and have a material adverse effect on our reputation, business, results of operations, financial condition and prospects. Additionally, under French franchise law, franchisees are independent entrepreneurs who have freely entered into franchise contracts with a franchisor to trade under one of our banners and use our brand names and know-how in exchange for payment of certain fees and royalties. Although we are not responsible for the employees hired by our franchisees, any change in the relevant laws or re-characterization of the employment relationships between our franchisees and/or their employees by a court or tribunal could oblige us to either hire such employees directly or make arrangements causing us to incur liabilities related to contributions to certain social security programs, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Additionally, regulations pertaining to the relationships we have with our franchisees are likely to change. New regulations may be introduced in the future or be amended. In particular, rules that may require us to put in place a franchisee or employee representative body may be modified or replaced. For example, the *Loi Travail* (law no. 2016-1088 dated August 8, 2016 relating to labor, the modernization of labor relations and securing careers, which was definitively adopted on July 21, 2016 and promulgated on August 8, 2016), imposes new obligations on both franchisors and franchisees. Pursuant to the *Loi Travail*, a staff representative committee must be set up in each franchise network with more than 300 employees (which includes us), when the franchise agreement contains provisions affecting work organization and labor conditions. This committee will be composed of an employee representative, a separate representative of each franchisee, and a representative of the franchisor. For more information about the regulations governing franchise agreements, see "*Regulation—France—Regulations governing franchise operations in France*" and "*Regulation—Spain—Regulations governing franchise operations in Spain*".

We rely on franchisee's accurate reporting of their sales as a key performance indicator and the basis of calculation of fees owed from franchisees.

We rely on our franchisees to accurately report network sales in order to evaluate the performance of our networks and to calculate the fees we are entitled to collect under the terms of the franchise agreements. We use network sales to produce key performance indicators that are used for a variety of business planning and evaluation functions. Pursuant to our franchise agreements, franchisees are required to self-report certain performance indicators relating to their business, including sales levels, on a monthly basis. From time to time, franchisees may fail, intentionally or unintentionally, to accurately report their sales performance. Although franchisees are also required to provide us with a copy of their annual audited accounts, some franchisees may report sales levels that are lower than the actual sales levels. As a result, such franchisees may be charged lower royalties and communication fees than they would have been charged had they reported their actual sales levels. Following certain acquisitions, we may not be able to accurately monitor the sales of our new franchisees and correctly evaluate the relevant fees. For example, prior to the acquisition of Optimil in 2016, these franchisees were not subject to the same monthly reporting requirements as our franchisees. The related reporting of these franchisees may be inaccurate and we may not be receiving accurate information at this stage. In addition, if a material number of franchisees do not correctly report their sales, or if such reports are delayed, our network sales numbers will not be accurate, reducing the relevance of network sales as a key performance indicator to assist in strategic planning and our ability to analyze, plan and forecast our performance may be affected. We may also have to incur significant expense to obtain compliance with such reporting requirements. Any difficulties in monitoring and overseeing our franchisees' operations could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to our competitors

We operate in a highly competitive environment and we may not continue to compete effectively.

We operate in the competitive but fragmented optical and hearing aid retail markets. Certain of our competitors may have greater financial resources, lower cost structures, larger purchasing economies of scale or better entrenched relationships with suppliers than us. Additionally, although the markets in which we operate remain fragmented, the optical retail industry in France and Europe has generally been affected over the past decades by the emergence of large retail optical chains operating in various countries in which our stores are located, such as Krys and Optic 2000 in France. Certain leading optical products manufacturers (such as Luxottica, which entered into a business combination agreement with lens manufacturer Essilor in January 2017, and, following completion of the transaction, would create the Essilor-Luxottica group) have gained significant market share over the past decade. This pattern is also true for certain leading European optical retailers (such as GrandVision, Specsavers and Fielmann), who have also gained market share in recent years.

In the hearing aid market in France, our main competitors, such as Audika, Amplifon and Audition Conseil, are already well-established operators. We also face several hearing aid suppliers which have become direct competitors by acquiring certain independent hearing aid retailers or chains that specialize in the distribution of hearing aids. For example, William Demant (which manufactures hearing aids under brands such as Oticon, Bernafon and Sonic) purchased a controlling stake in Audika in 2015 and Sonova (which manufactures under brands such as Phonak and Unitron) owns Audition Santé. This trend towards greater forward integration in the hearing aid market in certain countries may weaken our competitive position. Consolidation trends in our optical and hearing aid products markets may result in the establishment of large purchasing or vertically-integrated groups combining supplier and retailer capacities, with greater leeway, leverage and resources than us may have an impact on our purchasing power and adversely impact the terms of our commercial agreements with our suppliers. For example, optical product manufacturer Luxottica and lens manufacturer Essilor announced a business combination agreement in January 2017 which, if completed, will create an integrated group, Essilor-Luxottica. Forward integration by some of our suppliers may further increase the competitive pressure we face. For example, Essilor previously acquired an online contact lens distributor and now acts as a major direct retailer of these products in certain countries.

In the optical retail market, independent retailers still represent a large proportion of the total number of stores in countries in which we operate. In France, independent retailers are sometimes able to adopt aggressive commercial strategies. In Spain, a pattern of independent retailers joining buying groups has emerged, with a focus on opening small stores requiring limited capital expenditure. Furthermore, independent retailers also control a large part of the French hearing aid products market. For more information about our competitive environment, see "*Industry*". Independent retailers may continue, in response to the growing presence of large competitors in the market, to adopt more aggressive strategies to maintain their market share, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Our competitors may adopt more aggressive pricing policies, further diversify their product offerings, enhance their presence in geographical markets in which we have a significant presence or be more effective and faster in capturing available market opportunities, thereby undermining our competitive position and potentially weakening our market share.

We may be adversely impacted by new market entrants.

Certain optical products that we sell, such as ready-made reading glasses ("ready readers"), non-prescription sunglasses and contact lens care solutions are also sold through distribution channels other than optical retail stores. Those types of products may be distributed by pharmacists (primarily contact lens care solutions), fashion retailers, department stores or other points of sale, including websites. While we believe that the value-added services provided by opticians in our stores are not available to customers when buying through such alternative distribution channels, any increasing popularity of such distribution channels may adversely affect our business. The *Loi Hamon*, adopted in 2014, loosened restrictions on online sales of optical products prescribed by qualified opticians, and also facilitated online purchases of prescription optical products for customers, by requiring that ophthalmologists specify interpupillary distance on all prescriptions, *i.e.*, the distance between the two pupils that customers are not able to measure on their own but would otherwise have to obtain from an optician. Since 2014, several online optical retailers have emerged in France, and many of the large retail optical chains, including us, have opened their own retail websites. In March 2014, we launched an e-commerce website providing an additional distribution channel for our optical products. We may, however, be at a time-to-market disadvantage in relation to our competitors, including pure players such as Sensee, who have established a relatively strong online presence and developed experience in this distribution channel earlier than we did. If we are unable to keep up with our competitors or to further develop our online platform, it may translate into lost sales, particularly with respect to contact lenses, as customers are generally more inclined to purchase contact lenses than frames online.

Finally, in a number of geographical markets in which we carry out our activities, including in France and Spain, our domestic markets, only opticians and audio prosthetists are allowed to sell corrective lenses and hearing aids, respectively, effectively creating a near monopoly for the sale of these products. As a result, retailers in these countries must employ opticians and audio prosthetists in order to offer these products to customers.

At present, there is a sufficient number of opticians in France, which has effectively weakened the impact of this monopoly, while the current shortage of audio prosthetists in France has strengthened the practical impact of the audio prosthetists' monopoly. If opticians' and audio prosthetists' monopolies were challenged or weakened, the barriers to entering the market would be lower, and a larger number of new participants could enter the market and/or current market participants could reinforce their position in this market. For example, certain provisions of the *Loi Hamon* allow non-qualified opticians to manage optical retail stores as long as responsible personnel at the stores are qualified opticians. This provision is designed to increase competition within the industry, which could have a material adverse effect on our business, results of operations, financial condition and prospects. As regards hearing aids, the risk that new players may enter the market could also become greater if, as a consequence of regulatory changes, the qualifications required to sell hearing aids become less stringent in response to the shortage of audio prosthetists in a number of the markets in which we carry out our activities, particularly in France. Such changes may, in turn, adversely affect our ability to compete effectively and have a material adverse effect on our business, results of operations, financial condition and prospects.

Further, there is a risk that hearing aid manufacturers may expand their operations to the optical products market and compete with us.

Risks related to technological changes

Technical, technological or medical advances may reduce the attractiveness of our products.

The optical and hearing aid products industries have experienced considerable technological changes in recent years, which has reduced and may continue to reduce or render obsolete the use of certain optical products and hearing aids sold by us. For example, laser eye surgery aims at permanently correcting certain vision deficiencies, specifically refractive ametropia (including myopia), by means of surgical intervention. Laser eye surgery has been performed for over thirty years, though the number of such surgical procedures in France remains stable and relatively low (approximately 150,000 eyes in 2015). Nevertheless, eye surgery may develop significantly in the future, either through innovations that improve the surgical methods employed (such as the *femto-lasik* laser technique, which provides a superior quality of eye surgery, or the development of intra-corneal surgery that aims to correct presbyopia) or by rendering those specialized surgical procedures more affordable, more accessible or less invasive. Certain specialized treatments such as orthokeratology (also known as corneal reshaping), involve the use of night-only contact lenses to correct myopia and presbyopia, which are dispensed by optometrists. Other potential new technologies, such as gene therapy, may also succeed at permanently correcting vision in the future. Similarly, if medical research were to lead to a cure for the various forms of hearing loss, such as by surgical techniques, the use of pharmaceuticals or breakthrough bio-technological innovations or therapies, our profitability could suffer through a reduction in the sales and revenue of the Alain Afflelou Acousticien banner. Other potential innovations, such as the development of self-fitting hearing aids or personal sound amplifiers, could result in a decreased use of our products. Moreover, we may be unable to replicate certain innovations developed and marketed by our competitors or we may experience delays before we are able to distribute innovative products, thereby decreasing the attractiveness of our offering. Any or all of the above factors may lead to a corresponding decline in network sales and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Hearing aid development cycles range from two to three years and we may not be able to develop or exploit new technologies in time to remain competitive.

Hearing aids have been the subject of technological advances, such as the switch from analogue hearing aids to digital hearing aids in the 1990s, that changed market patterns during this period and led to a global market realignment among customers and market players on the basis of this new structure. To remain competitive, we must be able to introduce new hearing aid models to our offer as quickly as possible. For example, hearing aid technology generally changes approximately every two to three years. In addition, the use of hearing aids entails a number of additional costs, for example the cost of adjusting a hearing aid to the wearer and the many appointments required before purchasing a hearing aid. The purchase process is long and uncertain and some consumers may not complete the process. Our inability to meet customer demands for new technologies, or the inability to offer technologies that perform at the same level as those of our competitors, could have a material adverse effect on our business, results of operations, financial condition and prospects.

We face operational and other risks in relation to e-commerce and online sales.

Although the portion of revenue that we derive from online sales is currently limited, e-commerce is expected to be an increasingly important part of our strategy in years to come. Our e-commerce operations are subject to numerous risks, including:

- reliance on third parties for certain ordering and customer fulfillment software and payment services;
- vulnerability to phishing, hacking and system breaches, which could expose us to regulatory action or consumer complaints that could damage our reputation and our business;
- the risk that our websites may become unstable or unavailable due to failures or necessary upgrades of our computer systems or related IT support systems, or disruption of Internet service;
- difficulty integrating our e-commerce platform with our store networks;
- violations of national, EU or international laws, including those relating to online privacy;
- liability for online credit card fraud and problems adequately securing our payment systems, even if we use the 3D-Secure Protocol designed to ensure enhanced security and strong identification for our customers when they use their debit or credit cards for online purchases;

- the incurrence of additional costs due to the necessity of investing in search engine optimization, the maintenance of our online brand presence and online connectivity that is commensurate with our brand positioning and optimization of the interface, allowing customers to easily locate, access and use our websites; and
- the risk that pure players will manage to successfully develop brick-and-mortar operations in certain locations, such as pharmacies.

Our failure to respond appropriately to these risks and uncertainties could reduce our revenue from e-commerce, as well as damage our reputation and brand image.

Furthermore, we may not be able to continue growing and developing our e-commerce platform as planned, due to technical difficulties in adapting our business model to this distribution channel or other factors. The development of online sales is an ongoing, complex undertaking and there is no guarantee that any resources we apply to this effort will result in increased revenue or operating performance. In addition to the competitive pressures discussed in "*—Risks related to our competitors*", the development of our online channel also faces specific competitive pressures. Consumers connect to our websites using a variety of devices (such as computers, tablets and smart phones) and operating systems (such as Windows, iOS and Android) which requires us to constantly strive to optimize our websites for such devices and systems. In addition, our e-commerce platform may also, to a certain extent, compete with our stores and cannibalize our in-store sales. The online channel presents a unique opportunity to directly engage with consumers from their homes but also poses organizational and technical challenges. A failure to successfully respond to the growing trend of e-commerce or, conversely, a failure to implement our plan to develop our online channel could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to our brand, reputation and employees

Our success is dependent upon the skills and continued service of our existing senior management team and of technically skilled employees.

The execution of our strategy and our continued success depend in part on the skills, continued efforts and motivation of our senior management team and other key personnel, as well as on their relationships with, and their understanding of the requirements of, our franchisees and suppliers. In addition, our growth strategy and forecasts depend on senior management's deep knowledge of our business operations. If one or more members of the existing senior management is unable or unwilling to continue in their present positions, we may not be able to find management personnel with the same experience and industry knowledge to replace or recruit such individuals. The departure of any member of our senior management team could impact us more seriously than the loss of other personnel. Furthermore, if any member of the senior management team or other key personnel joins a competitor or forms a competing company, following the expiry or breach of the relevant non-compete clause, we may lose customers, know-how and other key personnel. The resignation or unexpected departure of one or more members of senior management or key personnel could have a material adverse effect on our business, results of operations, financial condition and prospects.

We also believe that our future success will depend on our continued ability to attract, motivate and retain qualified, skilled and experienced personnel who can contribute to maintaining and enhancing our reputation by providing services in accordance with our high standards. In France, our stores must employ opticians and audio prosthetists who satisfy the educational and training requirements that allow them to provide optical and hearing aid product services. Although we believe there is currently a sufficient number of trained opticians in France, it may be difficult for some of our stores to hire and retain the employees needed for their business. Furthermore, we believe that there is currently a shortage of ophthalmologists and audio prosthetists in a number of the geographic markets in which we operate, notably in France. Thus, it may also be difficult for some of our stores to hire and retain the employees needed for their business. An inability to attract and retain qualified employees in a timely manner could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our success is linked to our founder.

Mr. Alain Afflelou, our founder, has been associated with our image and brand for both optical products and hearing aids, particularly in France, from the inception of the brand. We believe that Mr. Alain Afflelou has significantly changed the optical and hearing aid retail industry in France by making available to the general public reasonably priced optical products and hearing aids of superior quality. Mr. Alain Afflelou has historically played a key role in our marketing and communications strategies and is frequently featured in marketing and advertising materials. As an optician by training, Mr. Alain Afflelou played an important role in enabling the brand to be perceived as offering optical products of the highest quality. We believe that the general public in France perceives a close connection between Mr. Alain Afflelou and the Alain Afflelou banner. Additionally, some of our franchisees, particularly in France, also continue to associate the brand with Mr. Alain Afflelou as well as, to a certain extent, his three sons who are also employed by us. In consideration of the key role Mr. Alain Afflelou plays in the Group and the fact that he is a well-known public figure, if he were to leave the Group for any reason, or if his personal reputation were to be harmed, this could have a material adverse effect on our reputation, brand awareness, business, results of operations, financial condition and prospects.

Our success depends substantially on our brand awareness, reputation and know-how.

Our reputation, brand awareness and know-how are essential in ensuring the continued success and performance of our business model. The reputation of our brands is based primarily on commercial offers and product innovation, as well as our ability to convey a strong image to the general public through effective marketing and communications strategies. If we were to decrease spending levels on marketing and communications, for example due to an increase in advertising costs or other constraints that would make it difficult to maintain current levels of media coverage, or due to the rejection by the CNF (the elected representatives of franchisees) of our proposed communication fees, we may be unable to maintain our brand awareness, boost in-store traffic or stimulate sales and our revenue could be negatively impacted. In addition, there can be no assurance that our advertising and communications campaigns will be successful, resonate with consumers or generate more traffic to our stores and websites. We also undertake direct communications and marketing activities, such as point-of-sale display materials, catalogues as well as email and mobile phone text messaging. We can provide no assurance that our communications, advertising and marketing activities will be successful in promoting and maintaining brand awareness.

As discussed in "*—Risks related to our franchise activities—Our franchisees are independent operators and we have limited influence over their operations*", our reputation may also be harmed by franchisees that operate their stores in a manner which is not consistent with our professional standards or with regulatory requirements. While we may terminate commercial relationships with franchisees that do not comply with such standards or requirements, any delay in identifying and addressing an incident may harm our image and reputation. For instance, we have in the past detected evidence of health insurance fraud on the part of certain franchisees. Even if we are not ultimately liable for our franchisees' behavior, any incident, claim or proceeding resulting from such behavior may harm our brand, undermine our reputation, give rise to negative publicity or hinder our ability to attract and retain franchisees. A deterioration in the quality of services offered by our franchisees, delays in the development and implementation of our marketing and communications strategies, a decline in the quality of optical products and hearing aids offered to customers by the stores within our networks, or faults or defects discovered in certain products marketed by us may result in negative publicity. The damage to our reputation may be exacerbated by any failure on our part to respond effectively to such an incident. Such events that harm our brand, reputation or image could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our success depends on our ability to protect our brands and other intellectual property rights.

We believe that our Alain Afflelou, Afflelou-Paris, Optical Discount, Optimil, Alain Afflelou Acousticien, Happyview.fr, Malentille.com and Afflelou Sun banners and other intellectual property rights that cover the products and services we offer, including trademarks, domain names and certain registered designs and models, are key assets that are fundamental to our success and position. We are therefore dependent on our ability to protect and promote our brands and other intellectual property rights, especially as we open stores in emerging markets such as China (for more information about our intellectual property rights and how we protect these rights, see "*Business—Research and development, patents and licenses*"). We cannot guarantee that our products and services do not infringe upon third-party intellectual property rights or that our intellectual property rights will not be challenged by third parties, including competitors. We may for instance be subject to intellectual property rights claims with respect to products that resemble some of our competitors' designs and models. If a court were to determine that one or more of our products infringes upon intellectual property rights held by others, we could be required to stop using such intellectual property or pay damages or royalties to holders of such intellectual property rights. We also cannot guarantee that third parties will not infringe upon our intellectual property rights, for instance by using our brands, copying our products or misusing certain of our registered designs. In addition, we may be unable to adequately register and protect our intellectual property rights as we enter new markets, a risk that is particularly acute in emerging markets such as China. Should our intellectual property rights be challenged or infringed upon, or should we infringe upon intellectual property rights of others, it could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to our general operations

We may be unable to successfully manage and develop our existing banners, brands and store networks.

We currently plan to further develop our main banners. Our operations are organized under the following banners and brands: (i) a generalist banner, Alain Afflelou, with sister brands Afflelou Sun (sunglasses only) and Afflelou-Paris (in emerging markets, including China); (ii) two discount banners, Optical Discount and Optimil, respectively; and (iii) a hearing aid banner, Alain Afflelou Acousticien.

In our principal markets, we operate our discount banners (Optical Discount and Optimil), as secondary banners in order to target price conscious customers and offer a broad range of optical products through comprehensive offers at a lower price point than the Alain Afflelou banner. As we continue to operate two different optical banners within the same market (for example, the Alain Afflelou banner and the discount banner Optical Discount in France), we may experience difficulties in differentiating those banners' images, commercial strategies and objectives in a way that allows them to coexist while targeting different segments within the optical retail market. Our franchisees generally benefit from an exclusive territory in the area where their store is located with respect to other stores under the same banner. However, there are still a number of places in France, such as certain shopping centers, where both an Alain Afflelou store and an Optical Discount store operate. Although these two banners target customers with different needs and preferences, we may experience cannibalization of sales in surrounding stores following the opening of a new store under either banner. An increased number of stores in a particular area or region may result in the saturation of the market and the diversion of customers and sales from some of our existing stores. Additionally, certain of our franchisees may become dissatisfied if other stores in the networks were perceived as cannibalizing sales, leading to potential conflicts between franchisees as well as potential conflicts between franchisees and us. Such conflict may result from the perception of competition among franchisees operating under different banners in the same general area. Likewise, if a franchise operating under one banner or brand provides inferior service to customers, it is possible that this could create conflict among our franchisees and could negatively impact our franchisees.

In addition, we may not succeed in strategically expanding each of our banners through the opening of new directly-owned or franchised stores. We may be unable to identify attractive new sites for stores, based on demographics, proximity to locations of our existing stores, availability of suitable retail space or local economic conditions. For example, we may not be able to diversify the types of stores in our store networks in a way that perfectly follows changing shopping trends. The majority of the stores in our historic networks are located in city centers, with fewer locations in shopping malls and suburban retail zones that are currently popular retail destinations. Although we may want to open locations in shopping malls or semi-urban retail parks, it may be difficult for us, as a franchisor whose development is dependent on our franchisee network, to respond quickly to changing shopping trends as compared with networks that primarily have directly-owned stores, which could have a material adverse effect on our business, results of operations, financial condition and prospects. We may also face difficulties in finding new or existing franchisees to open or operate stores in specific geographic areas or may face reluctance from existing franchisees which are not willing to assist us with the rollout or development of the Optical Discount or Optimil store networks. As some of our franchisees retire, we may face difficulties in finding, and transitioning stores to, new franchisees. If the management and development of our banners and networks were to slow down, this could have a material adverse effect on our business, results of operations, financial condition and prospects. In addition, there can be no assurance that macroeconomic conditions will not impair our or our franchisees' ability to obtain financing sources in the future, including, but not limited to, our or our current or prospective franchisees' ability to incur additional indebtedness to expand or open new stores or refurbish existing stores.

If we are unable to offer products, prices or commercial offers across our banners that are more attractive than those of our competitors, we may lose market share or experience a decline in network sales. For example, we have observed that a growing number of customers in the optical product market are price sensitive and, thus, the discount segment is an important growth driver. However, there are a number of risks associated with our efforts to compete in the discount segment. Our discount banners may not be able to successfully compete in this segment, which is already dominated by certain other large players in France, such as Optical Center and Générale d'Optique, and in Spain, such as +Vision. In addition, we may experience difficulties introducing and expanding our Afflelou-Paris brand in emerging markets and our Alain Afflelou Acousticien banner may fail to offer competitive pricing in line with other hearing aid product retailers or to offer prices that are in line with our overall presentation of being "price-focused", due to the high cost of hearing aid products as compared with optical products. Our failure to address these challenges related to our multi-banner strategy may lead to general price decreases, reduced network sales growth, reduced franchisor gross profit and a decline in our market share across some or all of our banners, and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are exposed to counterparty risks in relation to our customers, franchisees, suppliers and health insurance companies.

We are and may become further exposed to risks of non-payment or late payment from customers, franchisees, suppliers or OCAMs. In certain cases, when customers purchase optical products or hearing aids from a store, their OCAM may pay the optician or audio prosthetist directly. As a consequence, we may be exposed to a late payment risk from OCAMs for receivables in respect of a large number of sales, both indirectly through our franchisees and directly through our directly-owned stores. We also sometimes act as a qualified credit intermediary in certain of our markets (Belgium and France), extending credit to end-customers for their purchases, which requires us to follow certain regulations and comply with informational requirements and exposes us to further credit risk. Additionally, we may in the future offer end-customers insurance for our products via third-party insurer, which may expose us to counterparty risks from both insurers as well as our end customers.

We charge fees and commissions to franchisees in connection with the services we provide. Our central purchasing units aggregate franchisee purchase orders of lenses and we make the related payments to suppliers prior to collecting the contributions from franchisees. Although we have implemented monitoring of our franchisees' financial performance and position, we are still exposed to risks on accounts receivable in respect of payments owed by our franchisees. Furthermore, our ability to collect royalties and communication fees is dependent on the solvency of our franchisees. Any loss or expense incurred due to defaults by our customers, franchisees or suppliers could have a material adverse effect on our business, results of operations, financial condition and prospects.

Furthermore we provide guarantees to certain suppliers in relation to payments from franchisees, for which we charge a *del credere* commission to suppliers benefiting from such a guarantee. We are subject to default from franchisees on such payments, which are processed through our systems. We also provide guarantees from time to time to financial institutions extending credit facilities to our franchisees. For further information on these guarantees, see "*Business—Description of our business—Services that we provide as franchisor—Procurement, purchasing and logistics solutions*" and "*Description of certain other indebtedness—Guarantee facilities*".

All of the preceding factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

The operation of our directly-owned stores requires us to incur fixed costs and to undertake investment and operational risks associated with operating points of sale.

As of July 31, 2017, we operated 184 directly-owned stores (including 85 in France and 94 in Spain) which represented 31.5% of our revenue for the year ended July 31, 2017. Among these stores, 10 in France and 18 in Spain also had hearing aid corners. Directly-owned stores tend to have a high-level of fixed costs, including costs for personnel, leases, refurbishment and maintenance. We lease our directly-owned stores from third parties. In addition, a number of our directly-owned stores are flagship stores, which tend to be located in first-tier locations, such as the Champs-Élysées and Forum des Halles of Paris. Such locations tend to be more expensive to operate and to lease than ordinary retail locations. Furthermore, the success of any store depends in a substantial part on its location. There can be no assurance that current locations will continue to be attractive as consumer preferences and demographics change. The renewal of leases for certain stores may be difficult to obtain and may require us to increase the amount spent on store leases or to find alternate locations for our directly-owned stores. If we are unable to renew, replace or obtain new leaseholds for our directly-owned stores (as applicable), our retail network strategy and expansion could be adversely affected.

In order to optimize the management of our networks, occasionally we purchase and operate existing franchised stores on a temporary basis, for instance to secure our position at a promising site, to ensure that we do not lose a particularly attractive site in case of the retirement of a franchisee or transfer by a franchisee of its rights in a store or to turn around an underperforming store. In other cases, we seek to buttress our expansion in zones where we are not present, often to persuade new and existing franchisees of an area's strong potential. Such stores can be operated for a time as directly-owned stores before transitioning to franchisee ownership. However, we are exposed to the risk that it may not be possible to transition such stores to franchisee ownership in a timely fashion or at all. In such cases, we may be required to continue operating the store as a directly-owned store for longer than we had initially planned or may have to close the store, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Operating retail stores exposes us to a number of other risks that are ancillary to such activity, including, but not limited to theft and misappropriation of inventory or funds and/or events that disrupt ordinary operation of directly-owned stores such as those caused by fire or flood. For more information about our directly-owned stores, see "*Business—Distribution channels—Development and management of our store networks—Directly-owned stores*". The occurrence of any of these risks related to the operation of a significant number of directly-owned stores could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our marketing and communications strategy may prove ineffective.

Our network sales depend to some extent on the success of our communications strategy. We use various platforms and media, such as events, television spots, online advertising, magazines, visual merchandizing and social media including Facebook, Twitter, YouTube, Instagram and Pinterest to support the positioning of our brands and to engage with consumers. Maintaining consumer engagement and keeping abreast of fashion trends requires significant investment, including a dedicated team. Increases in competitors' communications expenditures could force us to similarly increase our communications budget in the future and may materially impact our brand awareness and footfall to our and our franchisees' stores, even if we match such competitors in terms of communications spending. However, there can be no assurance that an increase in communications spending will yield increases in brand awareness, footfall to our stores or traffic to our websites. For more information about our marketing and communications strategy, see "*Business—Products and commercial offers—Commercial offers and marketing strategy*".

From time to time, we have engaged with celebrity endorsers to draw attention to our products, a practice which we intend to continue. Our marketing campaigns featuring celebrities may not be well-received by customers if the reputation of one of these celebrities has been undermined. Additionally, we may not be successful in adapting to evolving communications tools. For example, if we fail to successfully engage consumers on various social media platforms such as Facebook, Twitter, YouTube, Instagram and Pinterest, or if any other element of our communications strategy fails, we could face a decrease in customer demand and a decline in sales, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be unable to successfully introduce new product innovations and implement commercial offers.

Our historical success is attributable, in part, to the marketing of innovative optical products and hearing aids that are perceived as reliable alternatives to products otherwise available in the market. Our future success will depend on our continued ability to develop partnerships with optical and hearing aid products suppliers and enter into distribution and licensing agreements with such suppliers to introduce innovative products. In addition, we may not be able to continue devising and implementing unique commercial offers to market our products. If we are unable to continue to introduce innovative products and implement successful commercial offers, our future sales may decline which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Acquisitions or investments may disrupt our ongoing business, distract management and employees, increase expenses and adversely affect our business. In addition, we may not be able to identify suitable acquisitions.

Historically, we have made acquisitions to fuel our growth strategy, penetrate new markets and drive our expansion into the discount segment and the online sales space and we may continue to make such acquisitions in the future.

Acquisitions entail inherent risks, particularly when they involve contingent or other liabilities, including liabilities arising from events or conduct predating the acquisition, that were not known to us at the time of acquisition. We may also acquire a company that does not perform as well as we expected, which may not achieve profitability that is on par with the rest of our business or which may take significantly longer than planned to achieve the results we initially expected. As part of the integration of acquired companies into our networks, we may also incur significantly greater expenditures than we had anticipated at the time of the acquisition, which may impair our ability to achieve anticipated cost savings and synergies across our networks. Acquisitions may also have unanticipated tax and accounting ramifications. Managers of the acquired companies may depart, which could delay our integration efforts or the execution of such companies' commercial strategies.

Some of the risks associated with acquisitions relate to differences between the acquired business and our legacy business. For example, following the acquisition of franchisor banners, we often become party to legacy franchise agreements that differ from our standard forms, both in terms of franchisee obligations and levels of remuneration. Likewise, the periodic reports delivered by franchisees that we acquire may not be as in-depth as those provided by Alain Afflelou franchisees who are accustomed to providing monthly reports. In addition, the franchisees that we have integrated or that we may integrate in the future, may operate different sales systems or source their products in different ways than those used by us, which could reduce operational synergies until such time as such legacy franchise agreements can be renegotiated.

Additionally, we may not be able to identify suitable acquisition candidates, consummate acquisitions on acceptable terms, successfully integrate any acquired business into our networks, or retain an acquired company's significant customer relationships, goodwill and key personnel or otherwise realize the intended benefits of an acquisition, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

The occurrence of catastrophic events, such as natural disasters or terrorist attacks, could adversely affect our business.

The occurrence of catastrophic events could adversely affect our network sales. We had 1,474 store locations in 16 countries as of July 31, 2017. Our supply and logistics chain is global, spanning several countries for the sourcing and distribution of our products. Catastrophic events such as natural disasters, floods, fires, earthquakes, severe weather, pandemics or epidemics, terrorist attacks and armed conflicts in the countries in which we operate or from which we source our products, could have a negative effect on consumer spending in the countries where we operate or disrupt our supply and logistics chain. For example, the 2011 Thailand floods led to delays and interruptions in deliveries from our Thai supplier. For more information, see "—*We are exposed to political, economic and other business risks in our sourcing markets*".

More precisely, an event, such as a terrorist attack, that either reduces footfall to our and our franchisees' stores or impairs our ability to receive products from our suppliers, could substantially affect our business. This risk would be exacerbated if it were to occur during peak shopping periods, such as the holiday shopping period. We cannot predict the extent to which such events may affect our business, directly or indirectly, in the future. We also cannot assure investors that we will be able to obtain or choose to purchase any insurance coverage with respect to occurrences of terrorist acts and any losses that could result from these acts. A significant disruption at our or our franchisees' stores or an interruption in our supply and logistics chain due to such catastrophic events could have a material adverse effect on our business, results of operations, financial condition and prospects.

The future expansion of our retail operations into new markets presents a number of risks.

Our management periodically evaluates expansion opportunities into new markets where we currently do not operate against a number of commercial and financial criteria. Expansion into new markets and development within our existing markets may take the form of organic growth, acquisitions of existing networks or joint ventures or other partnerships, including by way of directly-owned stores or new banners. Expansion into new markets is likely to carry greater risks than we face in our existing domestic markets and such risks may be inherently higher if the expansion into new markets is made through acquisitions. New markets may have different competitive and market conditions, regulatory frameworks, customer preferences and discretionary spending patterns than our existing markets. We may also face higher costs of entry, reduced brand recognition, logistical difficulties and minimal operating experience in such markets. Our product offering may not be successful in new markets and our costs may increase due to cost overruns, unexpected delays or other unforeseen factors. Improving brand recognition may be difficult in new markets where competitors are already deeply entrenched, which may require us to make substantial investments in areas such as merchandising, marketing, directly-owned store operations, website expansion and enhancement, community relations, store aesthetics and graphics and employee training, which could adversely affect our cash flow and which may ultimately not be successful. Any of these challenges could have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain of our franchisees operate in emerging markets, and we are indirectly exposed to risks inherent in transacting in such jurisdictions.

We believe that emerging markets present unique opportunities to position the Alain Afflelou brand as a premium banner by building on our French heritage and distinctive own-branded products. However, our product offering may not be well-received by local customers and, although expansion through franchisees generally implies low capital requirements, we can provide no assurance that the benefits of this strategy will outweigh the costs that we incur to form franchise relationships and build our brand name in new markets. In addition, emerging market jurisdictions where we have expanded may have less-protective legal frameworks for our trademarks. As our brand becomes more recognizable in China and elsewhere, the risk of counterfeiting similarly increases, which could affect our brand integrity and our wholesale revenue. Moreover, although our international franchise agreements require that the relevant franchisee make payments in euro, royalties are set as a percentage of network sales, and therefore we are indirectly exposed to the foreign exchange effect of such franchisee converting a portion of our network sales into euro. Furthermore, we may be less able to exercise supervision and provide franchisor services to franchisees located in emerging markets with differing regulatory systems, including with respect to customs and medical product purchases. As a result of the foregoing factors, our efforts in emerging markets may be operationally complex and could be more costly than anticipated which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be required to remove or recall defective or unsafe products and may not have adequate remedies against our suppliers for defective merchandise, which could harm our business and damage our reputation and brand.

As the distributor of our products, we are liable for the safety of the products we sell, all of which are manufactured and/or supplied by third parties. Product quality or safety concerns may require us to remove certain products from our store networks and our websites. If the products that we purchase from suppliers are damaged or prove to be defective, unsafe or of low quality, we may seek recourse from our suppliers but we can offer no assurance that our suppliers will replace defective products in a timely manner, provide us with refunds or sufficient indemnifications or that such incidents will be covered by our product liability insurance.

Any failure by our suppliers to adhere to product safety or manufacturing safety standards could result in serious product defects that may not be detected by our quality control procedures and which may in turn lead to product recalls. Although there have historically been no significant recalls with respect to our products, there can be no assurance that a product recall will not occur in the future. Our reputation and brand could be damaged by the marketing of defective products, especially in the event of serious defects, such as the sale of products incorporating harmful substances causing physical harm or injury or other health problems. Such serious defects could also lead to a significant decline in network sales. In addition, we may be exposed to compliance lapses by our suppliers, which could lead to investigation by agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or otherwise negatively impact our business. Any such event, especially if it results in a prolonged impact on product quality, could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may incur significant repair or replacement costs in respect of product guarantees.

The stores in our networks provide certain product guarantees to customers, both as a result of contractual and legal provisions and for marketing purposes, which permits customers to be reimbursed for products that do not perform as expected. The term of the guarantee provided depends on the product, but typically runs for three years from the date of the purchase for products that we market under our own Afflelou brand, two years for other optical products (except for “Égérie” progressive lenses which can be adapted for fit within the first three months) and for life for certain optical products such as “Protect” lenses. Furthermore, as part of our Win-Win commercial offer, our stores are obliged to replace a lost hearing aid within the first 48 months or exchange optical products that are no longer suitable due to change in vision within the first two years, which could generate losses for us or our franchisees if our pricing assumptions are not accurate. Existing and future product guarantees place our directly-owned stores and our franchisees at the risk of incurring future repair and/or replacement costs. If the amounts or frequency of product guarantee claims were to increase significantly, such as due to a decrease in product quality, it could have a material adverse effect on our reputation, business, results of operations, financial condition and prospects.

We are exposed to liability and reputational harm from injury at our own stores as well as our franchisees’ stores.

Part of our strategy is to create retail spaces that encourage customers to spend time in the stores in our networks and get to know our products. We and our franchisees are therefore exposed to the risk of liability from lawsuits or reputational harm if customers are injured at a store in our networks, either through no fault on our part or that of our franchisees or due to unsafe conditions caused by, among other factors, crowded conditions or the failure to use adequate care in stocking the shelves or installing in-store displays. While such occurrences are rare, any liability, reputational damage or negative publicity resulting from such injuries, could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may incur liabilities that are not covered by insurance.

We carry insurance of various types, including general business liability insurance, franchisor civil liability insurance, fraud and cyber insurance, transport insurance and directors’ and officers’ civil liability insurance and insurance for our directly-owned stores. We may not be able to accurately foresee future activities in which we may engage in order to ensure that they are fully covered by the terms of our insurance policies and, as a result, we may not be covered by our insurance in specific instances. While we seek to maintain appropriate levels of insurance, not all claims are necessarily covered by insurance and we may experience major incidents of a nature that are not covered by insurance. Furthermore, the occurrence of several events resulting in substantial claims for damages within a calendar year could have a material adverse effect on our insurance premiums. In addition, our insurance premiums may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost. All of the factors listed above could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business may be disrupted if our information systems fail or if our databases are destroyed or damaged.

We, our franchisees and our suppliers rely on several information technology tools, platforms, systems and databases across our and their operations, mainly to support and monitor our and their networks, establish reporting, invoicing, the management of central purchasing units and the central listing and payment unit and various other processes and transactions. For instance, we use common point-of-sale software to operate our directly-owned stores. This point-of-sale software is critical to the daily operation of our directly-owned stores and the number of point-of-sale terminals we have in operation at a given time is limited. If these point-of-sale terminals were to become inoperative for any reason, we would not be able to quickly replace them. Our ability to effectively manage our operations and coordinate our interactions with our customers, suppliers and franchisees depends on, among other things, the reliability of these systems’ tools. Our e-commerce operations rely heavily on such information systems and are exposed to certain additional risks related to the computer systems and related support systems pursuant to which our websites are operated, such as liability for online content and breach of data privacy. More generally, we are exposed to risks related to computer viruses and malware, cyberattacks, electronic break-ins and similar problems. For example, in July 2017, Optical Discount experienced a brief attack on its computer systems. Any failure by us or our third-party providers to update and secure their systems or products, any disruption of their operations, any failure of our information systems to operate effectively, or any breach in data security causing unintentional disclosure of customer or other confidential information, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks specifically related to our hearing aid business

The existence of adequate coverage and reimbursement is particularly important for sales of our hearing aids in France.

Prices of hearing aids are generally high. In France in 2015, for example, the average cost of hearing aids was €1,500 per ear and can exceed €1,800 per ear. Thus, adequate coverage and reimbursement from third-parties such as the public health system and OCAMs, which reduces the out-of-pocket cost paid by the end customer, is important for obtaining product acceptance and widespread adoption in the marketplace. Approximately 32% of the cost of hearing aids is currently reimbursable in France through the public health system and OCAMs. Any cost-cutting initiatives implemented by public or private health insurance schemes in the countries in which we operate that reduce the level of reimbursement available to consumers could negatively affect demand for our hearing aids. We expect that government regulation and third-party coverage and reimbursement policies will continue to limit the amounts that governments and other third parties will pay for healthcare products and services, which could have a material adverse effect on our business, results of operations, financial condition and prospects. For more information, see "*—Risks related to the French healthcare system—We are exposed to risk relating to the reimbursement framework in France*".

Prices for hearing aids have historically been subject to price erosion.

The price of hearing aids decreases once a product has been on the market for two to three years. As a result, evolving technologies and rapid innovation in the hearing aid market place significant pressure on prices, especially on products equipped with an older technology. While we believe that volume growth in France should partially offset declines in prices in the future, any reversal in that trend could increase the extent to which pricing pressure impacts our revenue and the revenue of our franchisees and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to our supply activities

We and our franchisees rely significantly on certain suppliers and service providers.

The manufacturing of our own-brand and exclusively licensed products could be delayed or temporarily or permanently interrupted. We do not own or operate any manufacturing facilities or equipment and therefore depends entirely upon third parties for the manufacturing of such products. The majority of the products that we sell are supplied from third parties located in Asia. Certain Asian countries in which our supplies are located, namely China and Thailand, have both been affected, and may be affected in the future, by political and economic disturbances, natural disasters and labor shortages, which could impair the ability of our suppliers to fulfill our orders and those of our franchisees. If we experience a surge in demand or the need to replace an existing supplier, there can be no assurance that additional manufacturing capacity will be available on terms that are acceptable to us or at all. There is also a risk that production by one or more manufacturers could be suspended or delayed, temporarily or permanently, due to economic or technical problems such as the insolvency of the manufacturer, the failure of the manufacturing facilities or disruption of the production process, all of which are beyond our control. For the year ended July 31, 2017, our three main suppliers represented approximately 26.3% of our costs of goods sold.

We do not maintain warehousing facilities. We outsource all of our warehousing and delivery logistics to third parties and rely on third-party suppliers to supply us and our franchisees with products in a timely fashion in order to meet demand from both customers and franchisees. If these services are interrupted or delayed for any significant period of time or if any of these third-party providers fails to fulfill any of their responsibilities, our image and reputation may suffer. This could lead to the deterioration of our relationships with potential and existing franchisees and customers.

All of the foregoing risks could have a material adverse effect on our business, results of operations, financial condition and prospects.

We rely significantly on an intermediary agent in China.

We source most of our proprietary frames and sunglasses that are sold under our Afflelou brand, as well as frames and sunglasses that we sell under exclusive licenses through a Chinese intermediary agent, Okia. Okia sources its products from subcontractors and manufacturers with whom we have no contact. Okia or its subcontractors could experience financial and operational impediments, such as difficulties in their supply and logistics chain, including delivery delays and stock disruptions or social unrest that could interfere with access to products and are exposed to risks inherent to doing business in China. The reliance on Okia could also impair our ability to execute our business plan within the desired timeframe if Okia were to fail to meet our requirements. In addition, any problem pertaining to the quality of products sourced by Okia or linked to the manufacturing conditions of our products in China (notably relating to compliance with national, international and European regulations on working conditions) may trigger negative publicity, adversely affect our reputation and result in loss of market share, especially as some of our competitors use the fact that they manufacture their products in France as a sales argument.

Furthermore, Okia may increase the fees it charges us for its services or may abruptly cease working with us, including due to factors beyond our or Okia's control. In the event that we are not able to continue to rely on Okia, we may experience difficulties and delays in finding a new agent that meets our standards and allows us to source products in a timely and efficient manner. Even if we do identify a new agent, we may experience increased costs or significant delays in souring as we transition to such new agent. This could have a material adverse effect on our business, results of operations, financial condition and prospects.

Given our long-standing relationship with Okia, our commercial agreements with Okia are not systematically documented and formalized. In the event of disagreements or litigation with Okia, the absence of legally binding documents may hinder our ability to enforce our rights under those agreements and may therefore have a material adverse effect on our business, results of operations, financial condition and prospects, particularly in light of Okia's importance in our supply and logistics chain. All the preceding factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business may be adversely affected by the loss of, or actions taken by, our suppliers and changes to our contractual agreements and license agreements.

Our suppliers currently provide us with various revenue streams such as listing and *del credere* commissions on franchisee purchases, as well as early payment allowances. Suppliers that are selected to manufacture products sold under one of our signature brands, or in the context of one of our commercial offers, are also invoiced licensing fees based on the purchases of such products by franchisees. In addition, we retain a share of the discounts and rebates negotiated with suppliers when reselling products to franchisees, mainly through the central purchasing unit. We may not be able to continue to retain or find new qualified suppliers who meet our standards and levels of demand and supply products in a timely and efficient manner.

Our suppliers may challenge the fees or discounts that are applied to them, decide to withdraw some of the services they offer or alter the commercial terms, conditions, discounts and rebates we have negotiated with them. We may also be adversely affected if our suppliers consolidate, thereby increasing their bargaining power, or if competitors sign exclusive supply agreements with or take over our current or future suppliers, diverting their manufacturing capacity away from servicing our needs. In addition, certain of our suppliers enjoy commanding market positions and we may be unable to secure products of sufficient quality or quantity if any such supplier ceases trading, demands higher prices or more stringent payment terms, is unable to meet our requirements or reduces its business with us for any other reason. Even if we do identify new suppliers, we may experience increased costs, delays and product shortages as we transition our product requirements to alternative suppliers. Such new arrangements may not be on terms that are as favorable to us as our current arrangements. Finally, any new supplier with which we do business may be subject to similar or even greater quality- and quantity-related risks as our existing suppliers.

Additionally, we have exclusive licenses for certain brands, such as Calvin Klein Jeans, pursuant to which we design, source and distribute frames and sunglasses that are marketed under those brands. We may also from time to time market exclusive collections from designer brands, which are branded frames specifically created by designers for exclusive distribution by our networks. For more information about our licensing agreements, see "*Business—Research and development, patents and licenses*". Changes to or termination of our exclusive licenses or if we encounter difficulties in obtaining new exclusive designer brand licenses, this may divert customers to competitors and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are exposed to political, economic and other business risks in our sourcing markets.

Most of our products are manufactured in markets outside the European Union, principally in China, Thailand and other countries in Southeast Asia. We face a variety of risks generally associated with doing business in foreign markets and importing products from these markets, including, among others, political and economic instability, increased security requirements applicable to foreign goods, imposition of duties or other charges and restrictions on imports, currency and exchange rate risks, exchange controls, delays in shipping and increased costs of transportation, risks related to labor practices and disputes, non-compliance with product safety or manufacturing safety standards, environmental matters, natural disasters such as floods and earthquakes or other specific problems in the countries in which our products are manufactured. Any such risk which disrupts the production of our suppliers, increases costs and/or delivery times and could result in increased costs for us or impact our ability to adequately supply our points-of-sale. The occurrence of any of these events could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to legal and regulatory matters

Risks related to disputes

We are subject to risks from legal and arbitration proceedings.

In the ordinary course of our business, we may become involved in various claims, lawsuits, investigations, arbitration and administrative proceedings, such as, for instance, antitrust or tax proceedings, some of which may involve substantial claims for damages.

We are subject to certain antitrust proceedings. For example, Alain Afflelou Franchiseur, is involved in a proceeding initiated by the French Competition Authority (*Autorité de la concurrence*) in relation to certain anticompetitive practices concerning the prices of certain frames. In July 2016, the French Competition Authority set a sanction of up to €12.5 million. The proceedings are ongoing and we are contesting the allegations. However, we cannot exclude the possibility that the French Competition Authority may impose a fine, including in an amount in excess of the above mentioned maximum. As of the date of this Offering Memorandum, no provision has been set aside in our consolidated accounts for this proceeding. We also cannot exclude the fact that a possible sanction from the French Competition Authority could cause us to incur liability for damages to third parties. As of the date of this Offering Memorandum, no provision has been set aside in our consolidated accounts for this proceeding. See "*Business—*

Legal And arbitration proceedings—Proceeding concerning alleged antitrust practices as the result of a vertical agreement concerning the price of frames".

We are also subject to a tax proceeding in France. Alain Afflelou Franchiseur was subject to a tax audit for the period from August 1, 2009 to July 31, 2012. As a result of this audit, the French tax authorities issued a tax reassessment notice mainly reassessing the price at which Alain Afflelou Franchiseur sold certain holdings in 2010, claiming that such sale price should have been higher in order to be considered as having been made at arm's length. Alain Afflelou Franchiseur is challenging this reassessment. Should the tax administration prevail, the eventual resolution of this proceeding would decrease the amount of our reported carry-forward tax losses by an amount of €21.1 million. See "*Business—Legal and arbitration proceedings—Tax proceeding between Alain Afflelou Franchiseur and the French tax authorities*".

Additionally, we are subject to litigation from current and former franchisees. For example, a proceeding is pending between Alain Afflelou Franchiseur and L'Opticien Afflelou and two former franchisees, N2DC and N2DCB. In 2009, Alain Afflelou Franchiseur and L'Opticien Afflelou informed N2DC and N2DCB that they would be terminating their franchise and management contracts. Legal proceedings were then initiated against these former franchisees requesting a court-ordered contract termination for tortious conduct. In 2009, the Commercial Court of Paris (*Tribunal de commerce*) ruled, among other things, that Alain Afflelou Franchiseur and L'Opticien Afflelou wrongly terminated the franchise and management contracts entered into with N2DC and N2DCB, and as such, they must compensate N2DC and N2DCB for damages. A provision of €1.2 million has been set aside in Alain Afflelou Franchiseur's accounts and a provision of €0.2 million has been added to L'Opticien Afflelou's accounts for this proceeding. The Paris Appellate Court rendered its decision on September 13, 2017, partially upholding the Commercial Court's decision. The Paris Appellate Court found that Alain Afflelou Franchiseur and L'Opticien Afflelou were liable for wrongful termination of the franchise and management agreements and wrongful termination of commercial relations, and that N2DC and N2DCB were liable for amounts outstanding from the acquisition of the business assets (*fonds de commerce*), plus interest, and settling amounts owed to L'Opticien Afflelou under the franchise and management agreements. See "*Business—Legal and arbitration proceedings—Proceeding between Alain Afflelou Franchiseur and L'Opticien Afflelou and N2DC and N2DCB*".

We are also subject to litigation from another former franchisee, Mr. Patrice Casas. Following a series of late payments for orders and royalties, Mr. Casas requested and obtained from the Commercial Court of Béziers (*Tribunal de commerce*) safeguard protection for his three franchisee entities, Académie Vision, Groupe Optique Méditerranée and Cathare Optique. We filed an interpleader action requesting that the safeguard judgment be overturned. The Commercial Court rejected all of our interpleader actions, a ruling that we have appealed. In August 2016, Académie Vision filed suit against Alain Afflelou Franchiseur before the Commercial Court of Béziers requesting that an expert be appointed to examine the budget and advertising royalties paid by franchisees to Alain Afflelou Franchiseur. In September, 2016, the Commercial Court rejected Académie Vision's request, a decision that Académie Vision appealed and was dismissed by the Montpellier Appellate Court (*Cour d'appel de Montpellier*) on February 23, 2017. In addition to the civil proceedings, Mr. Patrice Casas has instituted criminal proceedings against Alain Afflelou Franchiseur with the Paris prosecutor which remain ongoing. See "*Business—Legal and arbitration proceedings—Proceeding between Alain Afflelou Franchiseur and Mr. Patrice Casas*".

We are also subject to litigation against other shareholders of our minority interests. We are currently engaged in a procedure in Portugal against Brodheim, which acquired shares of Optisivsão without respecting our pre-emptive rights under the bylaws. We have initiated proceedings which remain ongoing. See "*Business—Legal and arbitration proceedings—Proceeding between Alain Afflelou and Brodheim".*

Adverse judgments or determinations in one or more of these proceedings may require us to change the way we do business or use substantial resources in adhering to settlements or pay damages, fines or other penalties. The costs related to such proceedings may be significant and even if there is a positive outcome, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other litigants, insurance or otherwise. In addition, provisions we make when threatened with actual or potential litigation may prove insufficient. For further information, see "*Business—Legal and arbitration proceedings*". These proceedings, inquiries or disputes could undermine our brand and reputation and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to laws and regulations

We operate in a highly regulated business environment and predicting legal and regulatory changes or developments is difficult.

Our ability to predict and adapt to changing legal and regulatory trends is important to our success. Any uncertainty as to regulatory trends or changes in policies in relation to our industry may delay or hinder our ability to achieve our strategic plans or increase the cost of implementing such plans. The sale of our products and the provision of our services are subject to a high level of regulation and oversight, including regulation applicable to the healthcare sector. The main regulatory requirements relevant to our business include the public health system and complementary health insurance reimbursement systems, recruitment and appointment of personnel, alternative distribution channels and limitations on advertising (for more information about regulations that apply to our business, see "*Regulation*"). We are also subject to antitrust, labor, tax, consumer finance regulations and other dispositions. Regulatory requirements differ across the jurisdictions in which we operate and are subject to change. New regulations may be introduced in the future, and existing regulations and regulatory bodies may be amended, significantly expanded or replaced. We may be required to adapt our operations in order to comply with such changes. For example, as part of an effort to increase transparency in the hearing aid market, new legislation will come into effect on January 1, 2018 that will require hearing aid retailers to provide customers with breakdowns between various components of the price of the hearing aids they sell.

We may not be able to predict the content of new legislation and regulations and their effects on our business and we may not be able to adapt to regulations sufficiently quickly, or at a reasonable cost. Our operations may be adversely affected by regulatory developments and the cost of compliance with new regulations may be material. Failure to comply with applicable regulations could have a material adverse effect on our reputation, business, results of operations, financial condition and prospects.

In addition, a number of public statements made by the new French administration may result in the eventual adoption of new regulations that could be implemented to the detriment of our business, particularly in regards to third-party payment systems and potential limits on out-of-pocket expenses paid for optical products and hearing aids.

See also "*—Risks related to the French healthcare system—We are exposed to risk relating to the reimbursement framework in France*".

We are exposed to the risk of strikes, work stoppages and other industrial action.

We and our franchisees may experience lengthy consultations with labor unions and works councils, strikes, work stoppages or other industrial actions, as well as the negotiation of new collective bargaining agreements or salary increases in the future, which could disrupt our operations or increase costs. In addition, strikes by employees of any of our key suppliers or services contractors could result in business interruptions. The occurrence of any of the above risks could disrupt our business, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may fail to obtain, renew or maintain, or may experience material delays in obtaining, requisite governmental or other relevant approvals, licenses, certificates or permits for the conduct of our business.

Our activities require various approvals, licenses and certificates to sell frames and lenses, contact lenses, prescription sunglasses and hearing aids. We may encounter significant obstacles or delays in obtaining or renewing, or be unable to obtain or renew, new or existing approvals, licenses and certificates required for the conduct of our business, in particular in markets in which we have only recently established a presence, or that we will continue to satisfy the conditions under which such approvals, licenses and certificates are granted. Although we monitor the status of approvals, licenses and certificates in markets in which we carry out our activities and proactively file applications to retain or obtain such approvals, licenses and certificates, there may be delays on the part of the regulatory, administrative or other relevant bodies in reviewing our applications and granting such approvals, licenses and certificates. In certain countries, the procedures for acquiring or renewing approvals, licenses and certificates may become more complicated and/or costly. If we fail to obtain, renew or maintain the necessary approvals, licenses and certificates required for the conduct of our business, we may lose customers or be required to incur substantial costs, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our relationships with our customers and suppliers are subject to stringent regulations.

The relationships between stores in our networks and customers are governed by consumer protection laws and regulations in the countries where we operate. Such regulations are designed to ensure the protection of customers, and generally include requirements that market players act fairly and provide customers with complete information to enable them to make free and informed purchasing decisions. In addition, our relationships with our suppliers are subject to specific regulations governing, for instance, disclosure requirements, fair dealing, ordering, delivery, pricing, invoicing, payment and intellectual property.

Failure on our part or on the part of our franchisees to comply with applicable laws and regulations governing our and our franchisees' relationships with customers and suppliers may result in investigations, enforcement actions, fines, penalties and administrative or legal proceedings. In addition, a failure to comply with regulations governing our relationships with our suppliers may entitle the relevant supplier to terminate our business dealings with us. Any of these developments may undermine our reputation and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are subject to stringent security and data privacy laws and may be exposed to confidentiality and security breaches.

We and our franchisees are subject to complex and evolving European, French, Spanish and other laws and regulations regarding the collection, retention, sharing and protection of data obtained from and concerning end customers, as well as their employees and, for us, the franchisees themselves. In France, we are notably required to inform and request authorization from the *Commission Nationale de l'Informatique et des Libertés* to use and store certain personal data received from customers. Many of these laws and regulations are subject to change and any new requirements may result in modifications of our business practices and increased cost of operations to meet such requirements.

In addition, opticians and audio prosthetists in our networks receive and store confidential, personal and sensitive data, such as medical, social security and health insurance information with respect to customers, and are therefore subject to privacy and security regulations with respect to the use and disclosure of health and personal information. As such, we receive and store this data from our directly-owned stores. The amount of such data has increased following the implementation of our CRM program.

Our online sales operations are also subject to changing regulations and laws governing the online and e-commerce transactions, including user privacy, data protection and electronic communications.

In December 2015, the EU approved the EU General Data Protection Regulation ("**GDPR**") with respect to data protection and retention. The GDPR enhanced existing legal requirements through several new rules and includes stiff penalties for organizations that fail to comply. The GDPR will be directly applicable in all member states as of May 25, 2018. In addition, following the adoption of the GDPR, on January 11, 2017, the EU Commission published a proposal for an e-privacy regulation, replacing the existing e-privacy directive that regulated privacy related issues in the electronic communications sector. The adoption of this proposal is not expected before June 2018.

Further, customers expect us and our franchisees to adequately protect their personal information. If we, our franchisees, opticians or audio prosthetists in our networks do not adequately safeguard confidential customer data or other protected health information, or if such information or data are wrongfully used by us or our franchisees, if such data is disclosed to an unauthorized person or entity or if we or our franchisees fail to comply with privacy laws and regulations or data protection policies with respect to our customers, employees or franchisees, our reputation may suffer, and we may be subject to fines, penalties and legal proceedings and there could be a material adverse effect on our business, results of operations, financial condition and prospects.

Changes in laws and regulations affecting the advertising methods we employ or the commercial offers we implement may adversely affect our ability to promote our brand and market our products.

We rely heavily on our communications, marketing and advertising strategies through the Internet and national media, including television, to promote our brand and commercial offers in our main markets. Changes in regulations restricting television advertisement by healthcare professionals, including opticians, may substantially impact our ability to promote our brand, commercial offers and product offerings. Depending on the classification of the applicable product, legislation in France and Spain currently imposes limits on content and/or requires pre-publication review of the content by the competent authorities. Currently, only contact lenses and contact lens solutions are subject to such regulation. However, such regulations may change in the future. Moreover, changes in regulations affecting our commercial strategy may impair our ability to conduct certain of our commercial offers. For instance, the regulation of consumer credit may tighten, which may hinder the continued success of our NextYear and Win-Win commercial offers, which allow customers to purchase our products on credit and free of interest and other charges. Likewise, regulatory changes that limit customer out-of-pocket spending on certain optical products and hearing aids may reduce the attractiveness of certain of our commercial offers, such as NextYear and Win-Win, which we use to draw new and returning customers to our stores. For more information about our commercial offers, see "*Business—Consumer financing solutions*". This could have a material adverse effect on our business, results of operations, financial condition and prospects.

Changes in customs regulations, including customs duties, may adversely affect our operations.

Our business relies on our effective supply strategy. Our main supplier, which supplies the majority of frames and sunglasses that we market under our own brands, is Okia (see "*Business—Sourcing, design and manufacturing*"). In addition, our suppliers of exclusive collections from designer brands, own-brand lenses and contact lenses and non-exclusive products manufacture or source products from countries which are not members of the European Union. Due to our significant import activities, we are subject to changes in customs regulations, and particularly customs duties. Our and our franchisees' purchasing costs may be adversely affected if export and import regulations in the countries from which we or our suppliers source products, or import regulations in the European Union, become more stringent or costly. For instance, our and our franchisees' purchasing costs may be affected by an increase in the amount of customs duties that we or our suppliers are required to pay. We may be unable to pass on any additional costs associated with more stringent customs regulations to franchisees and our franchisees may be unable to pass on such costs to end customers. As a result, any changes in customs regulations could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks related to our financial profile, capital structure and tax

Risks related to our financial profile and capital structure

A substantial amount of our total assets consists of intangible assets, including trademarks and goodwill, and we may be required to record significant impairment charges in respect of these assets.

In accordance with IFRS, our management must test certain assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to testing include goodwill and intangible assets such as the value of our trademarks and customer lists. In addition, our management must test for impairment of goodwill at least once a year, whether or not there are any indicators of impairment. IFRS require us to recognize a non-cash charge in an amount equal to any impairment. For example, in connection with our annual impairment test related to our consolidated statement of financial position as of July 31, 2017, we recorded €2.2 million of impairment related primarily to the carrying value of the Optimil banner's trademarks as further described in note 6.2.2. of the Parent's consolidated financial statements included elsewhere in this Offering Memorandum. As of July 31, 2017, intangible assets susceptible to impairment charges under IAS 36 Impairment of Assets comprised 75.9% of our total assets. Any future impairment of goodwill or other intangible assets may result in material reductions of our revenue and equity under IFRS. This could have a material adverse effect on our results of operations, financial condition and prospects.

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

The Issuer will be a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in the Subsidiary Guarantors and its receivables under the AAF Proceeds Loan and the LOA Proceeds Loan and any future intercompany loans. As a result, the Issuer will be dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans, or otherwise to make any payments due on the Notes.

In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under French or other applicable corporate law, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

We cannot assure you that the arrangements with our subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of our subsidiaries and our results of operations and cash flow generally will provide us with sufficient dividends, distributions or loans to fund payments on the Notes. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal and interest payments on the Notes, and we do not expect to have any other sources of funds that would allow us to make payments to holders of the Notes.

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

The Sponsors are the indirect majority shareholders of the Issuer. The interests of the Sponsors and/or any other principal shareholder in the future could conflict with each other and/or the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our liabilities when due. Any principal shareholder could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in its judgment could enhance its investment, although such transactions might involve risks to the holders of the Notes. In addition, our shareholders may also invest or acquire businesses that compete with us.

Risks related to tax

Changes in tax laws or challenges to our tax position could adversely affect our results of operations and financial condition.

Our tax returns are prepared in accordance with applicable tax legislation and prevailing case law, it being noted that the tax regulations of the countries in which we are established could be interpreted in very different ways. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. Furthermore, the current incorporation into French tax law of the Organization for Economic Cooperation and Development's (the "**OECD**") principles related to base erosions and profit shifting ("**BEPS**") included in the final reports released by the OECD as well as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS signed in Paris on June 7, 2017 could increase the administrative efforts within the Group and impact existing structures. Furthermore, the European Commission has published a corporate reform package proposal on October 25, 2016 including three new proposals that aim at (i) re-launching the Common Consolidated Corporate Tax Base ("**CCCTB**") which is a single set of rules to compute companies' taxable profits in the EU, (ii) avoiding loopholes associated with profit-shifting for tax between EU countries and non-EU countries, and (iii) providing new dispute resolution rules to relieve problems with double taxation for businesses, which could also impact our tax position in the future.

In addition, we often rely on generally available interpretations of applicable tax laws and regulations and we sometimes follow our own interpretations of such laws and regulations. We cannot be certain that the relevant tax authorities are in agreement with our interpretations. Occasionally, we are subject to tax audits or receive inquiries from tax authorities regarding tax matters, including transfer tax arrangements with holding companies. A challenge by relevant tax authorities to our tax positions could result in a decrease in our available carry-forward tax losses, the imposition of additional taxes for prior or future tax periods and the payment of late payment or other penalties. The foregoing could increase our costs of operations and have a negative effect on our business, reputation, financial condition, operating results and cash flows. See "*Business—Legal and arbitration proceedings—Tax proceeding between Alain Afflelou Franchiseur and the French tax authorities*".

We qualify for the French employment incentive tax credit. However, the extent to which we benefit from such tax credit may be materially adversely affected by changes in the law or in the application of related accounting rules.

In December 2012, the French government enacted a competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* or "**CICE**"), as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. The amount of the CICE is calculated on the basis of gross salaries paid in the course of each calendar year to employees whose wages are up to a maximum of 250% of the French statutory minimum wage. Eligible salaries are calculated on the basis of regular working hours plus overtime hours (but without taking into account the overtime rate). The rate of this tax credit, which was equal to 6% for financial years beginning on or after January 1, 2014, was changed to 7% for compensation paid on or after January 1, 2017.

In accordance with the IFRS accounting rules applicable as of the date of this Offering Memorandum, we are able to record the CICE for which we are eligible as a deduction from personnel costs. Consequently, the CICE had a positive impact of €1.0 million on our Adjusted

EBITDA for the financial year ended July 31, 2017. Additionally, in France we benefit from reductions in employer social security contributions on certain wages pursuant to the *Loi Fillon* (Law no. 2008-1258 of December 3, 2008).

As part of his presidential campaign, the newly elected French President, Emmanuel Macron, announced that he aims to transform the CICE into a decrease in employer social charges. In this respect, Article 42 of the draft Finance Law for 2018 (*Projet de loi de finances pour 2018*), which has just been released, proposes to decrease the rate of the CICE from 7% to 6% for 2018 and to replace it with a decrease in employer social charges in 2019. However, it is still uncertain whether the proposed article will be approve with its initial terms or if it will be amended and to what extent. There can be no assurance, therefore, that we will continue to be able to benefit from the CICE under the same conditions, or that the contemplated decrease in employer social charges, if enacted, would have the exact same financial impact as the CICE for us.

Finally, certain of our commercial partners, such as customers, suppliers and concession grantors, may increase price pressure on us in order to share the benefit of the CICE, which may have an impact on our revenue and margins and as such decrease or eliminate the impact of the CICE.

Our future results, French and foreign tax regulations and tax audits or disputes could limit our ability to use our tax loss carry-forwards and, as a result, could have an impact on our financial condition.

We have carry-forward tax losses (€252.8 million in total, of which €246.6 million relate to France as of July 31, 2017) and including €158.1 million of carry-forward tax losses generated within the current French tax consolidated group and €70.8 million of carry-forward tax losses generated by the former French tax consolidated group and which can be offset against the taxable result of the companies belonging to the current French tax consolidated group which were also part of the former French tax consolidated group under the conditions set forth in Article 223 I-5 of the French Tax Code, which have given rise to deferred tax assets on our balance sheet. The ability to effectively use such carry-forward tax losses will depend on a variety of factors, including: (i) the ability to generate taxable income and the adequacy between such income and tax losses; (ii) the general limitation applicable to French carry-forward tax losses, under which the percentage of carry-forward tax losses that may be used to offset the portion of taxable income exceeding €1 million is limited to 50% in respect of financial years ending on or after December 31, 2012, as well as certain specific restrictions relating to the use of certain categories of carry-forward tax losses; (iii) limitations to the use of tax losses that may be imposed by foreign laws and regulations (e.g., in case of a change in control); (iv) the outcome of present and future tax audits and litigations; (v) potential changes in applicable laws and regulations; and (vi) in part, the outcome of the ongoing proceedings with the French tax authorities. See "*Business—Legal and arbitration proceedings—Tax proceeding between Alain Afflelou Franchiseur and the French tax authorities*".

French tax law may limit all or a portion of our capacity to deduct interest on our debt for tax purposes, which could lead to a reduction in our net cash flows.

Under Article 39.1.3° of the French Tax Code, the deduction of interest paid by a French company to lenders who are direct shareholders of such company but are not related parties to such company within the meaning of Article 39.12 of the French Tax Code, is subject to the conditions that (i) the share capital of the borrowing company is fully paid-in and (ii) the interest rate on the corresponding loans does not exceed a rate equal to the annual average rate of floating rate loans granted by financial establishments for a minimum term of two years. Non-deductible interest pursuant to such limitation will be treated as deemed dividend under French tax law and may in particular be subject to withholding tax, subject to applicable tax treaties.

Pursuant to Article 212 §I (b) of the French Tax Code, for fiscal years ending on or after September 25, 2013, the deductibility of interest paid to a related party within the meaning of

Article 39.12 of the French Tax Code is also subject to the following requirement: if the lender is a related party to the borrower within the meaning of Article 39.12 of the French Tax Code, the French borrower shall now demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules (the "**Anti Hybrid Loan Provisions**"). Where the related-party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes, a collective investment scheme referred to in Articles L. 214-1 to L. 214-191 of the French Monetary and Financial Code (*Code monétaire et financier*) (which includes UCITSs and AIFs as well as other collective investment schemes such as SICAVs and SPPICAVs with a single shareholder) or, subject to certain conditions, a similar entity organized under a foreign law.

Pursuant to *Bulletin Officiel des Finances Publiques-Impôts* BOI-IS-BASE-35-50, n° 230, dated August 5, 2014, the portion of interest which is not deductible by virtue of Article 212 § I-b) of the French Tax Code is not to be recharacterized as a "deemed distribution" pursuant to Article 119 *et seq*. of the French Tax Code and, therefore, is not subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code.

Under Article 212 § II of the French Tax Code, the deduction of interest paid on loans granted by a related party within the meaning of Article 39.12 of the French Tax Code or on loans granted by a third party that are guaranteed by a related party (such third party being assimilated to a related party) may be subject to certain limitations. Deduction for interest paid on such loans may be partially disallowed in the financial year during which they are accrued if such interest exceeds each of the following thresholds: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity or, subject to certain conditions, share capital, and (b) the average amount of indebtedness owed to related parties (or third parties assimilated to related parties) over the relevant financial year; (ii) 25% of the company's earnings before tax and extraordinary items (as increased by certain items for the purpose of these limitations); and (iii) the amount of interest received by the indebted company from related parties. Deduction may be disallowed for the portion of interest that exceeds in a relevant fiscal year the highest of the above three limitations if such portion of interest exceeds €150,000, unless the company is able to demonstrate for the relevant fiscal year that the indebtedness ratio of the group to which it belongs is higher or equal to its own indebtedness ratio. Specific rules apply to companies that belong to French tax-consolidated groups.

In addition, Article 209 § IX of the French Tax Code imposes restrictions on the deductibility of interest expenses incurred by a French company if such company has acquired shares of another company qualifying as "*titres de participation*" within the meaning of Article 219 I a *quinquies* of the French Tax Code and if such acquiring company cannot demonstrate, with respect to the fiscal years running over the twelve-month period from the acquisition of the shares (or with respect to the first fiscal year opened after January 1, 2012 for shares acquired during a fiscal year opened prior to such date), that: (i) the decisions relating to such acquired shares are actually taken by the company having acquired them (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L.233-3 § I of the French Commercial Code (*Code de commerce*), which is located in France) and (ii) where control or influence is exercised over the acquired company, such control or influence is exercised by the acquiring company (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L.233 3 § I of the French Commercial Code, which is located in France). We note that Article 14 of the draft Finance Law for 2018 proposes to repeal the Article 209 § IX of the French Tax Code.

Article 223 B of the French Tax Code also provides for certain specific limitations applicable in case of an acquisition of shares of a company from an affiliated person or entity that does not belong to the French tax group of the purchaser, where the acquiring company and the target are or become part of the same French tax group.

Moreover, Articles 212 *bis* and 223 B *bis* of the FTC provide for a general limitation of deductibility of net financial charges, subject to certain exceptions. Adjusted net financial charges incurred by French companies that are subject to French corporate income tax and are not members of a French tax consolidated group are deductible from their taxable result only up to 75% of their amount, to the extent that such companies' financial charges (net of financial income) are at least equal to €3.0 million in a given fiscal year. Under Article 223 B *bis* of the French Tax Code, special rules apply to companies that belong to French tax consolidated groups. The 75% limitation is factored on the basis of the group's consolidated taxable result and applies to the adjusted aggregate net financial charges incurred by companies that are members of the French tax consolidated group with respect to amounts made available by lenders outside such group, to the extent that the tax group companies' consolidated financial charges (net of financial income) are at least equal to €3.0 million in a given fiscal year.

In the present case, the limitations provided for by Articles 212 § II, 212 *bis* and 223 B *bis* of the FTC deprived us of the ability to deduct approximately €42.7 million in the year ended July 31, 2017. However, such add-back did not have any cash impact, as it was offset by a decrease in our available carry-forward tax losses. We have not added back any additional interest in respect of the other limitation rules mentioned above.

Pursuant to *Bulletin Officiel des Finances Publiques-Impôts* BOI-IS-BASE-35-40 n°70, dated April 30, 2014, the portion of net financial expenses which is not deductible by virtue of Article 212 *bis* of the French Tax Code is not to be recharacterized as a "deemed distribution" pursuant to Article 109 *et seq*. of the French Tax Code and, therefore, is not subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code. This position is very likely to be transposed to the limitation set forth by Article 223 B *bis* of the French Tax Code.

Furthermore, the above rule restricting the deductibility of interest under French tax law will be amended or completed in the future following the adoption by the Council of the European Union, on July 12, 2016, of the Council Directive 2016/1164/EU laying down rules against tax avoidance practices that directly affect the functioning of the internal market (the "**ATAD**").

The ATAD notably includes a mechanism under which adjusted net financial expenses incurred by an EU company will be deductible from its taxable results only up to 30% of EBITDA, it being noted that net financial expenses may in any case be deductible up to a maximum amount of €3.0 million in a given fiscal year. The detailed implementation of such new rule in France remains largely unknown, including its possible application at groups' level and its combination with the existing rules mentioned above.

The ATAD should in principle enter into force on January 1, 2019 but this also remains uncertain at this stage. Member States that have, at the date of the entry into force of the ATAD, national targeted rules for preventing base erosion and profit shifting risks, that are equally effective to the interest limitation rule set out by the latter, may elect to apply these targeted rules until the adoption by the OECD members of a minimum standard with regard to the four OECD Action Items against BEPS (whose purpose is to limit base erosion involving interest deductions and other financial payments) or, at the latest, until January 1, 2024 to the extent they notify such election by the end of June 2017.

The possibility to postpone the implementation of the interest deduction limitation rule is subject to an express request made by the EU Member States who want to benefit from this postponement to the European Commission, and that the European Commission accepts such request. Despite the absence of any official notice on this subject, we understand that France used the possibility offered to EU Member States to ask for a deferral of application of the new rules resulting from the ATAD Directive and that, for this purpose, a request was filed by the French government with the European Commission in late June 2017.

Furthermore, on February 22, 2017, the Council of the European Union adopted a proposal for a directive amending the provisions of the ATAD with respect to hybrid mismatches which would be applicable at the latest on December 31, 2019. These new rules may impact the abovementioned Anti Hybrid Loans Provisions.

These above-mentioned specific tax rules as well as generally applicable tax principles may limit our ability to deduct interest accrued on our indebtedness incurred in France and, as a consequence, may increase our tax burden, which could adversely affect our business, financial condition and results of operations.

Our business may be adversely affected by an increase in the applicable VAT rates in the countries where we operate, in particular in Spain.

Our products are subject to VAT in each of the countries where we operate with different applicable rates set by each such country. As of December 31, 2016, standard VAT rate was 20% in France, 21% in Belgium and 21% in Spain. From 2010 to 2012, European governments increased VAT rates in order to bolster public finances, and there can be no assurance that VAT rates will not be further increased in the future. Our published retail prices are inclusive of VAT.

In addition, in Spain, a reduced VAT rate of 10% currently applies to the sale of corrective lenses, contact lenses, frames of prescription glasses and cases sold together with such lenses, and care solutions. In a decision dated January 17, 2013, the Court of Justice of the European Union ruled that the Council Directive 2006/112/EC of November 28, 2006 on the common system of value-added tax did not authorize Spain to apply a reduced rate of VAT to medical equipment, aid and devices of general use that were not normally intended to alleviate or treat personal disabilities. This decision has prompted discussions in Spain regarding a potential increase in the VAT rate applicable to the sale of optical products to the 21% standard VAT rate. In order to adapt the legislation to what is established in the Court of Justice judgment, the Spanish legislator amended the list of goods subject to the reduced rate of 10% as from January 2015 and the entitlement to that reduced rate has been limited to, among other products, a narrower range of pharmaceutical products that can be used by the consumer, and medical equipment and devices (which include, among others, prescription glasses and contact lenses). Frames of prescription glasses were initially not included in the list of devices that could benefit from the reduced 10% VAT rate, but the 2017 Budget Act has provided for the reduction of the VAT rate of such products (effective as from June 29, 2017).

Other jurisdictions of the European Union where we have operations apply reduced VAT rates to the sale of optical products and may be required to increase VAT rates to comply with European Union regulations.

If VAT rates were to increase in the future or if the application of the reduced VAT rates were to be abandoned by the relevant jurisdictions, our profitability margins will be negatively impacted if we do not increase the prices of our products to match the increase in VAT. However, if we pass the increase in VAT on to our customers by raising the prices of our products, the demand for our products may decline, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we face VAT risks arising out of our operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

Risks related to our indebtedness

Our significant leverage and debt service obligations could materially adversely affect our business, results of operations, financial condition and prospects and may make it difficult to operate our business.

After the issuance of the Notes, we will be highly leveraged. As of July 31, 2017, as adjusted to give effect to the Transactions, the Offering and the application of the proceeds therefrom, we would have had total third-party gross debt of €426.9 million, of which €425 million would have been represented by the Notes. In addition, €30.0 million will be available for drawing under the New Revolving Credit Facility. See "*Capitalization*". We will also have significant commitments under our Guarantee Facilities (as defined under "*Description of certain other indebtedness*") in the amount of €18.7 million, accounts receivable assignments, trade payables and convertible bonds held by shareholders. See "*Management's discussion and analysis of financial condition and results of operations—Off-balance sheet commitments*".

Our significant leverage could have important consequences for our business and operations, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or general economic or industry conditions;
- placing us at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than we have;
- limiting our flexibility in planning for or reacting to competition or changes in our business and industry;
- negatively impacting credit terms with our creditors;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. Our ability to make payments on and refinance our indebtedness and to fund working capital expenditures and other expenses will depend on our future operating performance and ability to generate cash from operations.

In addition, we may be able to incur additional debt in the future, including indebtedness in connection with any future acquisition. The terms of the Indenture and the New Revolving Credit Facility permit our subsidiaries to do so, in each case, subject to certain limitations. If new debt is added to our current debt levels, the risks that we now face could intensify. Moreover, certain of the debt we may incur in the future could be structurally senior to the Notes or may be secured by collateral that does not secure the Notes. For a discussion of our cash flows and liquidity, see "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*".

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

Despite our significant leverage, we may incur substantial additional debt in the future. Although the New Revolving Credit Facility Agreement and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the terms of the Indenture will permit us to incur substantial additional indebtedness, including in respect of certain other secured debt that shares in the Collateral on a first-priority, including super-senior, basis or second-priority basis. Furthermore, the Indenture will allow our non-Guarantor subsidiaries to incur additional debt that would be structurally senior to the Notes and will not prevent us from incurring liabilities that do not constitute "Indebtedness" as defined thereunder.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our businesses may not generate sufficient cash flows from operations to make payments on our debt obligations, 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, or to refinance such debts, including the Notes. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations or obtain enough capital to service our debt or fund our planned capital expenditure. If our future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities, planned acquisitions 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 can provide no assurance that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

Our ability to restructure or refinance our debt will depend in part on our financial condition at such time. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Indenture may restrict us from adopting some of these alternatives. Furthermore, we may be unable to find alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including under the Notes. In such an event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions, including the New Revolving Credit Facility and the Indenture, may become payable on demand, and we may not have sufficient funds to repay all our debts, including the Notes.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit ratings, which could harm our ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including under the Indenture, restrict our ability to transfer or sell assets and to use the proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due.

We are subject to covenants which limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations.

The Indenture and the New Revolving Credit Facility will contain covenants that impose significant restrictions on the way the Issuer and the Group can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to shares of the Issuer;
- prepay or redeem subordinated debt or equity;
- make certain investments or acquisitions, including participating in joint ventures;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Issuer or any restricted subsidiary;
- sell assets, consolidate or merge with or into other companies;
- sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis;
- change the holding company status of the Parent, LSF2 and the Issuer;
- impair security interests for the benefit of the holders of the Notes; and
- issue or sell share capital of certain subsidiaries.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain covenants*". These covenants could limit our ability to finance future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, in addition to being in default under the Indenture and the Notes, we could be in default under the terms of the New Revolving Credit Facility Agreement or one of the Indenture, and the relevant lenders could elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collateral securing that debt. If the debt under the New Revolving Credit Facility Agreement, the Notes or the Guarantees or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full the Notes and our other debt.

The New Revolving Credit Facility also requires our subsidiaries to maintain minimum amount of EBITDA. The ability to meet this test could be affected by a deterioration in our operating results, as well as by events beyond our control, including increases in prices charged by our suppliers and unfavorable economic conditions, and there can be no assurances that this test will be met. In addition, the New Revolving Credit Facility includes certain affirmative covenants, as well as negative covenants similar to those under the Indenture. A breach of any of those covenants or restrictions could result in an event of default under the New Revolving Credit Facility Agreement. If our creditors, including the creditors under the New Revolving Credit

Facility Agreement, accelerate the payment of amounts due under our various debt obligations, there can be no assurances that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any Collateral granted to them to secure repayment of those amounts. See "*Description of certain other indebtedness—New Revolving Credit Facility*".

Certain of our indebtedness bears interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Following the consummation of the Transactions, a significant portion of our debt, including under the Floating Rate Notes and the New Revolving Credit Facility, will bear interest at floating rates of interest per annum equal to EURIBOR or LIBOR, as adjusted periodically, plus a margin. We may also enter into additional indebtedness bearing floating rates of interest in the future. These interest rates could rise significantly in the future. We may enter into certain interest rate hedging arrangements designed to fix a portion of these rates but are not required to do so. In addition, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase to the extent of the drawings, or our issuance of, such debt bearing floating rates of interest, reducing our cash flow.

On July 27, 2017, the UK Financial Conduct Authority (''**FCA**'') announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the ''**FCA Announcement**''). It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which the LIBOR rates are determined and any other reforms to LIBOR, including to the rules promulgated by the FCA in relation thereto, that will be enacted in the UK and elsewhere, which may adversely affect the trading market for LIBOR based securities, or result in the phasing out of LIBOR as a reference rate for securities. In addition, any changes announced by the FCA (including the FCA Announcement), ICE Benchmark Administration Limited as independent administrator of LIBOR or any other successor governance or oversight body, or future change adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If similar methods were to be adopted in relation to EURIBOR rates, the level of interest payments on the Notes may be affected.

Risks related to the Notes, the Guarantees and the Collateral

The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries.

As of the Issue Date, none of Issuer's subsidiaries will guarantee the Notes other than Alain Afflelou Franchiseur (the "**AAF Subsidiary Guarantee**") and L'Opticien Afflelou (the "**LOA Subsidiary Guarantee**" and, together with the AAF Subsidiary Guarantee, the "**Subsidiary Guarantees**"). The amount enforceable under the AAF Subsidiary Guarantee is limited to the outstanding amount under the AAF Proceeds Loan up to a maximum amount of €59.7 million and the amount enforceable under the LOA Subsidiary Guarantee is limited to the outstanding amount under the LOA Proceeds Loan up to a maximum amount of €24.2 million, and the validity and enforceability of the Subsidiary Guarantees will be subject to the limitations described in *Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests—France*". By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. Other indebtedness of the relevant Guarantor may not be similarly limited. Furthermore, certain of our subsidiaries will not guarantee the Notes. Such subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor, as a direct or indirect shareholder of such subsidiaries. Accordingly, in the event that any non-Guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

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

As such, the Notes and the Guarantees thereof will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-Guarantor subsidiaries.

Furthermore, certain of our indebtedness, including the New Revolving Credit Facility, is guaranteed by certain of our subsidiaries that do not also guarantee the Notes.

As of July 31, 2017, though the Issuer's non-Guarantor subsidiaries had minimal third-party debt, the Indenture will not prohibit us (subject to certain limitations) from incurring debt at the level of non-Guarantors in the future and such indebtedness and would rank structurally senior to the Notes and the Guarantees. In addition, the consolidated financial statements included in this Offering Memorandum refer to the Group and therefore contain information on both Guarantors and non-Guarantors, including entities that are not directly subject to the restrictive covenants in the Indenture. The consolidated financial statements may be of limited use in assessing the financial position of the Issuer and the Guarantors separate from the non-Guarantors.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain events constituting a "change of control," the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. If a change of control were to occur, there can be no assurances that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in our New Revolving Credit Facility Agreement, the New Intercreditor Agreement or our other than existing contractual obligations would allow us to make such required repurchases. A change of control may result in a mandatory prepayment of some or all of our New Revolving Credit Facility and other indebtedness or an event of default under our Indenture. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. Under certain circumstances, a change of control under the New Revolving Credit Facility Agreement would, if so requested by a lender, result in the cancellation of such lender's commitments and require the repayment of amounts outstanding under such lender's commitments under the New Revolving Credit Facility Agreement and a change of control may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. We may be required to repay a proportionate amount of debt under our New Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Notes.

The ability of the Issuer to receive cash from its respective subsidiaries to allow it to pay cash to the holders of the Notes, following the occurrence of a change of control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon the occurrence of a change of control. There can be no assurances that we would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the New Revolving Credit Facility Agreement and certain other indebtedness. See "*Description of the Senior Secured Notes—Change of control*" The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" (as defined in the Indenture).

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

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of the Issuer and its respective restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise, established definition of that phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral.

The Guarantors will guarantee, and the Issuer and the Guarantors will provide security in respect of, the payment of the Notes on a first-priority basis. The Guarantors and the Issuer are incorporated under the laws of France and future Guarantors could be incorporated in other jurisdictions. Enforcement of the obligations under a Guarantee against the Guarantors or the enforcement of a security interest in the Collateral will be subject to certain defenses available to the Guarantors and the Issuer, as applicable, in the relevant jurisdiction. Although laws differ in these jurisdictions, these laws and defenses may include those that relate to fraudulent conveyance or transfer, financial assistance, corporate purpose or benefit, voidable preference, insolvency or bankruptcy challenges, preservation of share capital, thin capitalization, capital maintenance or similar laws and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, the Guarantors and the Issuer, as applicable, may have no liability or decreased liability under their respective Guarantees or the security interest in the Collateral may be void or may not be enforceable depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Guarantees or the security interest in the Collateral against any the Guarantor or the Issuer, as applicable.

Under French corporate benefit rules, a court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee as a whole. The existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. French case law has recognized that certain intragroup transactions (including upstream guarantees) can be in the corporate interest of the relevant company, particularly, where the following four criteria are fulfilled:

- the existence of a genuine group of companies to which the guarantor and the person whose obligations are being guaranteed belong operating under a common strategy aimed at a common objective and the guarantee or security documents, and the transaction to which they relate, must be entered into in furtherance of the common economic interest of the group as a whole and the liability under the guarantee should be commensurate with such group benefit;

- the risk assumed by a French guarantor is proportionate to the benefit;

- the French guarantor receives an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee or security interest which is commensurate with the liability which it takes on under the guarantee or security interest; and

- the obligations of the French guarantor under the guarantee do not exceed its financial capability.

The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

The Guarantees provide the holders of the Notes with a direct claim against the Guarantors. In addition, the Issuer and certain of the Guarantors will secure the payment of the Notes by granting security under the relevant security documents. However, each security interest granted under a security document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest and the Indenture will provide that each Guarantee and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Guarantee/security interest voidable or otherwise ineffective under applicable law or without resulting in a breach of any applicable law, and enforcement of each Guarantee and security document would be subject to certain generally available defenses. In addition, should a Guarantee be granted by a Guarantor (other than the Parent and LSF2) incorporated under the laws of France, such Guarantee would be limited to the aggregate amount of the Notes proceeds on-lent, directly or indirectly, to such French Guarantor and outstanding from time to time. Any payment that would be made by such Guarantor under its Guarantee would reduce the maximum amount of its Guarantee. See "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests—France*".

The Notes, the Guarantees and the security interests in the Collateral may be declared unenforceable against third parties under fraudulent conveyance laws.

French laws contain specific provisions dealing with fraudulent conveyance both in and outside bankruptcy. These provisions offer creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which the person guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person by the bankruptcy trustee in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, and may be declared unenforceable against third parties under French law if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance.

As a result of such successful challenges, holders of the Notes may not benefit from the Guarantees or the security interests in the share pledges or bank account pledges and the value of any consideration that holders of the Notes received with respect to the security interests in the share pledges or bank account pledges or the Guarantees could also be subject to recovery, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors, as applicable, as a result of the fraudulent conveyance. See "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests—France*".

The insolvency and administrative laws of France may not be favorable to creditors, including investors in the Notes, and may limit your ability to enforce your rights under the Notes, the Guarantees or the security interests in the Collateral.

The Notes will be issued by the Issuer and will be guaranteed by the Guarantors, all of which are organized and existing under the laws of France. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in France. Proceedings could also be initiated in France to enforce your rights against Collateral located in France. In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors, including court-assisted pre-insolvency proceedings (*mandat ad hoc* proceedings or conciliation proceedings (*procédure de conciliation*)), and court-administered proceedings (safeguard proceedings (*sauvegarde*, *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*)), the ability of holders of the Notes to enforce their rights under the Notes or the Guarantees could be limited or suspended. See "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests—France*".

In addition, under French law, enforcement of a security interest in the Collateral provided by the Issuer or a Guarantor, as the case may be, may be adversely affected by specific or general defenses available to debtors under French law, as the case may be, in respect of the validity, binding effect and enforceability of such security interest.

In addition, the bankruptcy, insolvency, administrative and other laws of the Issuer and the Guarantors' may be materially different from, or in conflict with, those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-commencement interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes, the Guarantees and the Collateral in those jurisdictions or limit any amounts that you may receive.

For more information regarding insolvency laws and enforceability issues as they relate to the Issuer, the Guarantees and security interests in the Collateral, see "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*".

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

The Issuer, the Guarantors and their respective subsidiaries are organized outside the United States, and their business is conducted entirely outside the United States. All of the directors and executive officers of the Issuer and the Guarantors are nonresidents of the United States.

Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process in the United States on the directors and executive officers of the Issuer and the Guarantors and their respective subsidiaries and their directors and executive officers who are located outside the United States, and you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, as most of our assets and those of our directors and executive officers are located outside of the United States, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with France. There is, therefore, doubt as to the enforceability in France of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France. In addition, the enforcement in France of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a French court would have the requisite power or authority to grant remedies sought in an original action brought in France on the basis of U.S. securities laws violations. For further information, see "*Service of process and enforcement of civil liabilities*".

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

The New Intercreditor Agreement includes provisions governing the sharing of recoveries from guarantee claims and proceeds from enforcement of the Collateral. Such recoveries and enforcement proceeds are required to be turned over to the Security Agent after certain events, including the acceleration of the Notes or the New Revolving Credit Facility. The Security Agent is required to pay turned-over amounts and other recoveries by the Security Agent from enforcement actions to discharge obligations under the New Revolving Credit Facility or certain hedging obligations and future indebtedness in priority to paying any such amounts to discharge the Notes. As such, in the event of a foreclosure of the Collateral, you may not benefit from such recoveries if the then outstanding claims under the New Revolving Credit Facility or certain hedging obligations and future indebtedness are greater than the proceeds recovered. Any proceeds remaining from an enforcement sale of Collateral will, after all obligations under the New Revolving Credit Facility and such hedging obligations and, if applicable, future Indebtedness that ranks *pari passu* with the New Revolving Credit Facility have been discharged, be applied *pro rata* in repayment of the Notes.

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

The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with the law applicable in France.

The granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests in France. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or recreated. In addition, the Indenture will permit the security interests in the Collateral to be released and retaken in certain circumstances. Such release and retaking will restart the applicable hardening periods. Moreover, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods in France. The applicable hardening period may run from the moment such new security is amended, granted or perfected. In each case, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void and/or it may not be possible to enforce it.

In the event any Permitted Reorganization is completed as described under "*Description of the Senior Secured Notes*," new hardening periods may be created in respect of security interests that are granted, perfected or recreated in connection with such Permitted Reorganization, and the security interests would be subject to the same risks described in the preceding paragraph. The applicable hardening period may run from the moment such new security is amended, transferred, assigned, granted or perfected.

See "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests—France*".

The principal amount of the Proceeds Loans forming part of the Collateral, may be less than anticipated as a result of prepayments of such loans prior to the maturity date of the Notes.

On or about the Issue Date, the Issuer will enter into the Proceeds Loans. The receivables relating to the Proceeds Loans will form part of the Collateral and the receivables thereunder will be pledged to secure the Notes. Repayments prior to the maturity date of the Notes of amounts due under the Proceeds Loans (which are permissible in certain circumstances provided under the relevant proceeds loan agreement) or repayments prior to the maturity date of the Notes of any other intercompany loan incurred in the future would result in a reduction in the principal amount of the Proceeds Loans or such intercompany loans, as applicable. We have in the past made prepayments of amounts due under our intercompany loans and are not prohibited under the Indenture from making prepayments of amounts outstanding under the Proceeds Loans or such intercompany loans prior to the maturity dates of the Notes. Any reduction in the principal amount of the Proceeds Loans and of any of such existing intercompany loans could reduce the value of your security on the receivables and the value of the Subsidiary Guarantee provided by the obligor under the relevant Proceeds Loan. See "*—The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries*".

You may be required to pay a "soulte" in the event you decide to enforce the securities account by judicial or contractual foreclosure of the Collateral consisting of shares rather than by a sale of such Collateral in a public auction.

Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default and may only secure up to the secured amount that is due and remaining unpaid. Under French law, pledges over assets may generally be enforced at the option of the secured creditors either (i) pursuant to a judicial process (x) by way of a sale of the pledged assets in a public auction (the proceeds of the sale being paid to the secured creditors) or (y) by way of the judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) by way of contractual foreclosure (*pacte commissoire*) of the pledged assets to the secured creditors, following which the secured creditors become the legal owner of the pledged assets. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or private foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed attributed assets. Such value is determined either by the judge in the context of a judicial attribution (*attribution judiciaire*) or by an expert pre-contractually agreed or appointed by a judge in the context of a private attribution (*pacte commissoire*). In a proceeding regarding an *attribution judiciaire* or a *pacte commissoire*, an expert is appointed to value the collateral (in this case, the securities) and if the value of the collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a *soulte* equal to the difference between the value of the securities and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. Since such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such auction might not reflect the value of our business as a going concern.

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and/or the New Intercreditor Agreement and accepted by other creditors that have the benefit of first-ranking security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over real or personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party, including that of competent regulatory authorities or courts, to enforce a security interest. There can be no assurances that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

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

The obligations under the Notes and the Guarantees thereof are secured on a first-ranking basis with security interests over the Collateral that also secure our obligations under the New Revolving Credit Facility and, if any, certain hedging obligations and certain other indebtedness (the "**Super Senior Liabilities**"). The Indenture also permits for the Collateral to secure additional indebtedness in accordance with the terms thereof and the New Intercreditor Agreement, including in respect of second-lien debt. The New Intercreditor Agreement provides that the Security Agent will only enforce the Collateral as provided for in the New Intercreditor Agreement, and regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an instructing group that consists of the holders of the aggregate principal amount of the then outstanding Notes, creditors in respect of indebtedness ranking *pari passu* with the Notes and creditors in respect of certain non-priority hedging obligations (the "**Credit Participations**") which aggregate more than 50.1% of the total Credit Participations at that time (the "**Notes/Pari Passu Required Holders**") (in each case acting through their respective creditor representatives). However, if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of such enforcement instructions first being issued or if Security Agent has not commenced enforcement action within three months of enforcement instructions first being issued or certain insolvency events occur and the Security Agent has not commenced any enforcement action, then the enforcement instructions provided by creditors holding more than 66.66% of the indebtedness and commitments under the New Revolving Credit Facility Agreement and the certain priority hedging obligations and certain other indebtedness (the "**Majority Super Senior Creditors**") will prevail.

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

If at any time an insolvency event has occurred with respect to any debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Notes/Pari Passu Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from the Majority Super Senior Creditors, provided that in the event the Security Agent has received proposed enforcement instructions from the creditor representative for the Notes/Pari Passu Required Holders and has commenced enforcement action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the creditor representative for the Notes/Pari Passu Required Holders until such time as the representative for the Majority Super Senior Creditors issues enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the creditor representative for the Notes/Pari Passu Required Holders. Furthermore, the rights to enforce remedies with respect to the Collateral securing the Notes are limited.

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

The lenders under the New Revolving Credit Facility Agreement and, if applicable, the creditors in respect of certain priority hedging obligations and certain other future indebtedness may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the New Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of the Issuer or any of their holding companies or subsidiaries as a result of an enforcement action in accordance with the New Intercreditor Agreement, claims under the Guarantees and the liens over any other assets of such entities securing the Notes and the Guarantees may be released. See "*Description of certain other indebtedness—New Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Security—Release of Liens*".

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

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

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

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

For a description of the security over the Collateral, see "*Description of the Senior Secured Notes—Security*". In the event of an enforcement of the pledges in respect of the Notes, the proceeds from the sale of the assets underlying the pledges may not be sufficient to satisfy the Issuer's obligations with respect to the Notes. No appraisal of the value of the Collateral has been made in connection with this Offering. The value of the assets underlying the pledges will also depend on many factors, including, among others, whether or not the business is sold as a going concern, the ability to sell the assets in an orderly sale, the condition of the economies in which operations are located, the availability of buyers and whether approvals required to purchase the business would be available to a buyer of the assets. In addition, the New Intercreditor Agreement will provide that, in the event of any distribution of the proceeds from the sale of certain Collateral, the lenders under the New Revolving Credit Facility, certain hedging obligations and certain future indebtedness will be entitled to receive from such distribution payment in full in cash before the holders of the pledges securing the Notes will be entitled to receive any payment from such distribution with respect to the Notes.

The shares and other Collateral that are pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Likewise, there can be no assurances that the Collateral will be salable or, if salable, that there will not be substantial delays in the liquidation thereof. Most of our assets will not secure the Notes, and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. As a result, the creditors secured by a pledge of the shares may not recover anything of value in the case of an enforcement sale. In addition, the value of this Collateral may decline over time.

The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties have liens on the Collateral, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to the Collateral which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, if we issue additional notes under the Indenture, holders of such additional notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral. Although we will be subject, under the Indenture, to certain restrictions on our ability to incur additional indebtedness that will be secured by the Collateral, including a Consolidated Leverage Ratio (as defined and described under "*Description of the Senior Secured Notes—Certain covenants—Limitation on Indebtedness*"), the definition of "Indebtedness" (as defined under "*Description of the Senior Secured Notes*") for purposes of calculating the Consolidated Leverage Ratio contains certain important exceptions and carve-outs.

The security over the Collateral will not be granted directly to the holders of the Notes.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under their respective Guarantees will not be granted directly to the holders of the Notes, but will be granted only in favor of the Security Agent. The Indenture and the New Intercreditor Agreement will provide that only the Security Agent as security agent, trustee and Parallel Debt (as defined below) creditor has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent for the Collateral.

Under French law, certain "accessory" security interests such as rights of pledge require that the pledgee and the creditor are the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, the New Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent (the "**Parallel Debt**") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the "**Principal Obligations**"). The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

None of the Parallel Debt and trust mechanism constructs have been generally recognized by French courts and to the extent that the Notes or security interests in the Collateral created under the Parallel Debt and/or trust constructs are successfully challenged by other parties, holders of the Notes may not receive on this basis any proceeds from an enforcement of the Guarantees or security interests in the Collateral. The holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the creditor of the Parallel Debt.

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (*Cass. com.* September 13, 2011 n°10-25533 Belvedere) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

To the extent that the security interests in the Collateral created for the benefit of the Security Agent as creditor under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above

(*Cass. com.* September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition (the "**Trust Convention**"), and two *réponses ministérielles* dated January 24, 2008 and January 8, 2009 indicated its reluctance to do so to avoid conflicts between the "trust" and the French fiducie, so that the concept of "trust" has not been generally recognized under French law. See "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests—France*".

The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes.

If there is an event of default in the Notes, the holders of the Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes. In addition, in the future, the obligations to provide additional guarantees and grant additional security over assets, whether as a result of the creation of future assets or subsidiaries or otherwise, are, in certain circumstances, linked to our obligations under the New Revolving Credit Facility Agreement, subject to certain agreed security principles. To the extent that lenders under the New Revolving Credit Facility Agreement are granted security, the negative pledge in the Indenture may require, subject to local law limitations, such security to also be granted for the benefit of holders of the Notes. The agreed security principles set forth in the Indenture contain a number of limitations on the rights of the lenders to be granted security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted or perfected over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the security provided by the Issuer and the Guarantors.

To the extent that the claims of the holders of the Notes exceed the value of the assets securing those Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Notes. As a result, if the value of the assets pledged as security for the Notes is less than the value of the claims of the holders of the Notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

Investors' rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens on the Collateral securing the Notes and the Guarantees may not be perfected with respect to the claims of the Notes and the Guarantees if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Such failure may result in the invalidity of the relevant security interest in the Collateral securing the Notes or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Security Agent will monitor, or that we will inform the Security Agent of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. Neither the Trustee nor the Security Agent has any obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of any security interest therein. Such failure may result in the loss of the security interest in the Collateral or the priority of the security interest in favor of the Notes and the Guarantees against third parties.

Additionally, the Indenture and the Security Documents entered into in connection with the Notes will not require us to take a number of actions that might improve the perfection or priority of the security interests of the Security Agent in the Collateral. To the extent that the security interests created by the Security Documents with respect to any Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Collateral securing the Notes and the Guarantees will be released automatically as described under "*Description of the Senior Secured Notes—Security—Release of Liens*", including:

- in connection with any sale or other disposition of property or assets constituting Collateral, if the sale or other disposition does not violate the "*—Limitation on sales of assets and subsidiary stock*" covenant, as described under "*Description of the Senior Secured Notes*," and is otherwise in compliance with the Indenture;

- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of an Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

- the property and assets and shares of a restricted subsidiary designated as an unrestricted subsidiary in accordance with the applicable provisions of the Indenture;

- in accordance with the New Intercreditor Agreement or any additional intercreditor agreement;

- as described in the section "*—Amendments and waivers*" under "*Description of the Senior Secured Notes*";

- as permitted by the covenant described under "*Description of the Senior Secured Notes—Certain covenants—Impairment of Security Interest*" and as described in the section "*—Limitation on Liens*" and as permitted in accordance with the Indenture;

- in connection with a transaction permitted by "*—Merger and consolidation"* and in compliance with the Indenture;

- in connection with a Permitted Reorganization as described under "*Description of the Senior Secured Notes*";

- upon payment full and final payment and performance of all obligations of the Issuer under the Notes; and

- as otherwise permitted in accordance with the Indenture.

Under various circumstances, the Guarantees of the Subsidiary Guarantors will be released automatically as described under "*Description of the Senior Secured Notes—Senior Secured Notes Guarantees—Release*", including:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor, if the sale or other disposition does not violate the covenant described below "*Description of the Senior Secured Notes—Certain covenants—Limitation on sales of assets and subsidiary stock*" and is otherwise in compliance with the Indenture;

- upon the designation in accordance with the Indenture of the Guarantor as an unrestricted subsidiary;

- upon defeasance or discharge of the Notes, as provided in the sections entitled "*—Defeasance*" and "*—Satisfaction and discharge*" under "*Description of the Senior Secured Notes*";

- in accordance with the Intercreditor Agreement or any additional intercreditor agreement;

- as described under "*Description of the Senior Secured Notes—Amendments and waivers*";

- as described in the covenant described under "*Description of the Senior Secured Notes—Certain covenants—Additional Guarantees*";

- in connection with a transaction permitted by "*—Merger and consolidation*" and in compliance with the Indenture;

- upon payment full and final payment and performance of all obligations of the Issuer under the Senior Secured Notes; and

- in connection with a Permitted Reorganization as described under "*Description of the Senior Secured Notes*".

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than the euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which the investor measures the return on his or her investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which an investor measures the return on his or her investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investor measures the return on his or her investments. Investments in the Notes by U.S. dollars holders may also have important tax consequences as a result of foreign exchange gains or losses, if any.

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

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

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

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

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

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

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

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

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

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

The Notes are new issues of securities for which there are currently no established trading markets. There can be no assurances that:

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

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

You may face currency exchange risks by investing in the Notes.

If you measure your investment returns in a currency other than the currency in which the Notes are denominated, investment in such notes entails foreign currency exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency you use to measure your investment returns, caused by economic, political and other factors which affect exchange rates and over which we have no control. Depreciation of the euro against the currency in which you measure your investment returns would 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 in which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from your investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, owning and disposing of the Notes.

Each series of Notes may be issued with original issue discount for U.S. federal income tax purposes.

Each series of Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. If a series of Notes is issued with OID for U.S. federal income tax purposes, U.S. holders (as defined below under "*Certain tax considerations—Certain U.S. federal income tax considerations*") of such Notes will generally be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. See "*Certain tax considerations—Certain U.S. federal income tax considerations*".

The Notes may not become, or remain, listed on the Irish Stock Exchange.

Although the Issuer will, in the Indenture, agree to use its commercially reasonable efforts to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market thereof after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become, or remain listed. If the Issuer cannot maintain the listing on the Official List of the Irish Stock Exchange and the admission to trading on the Global Exchange Market or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Irish Stock Exchange, provided that they will use commercially reasonable efforts to obtain (prior to the delisting of the Notes, if applicable) and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance can be made as to the liquidity of the Notes as a result of listing on the Official List of the Irish Stock Exchange or another recognized listing exchange for comparable issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List of the Irish Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

The proposed financial transaction tax (the "FTT") may cause transactions in the Notes to be subject to high costs and the liquidity of the market for the Notes may be diminished.

On February 14, 2013, the European Commission published a proposal for a Directive (the "**Commission's Proposal**") for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (together, save for Estonia, the "**Participating Member States**"). Following the ECOFIN Council meeting of December 8, 2015, Estonia officially announced its withdrawal from the negotiations and, on March 16, 2016, completed the formalities required to leave the enhanced cooperation on FTT.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The FTT would impose a charge at generally not less than 0.1% of the sale price on such transactions. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 should, however, be exempt. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes may be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

The FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Certain aspects of the proposal are controversial and, while the proposal initially identified the date of introduction of the FTT across the Participating Member States as being January 1, 2014, this anticipated introduction date was extended on several occasions due to disagreements among the Participating Member States regarding a number of key issues concerning the scope and application of the FTT.

On October 10, 2016, the European Commission had been tasked with drafting the legislation to be submitted to the Participating Member States in view of reaching a political agreement on the FTT by the end of 2016. However, no agreement had been found between the Participating Member States by that date. The Council of the European Union on Economic and Financial Affairs indicated on December 6, 2016 that the ten Participating Member States agreed to pursue the on-going work and discussions on the main features of the FTT during the first half of 2017. A written answer given by Pierre Moscovici in the European Parliament, speaking on behalf of the Commission on 8 March 2017, also confirmed that negotiations between Participating Member States on the Commission's proposal are continuing with a number of key areas still open for discussion. It should also be noted that the newly elected French President, Emmanuel Macron, has recently restated his willingness to implement the FTT.

The Commission's Proposal may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw. If the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

Certain covenants will be suspended if the Notes receive investment grade ratings.

The Indenture will provide that, at any time following the Issue Date, if the Notes receive an investment grade rating (Baa3 or better by Moody's Investors Service, Inc. and BBB- or better from Standard & Poor's Ratings Group) and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by both ratings agency, certain covenants will cease to be applicable to the Notes. See "*Description of the Senior Secured Notes—Certain covenants—Suspension of covenants on achievement of investment grade status*". At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Use of proceeds

The gross proceeds from the Offering, assuming an issuance of the Notes at par, will amount to €425.0 million. We intend to use the gross proceeds from the Offering along with existing cash to (i) redeem and repay in full the Existing Notes and (ii) pay commissions, fees and expenses incurred in connection with the Transactions.

The estimated sources and uses of funds related to the Transactions are shown in the table below, assuming that the Issue Date and the Refinancing take place on October 17, 2017. Actual amounts may vary from estimated amounts depending on several factors, including the actual date on which the Issue Date occurs, the accrued and unpaid interest on the Existing Notes and any drawings under the Existing Revolving Credit Facility as of the Issue Date, the amount of cash of the Issuer as of the Issue Date and the commissions, fees and expenses incurred in connection with the Transactions. The table below should be read in conjunction with "*Capitalization*".

Sources of Funds		Uses of Funds	
(€ million)			
Notes offered hereby	425.0	Redemption and repayment of the Existing Notes[1]	440.0
		Accrued and unpaid interest[2]	13.3
Existing cash on balance sheet	33.3	Estimated fees and expenses related to the Transactions	5.0
Total sources	**458.3**	**Total uses**	**458.3**

(1) Represents €440.0 million of aggregate principal amount of the Existing Notes which will be redeemed and repaid using a redemption price of 100.000% applicable as of the expected Issue Date of October 17, 2017.

(2) Represents €13.2 million of unpaid interest that accrued between April 15 and October 15, 2017 to be paid on October 13, 2017 and accrued and unpaid interest of €0.11 million for the Existing Senior Secured Notes and €0.03 million for the Existing Senior Notes to be paid on the expected Issue Date of October 17, 2017. See "*Capitalization*".

Capitalization

The following table sets forth the consolidated capitalization of the Group as of July 31, 2017 and an estimated cash and cash equivalent position as of September 30, 2017, in each case as adjusted for the Transactions.

The historical information has been derived from the audited consolidated financial statements of the Parent as of and for the years ended July 31, 2015, 2016 and 2017, which are included elsewhere in this Offering Memorandum. The information set out below should be read in conjunction with "*Use of proceeds*", "*Summary historical consolidated financial information and other data*", "*Description of certain other indebtedness*" and the Parent's financial statements and the accompanying notes, which are included elsewhere in this Offering Memorandum. Neither the Existing Revolving Credit Facility nor the New Revolving Credit Facility are presented in the table below as there were no drawdowns under the Existing Revolving Credit Facility and, as of the Issue Date, it is intended that the New Revolving Credit Facility will be undrawn.

(*in € millions*)	As of July 31, 2017 Historical	As adjusted for the Transactions
Cash and cash equivalents	**35.3**	**4.7**[(1)]
Debt[(2)]		
Notes offered hereby	-	425.0
Existing Senior Secured Notes[(3)]	365.0	-
Existing Senior Notes[(3)]	75.0	-
Other debt	1.9	1.9
Total third-party debt	**441.9**	**426.9**
Shareholder Convertible Bonds[(4)]	305.3	299.2
Total debt	**747.2**	**726.1**
Shareholders' equity	78.3	78.3
Total capitalization[(5)]	**825.5**	**804.4**

(1) The as adjusted cash and cash equivalents reflects the estimated cash and cash equivalent position of €44.0 million as of September 30, 2017 *less* (i) €33.3 million of cash used in connection with the Transactions as described under "*Use of proceeds*" and (ii) approximately €6 million indirectly paid by the Issuer to certain managers in connection with the partial repurchase of the Shareholder Convertible Bonds that is to occur on or prior to the Issue Date (see "*Description of certain other indebtedness—Shareholder Convertible Bonds*").

(2) All amounts shown herein for indebtedness are aggregate principal amount only, excluding accrued interest and the effect of capitalized debt issuance costs.

(3) The Existing Notes are to be redeemed on the estimated Issue Date on or after October 17, 2017 at a redemption price of 100.000%, plus accrued and unpaid interest from October 15, 2017 (the most recent interest payment date prior to the Issue Date) through the redemption date.

(4) Shareholder Convertible Bonds are held by certain shareholders, accrue pay-in-kind interest and are subordinated to the Notes and the New Revolving Credit Facility. On or prior to the Issue Date, approximately €6 million will be indirectly paid by the Issuer to certain managers in connection with the partial repurchase of the Shareholder Convertible Bonds. See "*Description of certain other indebtedness—Shareholder Convertible Bonds*".

(5) Total capitalization is defined as total debt *plus* shareholders' equity.

Selected historical financial data

The following tables present selected historical consolidated financial information of the Group. The selected historical consolidated financial information in the tables below is derived from our audited consolidated financial statements for the years ended July 31, 2015, 2016 and 2017, prepared in accordance with IFRS included elsewhere in this Offering Memorandum.

The following tables should be read in conjunction with the information contained in "*Presentation of financial and other information*", "*Summary historical consolidated financial information and other data*", "*Use of Proceeds*", "*Capitalization*", "*Management's discussion and analysis of financial condition and results of operations*" and the Parent's consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

Consolidated income statement information

	For the year ended July 31		
(in € millions)	**2015**	**2016**	**2017**
Revenue	**311.0**	**345.7**	**372.8**
Cost of purchases	(153.0)	(177.9)	(194.2)
Wages and salaries including social security contributions	(52.1)	(52.3)	(57.6)
Other purchases and external expenses	(38.5)	(39.5)	(42.5)
Duties and taxes other than income tax	(2.9)	(3.1)	(2.2)
Depreciation, amortization and impairment	(10.8)	(8.2)	(8.9)
Income from ordinary activities	**53.7**	**64.8**	**67.5**
Other non-recurring operating items	(21.9)	(3.3)	(12.8)
Operating profit	**31.9**	**61.5**	**54.7**
Financial income	6.5	3.5	2.6
Borrowing costs	(62.1)	(67.9)	(74.6)
Other financial expense	(4.1)	(4.1)	(5.3)
Net financial income/(expense)	**(59.8)**	**(68.5)**	**(77.3)**
Net income before tax of consolidated companies	**(27.9)**	**(6.9)**	**(22.6)**
Tax income/(expense)	3.9	(2.7)	21.7
Net income/(loss)	**(24.0)**	**(9.6)**	**(1.0)**

Condensed consolidated statement of financial position information

	As of July 31,		
(*in € millions*)	**2015**	**2016**	**2017**
Assets			
Non-current assets	**914.8**	**936.2**	**932.8**
Of which trademarks	*655.6*	*655.6*	*661.0*
Of which goodwill	*153.8*	*175.6*	*171.5*
Current assets	**210.6**	**237.4**	**240.9**
Of which inventories	*24.7*	*23.4*	*26.2*
Of which trade receivables	*55.6*	*76.9*	*83.1*
Of which cash and cash equivalents	*27.8*	*39.4*	*35.3*
Of which other current assets	*101.1*	*96.3*	*96.3*
Total assets	**1,125.5**	**1,173.6**	**1,173.7**
Equity and liabilities			
Total equity	**115.4**	**105.8**	**104.8**
Non-current liabilities	**850.1**	**889.8**	**906.6**
Of which non-current borrowings	*658.2*	*698.5*	*745.0*
Of which deferred tax liabilities	*184.6*	*182.0*	*156.1*
Current liabilities	**160.0**	**178.0**	**162.4**
Of which trade payables	*34.1*	*40.5*	*43.3*
Of which other current liabilities	*111.1*	*107.5*	*106.1*
Total equity and liabilities	**1,125.5**	**1,173.6**	**1,173.7**

Consolidated statement of cash flows information

	For the year ended July 31		
(*in € millions*)	2015	2016	2017
Net cash from operating activities	55.0	53.1	53.8
Net cash used in investing activities	(18.4)	(29.6)	(11.8)
Net cash used in financing activities	(30.2)	(10.6)	(45.7)
Change in net cash	**6.3**	**12.9**	**(3.7)**
Cash and cash equivalents at beginning of period	19.7	26.0	38.9
Cash and cash equivalents at end of period	26.0	38.9	35.2

Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Presentation of financial and other information" and "Selected historical financial information". In particular, the following section discusses the results of operation and financial condition of the Parent, the indirect parent company of the Issuer and the reporting entity of the Group since 2012. The following discussion should also be read in conjunction with, and is qualified in its entirety by reference to, the Parent's consolidated financial statements for the years ended July 31, 2015, 2016 and 2017 included elsewhere in this Offering Memorandum. The Parent's consolidated financial statements for the aforementioned years have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The Parent's consolidated financial statements for the aforementioned years were subject to an audit by Ernst & Young et Autres and Constantin Associés, the Parent's statutory auditors, as set forth in their audit report included elsewhere in this Offering Memorandum.

In preparing the Parent's consolidated financial statements for the years ended July 31, 2015, 2016 and 2017, certain changes, improvements and corrections were made to the information taken from the consolidated financial statements for the year ended July 31, 2015. These included a change to the operating segments, the reorganization of the notes to the consolidated financial statements, the inclusion of additional information and the reformulation of certain indicators, as well as corrections to the treatment of deferred taxes, the valuation of a derivative embedded in a supplier contract, the staggering of entry fees over the firm term of franchise agreements, impairment of the property, plant and equipment of directly-owned stores and the reclassification of the impairment of trade receivables. These adjustments are described in detail in notes 1.3 ("Context of the publication") and 7 ("Corrections of errors") to the consolidated financial statements.

Overview

Our main business consists of our franchisor activity in the optical and hearing aid product markets. As franchisor, we provide our franchisees with a full range of solutions and services, making our banners, industry know-how and business practices available to them, while also marketing and promoting our banners and offering a broad, appealing range of purchasing solutions, including exclusive product offers. All of these products and services maintain brand appeal and pave the way for the development of our franchisees.

In exchange for these services and the exclusive products provided to franchisees, we charge the cost of goods as well as fees and other contributions to our franchisees (in accordance with franchise agreements) and to network suppliers.

Furthermore, to support our banners and networks, we also directly own a number of optical and hearing aid product stores. The three-part objective of our directly-owned stores is to support our franchisor activity as follows:

- maintain complete control over flagship stores in strategic areas in terms of customer bases, as these stores are considered to be showcases for our banners;
- operate a portfolio of stores to test new business initiatives, product concepts and innovations and identify best practices in operations and distribution before rolling them out across the network; and
- manage the store network by temporarily operating stores where a franchisee is retiring or experiencing financial difficulties. In these cases, we acquire the stores to keep them within the network, with the objective of transferring them to new franchisees in the short- to mid-term.

As of the year ended July 31, 2017, we recognized the following geographical segments in accordance with IFRS 8 – Operating Segments:

- *France*. The "France" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in France (as well as the activities of Happyview.fr and Malentille.com), accounted for 78.0% of network sales and 74.8% of our revenue for the year ended July 31, 2017. As of July 31, 2017, we had a total of 950 stores (including 85 directly-owned stores) in France;

- *Spain.* The "Spain" segment, which includes the optical and hearing aid businesses of franchised and directly-owned stores in Spain (including Andorra), accounted for 15.4% of network sales and 21.9% of our revenue for the year ended July 31, 2017. As of July 31, 2017, we had a total of 391 stores (including 94 directly-owned stores) in Spain; and

- *Other countries.* The "other countries" segment, which includes the optical business in countries outside France and Spain, accounted for 6.6% of network sales and 3.3% of our revenue for the year ended July 31, 2017. As of July 31, 2017, we had a total of 133 stores (including five directly-owned stores) in other countries.

We generate revenue through (i) network sales revenue, mainly comprising fees, contributions and other revenue collected by us on franchisee sales in exchange for the various services we provide them as franchisor; (ii) network purchases revenue; and (iii) revenue from directly-owned stores. These sources of revenue are further described below.

- *Network sales revenue.* Network sales revenue is mainly derived from fees calculated on the basis of a percentage of the sales reported by the network of franchised stores and from initial one-time network entry fees. Network sales revenue represented 24.5% of our revenue for the year ended July 31, 2017 and 12.0% of network sales over the same period.

These contributions mainly comprise the following items:

- *Entry fees and royalties*. Our store network benefits from the industry know-how and commercial expertise that we have developed over the years, as well as from our strong brand recognition and reputation. We are responsible for formulating a commercial strategy, which is supported by innovative offers, the development of products and services and the sharing of best practices within the store network. In exchange for our know-how, the right to use one of our brands and operate under one of our banners, and the allocation of an exclusive geographical area, we charge franchisees an initial one-time entry fee. For example, we charge entry fees of up to €50,000 for the Alain Afflelou banner in France. For all of our banners, we charge monthly royalties which are calculated as a percentage of a store's monthly sales excluding VAT, which, for example, are set at a standard 4.15% rate for the Alain Afflelou banner in France.

- *Communications*. We are responsible for the development and implementation of our network's advertising and communications strategy, using different types of media (TV, radio, local and international) to promote our brands, product offerings and commercial offers. In exchange for the communications services we provide, we receive communication fees from stores in the network, which are calculated as a percentage of a store's monthly sales including VAT, which for example are set at 7% for the Alain Afflelou banner in France. Communication activity also includes special services charged to the store network as part of local communications campaigns. In addition, revenue derived from communications activities includes sales of display models of exclusive eyeglass frames to stores in the network (however, this revenue is eliminated in the consolidation, as it is also reflected in our exclusive product trading revenue).

- *Other.* These contributions comprise various services charged to the store network, such as training and overhead (e.g., IT expenses), as well as various fees charged to suppliers and service providers for network commercial offers. Prior to its acquisition, fees paid under the master franchise agreement entered into with LSFA, pursuant to which we received a royalty fee calculated based on sales generated by hearing aid franchisees, were recorded in this line item. Given that LSFA was not included in our scope of consolidation until July 31, 2016, the consolidated income statement for the years ended July 31, 2016 and 2015 does not reflect LSFA's results.

- *Network purchases revenue.* Network purchases revenue is derived from listing- and licensing-related fees charged to suppliers on their sales to franchisees, and wholesale activity consisting of product sales to franchisees through central purchasing units and our exclusive eyeglass frames trading activity. Our network purchases revenue represented 44.0% of revenue for the year ended July 31, 2017 and 21.6% of network sales over the same period. Network purchases revenue comprises the following types of revenue:

  - *Central listing and payment units*. Stores in the network are required to purchase all the products they sell exclusively from suppliers that are listed by our central listing and payment units. On behalf of stores in the network, we negotiate purchasing terms with these suppliers and operate central listing and payment units to optimize the supply and payment of products for both suppliers and stores in the network. The central listing and payment units afford suppliers the advantage of a single commercial and financial counterparty for the entire network, in addition to guaranteed settlements from the network's franchisees. In exchange for these listing and payment services, we charge listed suppliers listing fees (comprising listing commissions, *del credere* commissions relating to supplier payment guarantees and early payment allowances). Such listing fees are calculated as a percentage of a listed supplier's sales to stores in the network.

  - *Central purchasing units.* Stores in the network purchase products either directly from listed suppliers or through our central purchasing units in France, Spain and Belgium. As of July 31, 2017, our central purchasing units primarily covered the purchase of eyeglass lenses, contact lenses and Afflelou-exclusive frames and sunglasses. This system helps network franchisees receive additional discounts, of which we receive a share.

  - *Licensing.* We provide stores in the network our own-brand eyeglass lenses and contact lenses, which are manufactured by third parties and distributed by us through our central purchasing units or directly by suppliers. We charge third-party manufacturers of our own-brand eyeglass lenses and contact lenses a licensing fee for the use of certain brand names, such as Éphémère, which are calculated as a percentage of the supplier's sales to stores in the network.

  - *Exclusive product trading*. We act as a wholesaler by selling exclusive frames and sunglasses to stores in the network either through logistics providers or directly. Exclusive products include: (i) proprietary frames and sunglasses, which are frames and sunglasses designed by us, manufactured by subcontractors according to our specifications and sold under our own brands, such as the "Afflelou" signature label; (ii) frames and sunglasses under exclusive licenses, which are frames designed by us, manufactured by subcontractors according to our specifications and marketed under third-party brands; and (iii) exclusive collections from designer brands, which are designed and manufactured by third parties for exclusive distribution in the store network (such as Calvin Klein Jeans). As part of our trading activities, we retain a margin on the sale of exclusive frames and sunglasses to stores in the network.

We also generate revenue from sales to end customers at directly-owned stores. The directly-owned store network's contribution to our costs (such as rent and personnel costs) and revenue represents a relatively substantial portion of overall costs and revenue, as it corresponds to the costs and sales of the stores (borne by us), whereas the franchisor activity is largely based on royalties collected from network sales and the sale of products to franchisees. At July 31, 2017, we operated 85 directly-owned stores in France (including 5 hearing aid stores) and 94 directly-owned stores in Spain. Revenue from directly-owned stores accounted for 31.5% of revenue for the year ended July 31, 2017.

Key factors affecting our results of operations

Set forth below are the main factors that have historically affected our results of operations and financial position, and that may continue to do so in the future.

Network sales

Network sales include all optical and hearing aid sales generated by the stores bearing our various banners and on our websites. A significant portion of our revenue is directly generated by network sales (revenue from franchisees). Network sales are reported monthly by our franchisees in accordance with the provisions of the franchise agreements. The various fees charged to franchisees, such as royalties and communication fees, are calculated as a percentage of franchisee sales.

Revenue from central purchasing and payment units is also related to network business, but indirectly since such revenue is generated by charges to suppliers (listing and payment service fees, and distribution royalties) related to network procurement or a margin retained on franchisee purchases (central purchasing units and trading), and ultimately depends on competition of listed products with those of other suppliers.

Network sales also depend on our presence and our ability to maintain such presence in care networks. In the past, our presence in the care networks was more limited than its current level.

As a result, network sales are the main factor affecting our revenue, which in turn affects our results of operations, particularly our profitability.

The following table provides a breakdown of network sales by geographical area for the periods indicated:

	For the year ended July 31		
(in € millions)	2015	2016	2017
France	493.8	533.6	584.8
Spain	108.3	112.6	123.4
Other countries	41.5	46.3	51.2
Network sales (excluding VAT)	**643.5**	**692.6**	**759.5**

For the years ended July 31, 2015 and 2016, network sales did not include sales from the hearing aid business in France, which were generated by LSFA (previously owned by certain of our shareholders), which was included in our scope of consolidation as of July 31, 2016. Select data from the hearing aid business network in France are presented below:

	For the year ended July 31		
	2015	2016	2017
(*in € millions, except store count*)			
Network sales	15.1	21.9	29.6
Store count at end of period	123	147	190
of which centers	*36*	*46*	*56*
of which retail spaces	*87*	*101*	*134*

Our discount offer in Spain has been integrated in our network sales since August 1, 2016 and represented approximately €7 million of sales in the year ended July 31, 2017. Additionally, sales generated by Happyview.fr and Malentille.com have been integrated in total network sales since their acquisition at the end of September 2016 and represented approximately €3 million of our total network sales in the year ended July 31, 2017.

In the year ended July 31, 2017, our network sales increased by 9.7% to €759.5 million as compared to €692.6 million in the year ended July 31, 2016. This solid performance is partially the result of external growth, with the acquisition of three banners, in the discount segment in Spain (Optimil), in the hearing aid sector in France (Alain Afflelou Acousticien), and in the online segment (Happyview.fr and Malentille.com) amounting to additional sales of €39.2 million during this fiscal year. Additionally, organic expansion of our networks and the positive performance in like-for-like network sales, especially in France in our historical Alain Afflelou banner, played a significant role as a driver of our results.

Expansion of store network

Our store network includes all optical and hearing aid stores bearing our various banners. The size of the store network directly impacts network sales. The number of stores in the network increases through opening new stores under the existing banners in the markets where we operate and by adding new banners to the network.

The following table provides a breakdown of the store network by geographical area for the periods indicated:

	For the year ended July 31		
	2015	2016	2017
(store count)			
France	863	906	950
Spain	301	369	391
Other countries	108	120	133
Store count at end of period	**1,272(2)**	**1,395(1)**	**1,474**

(1) Including the 54 stores in Spain under the Optimil banner, acquired in July 2016, and the 46 Alain Afflelou Acousticien stores in France.

(2) Including the 88 stores (82 in France and 6 in the "other countries" segment) under the Optical Discount banner, acquired as of July 31, 2015.

In the year ended July 31, 2017, we added 79 stores, with an increase in store count in each geographical area. Our French network gained 44 stores, thanks to a strong increase at our historical Alain Afflelou banner, due in part to its innovative offers and new products such as "Smart Tonic" and emphasis on value-added products such as multifocal lenses (which was supported by a television campaign in the first half of the 2017 calendar year) and, more generally, a strong image supported by our spokeswoman, Sharon Stone, while like-for-like network sales have performed strongly since 2015, all of which encouraged franchisees to open new stores. The discount segment represented by Optical Discount, and our hearing aid banner, Alain Afflelou Acousticien, which are both less mature than Alain Afflelou, continue to develop, accompanied by solid performances in the existing network.

In Spain, our historical Alain Afflelou banner continued to add new stores, while our offer in the hearing aid segment benefitted from the addition of certain Audicost stores, the owner of which joined our network as a franchisee and rebranded them as Alain Afflelou Audiólogo stores.

Finally, our development in the "other countries" segment mainly corresponds to the development of our network in Belgium, with our two banners in the optical segment now having 50 stores. In the other regions, the year ended July 31, 2017 was marked by a few openings in new territories where we are currently exploring our potential, like China and South America.

Like-for-like network sales growth

In addition to expanding network sales generally, like-for-like network sales growth is another important indicator of the performance of our store network. For a definition of like-for-like network sales growth, see footnote 3 under "*Summary historical consolidated financial information and other data—Operating and segment information*". In countries, such as France and Spain, where we already have a significant store network, the size of the existing network plays a critical role in the overall growth of network sales. Further illustrating this, in a given period new stores only account for a small percentage of network sales. We analyze network sales growth on a like-for-like basis in France, Spain and the "other countries" segment in order to assess the evolution of the performance of existing stores, excluding the effects of network expansion.

Growth in like-for-like network sales is due in part to our implementation of commercial offers and policies and the marketing communications that promote them, but is also due to the initiatives of local stores run by franchisees, which receive additional support from our sales management teams.

Like-for-like network sales correspond to sales generated by stores which were open throughout the periods under review, based on a full fiscal year, and which did not undergo any substantial changes during such periods (such as construction or refurbishment work with a duration of more than one month), in order for sales performance in a period to be comparable to that of the prior period. Like-for-like network sales are calculated at constant exchange rates as a very small portion of network sales are currently exposed to currency risk. Like-for-like network sales growth has not been adjusted based on the potential impact on network sales resulting from the different number of working days between two periods.

The following table presents a breakdown of like-for-like network sales growth by geographical area for the periods indicated:

	For the year ended July 31		
(%)	2015	2016	2017
France	(1.9)%	3.8%	3.7%
Spain	3.9%	1.0%	(0.6)%
Other countries	(0.5)%	4.5%	2.3%
Like-for-like network sales growth	**(0.9)%**	**3.4%**	**2.9%**

In general, growth in like-for-like network sales is itself influenced by several factors, including:

- *Population and lifestyle dynamics.* Sales volumes are correlated with population growth and aging. Population growth in the geographical regions in which we operate will likely result in increased demand for optical products. Aging of the population is also expected to result in increased demand for optical products and hearing aids. As a person ages, the need for optical products and hearing aids increases due to age-related far-sightedness and hearing loss. It is estimated that, by 2021, 46% of the French population and 50% of the Spanish population will be over age 45 and that 55.9% of each of the French and Spanish populations will need vision correction (with 55.0% of the French population and 54.5% of the Spanish population using vision correction). See "*Industry—The optical product market—Our optical product geographic markets*". Evolving social habits and lifestyle patterns, such as growing exposure to digital displays, headphones and noisy environments, as well as increasing eye and hearing health awareness, are also expected to continue to support demand for optical products and hearing aids. Internationally, similar trends in population and lifestyle dynamics are also increasing demand for optical products and hearing aids.

- *Technology.* Network sales are affected by the availability of technologically innovative products in our product range due to customer demand for the latest technology in optical products. In past decades, there have been significant advances in technology, which have had a positive impact on average basket size. Progressive lenses, photochromatic lenses (*i.e.*, which darken automatically when exposed to sunlight and fade to clear lenses when indoors), polycarbonate lenses (thinner, lighter and more impact-resistant than standard plastic lenses), anti-reflective and anti-scratch lens coatings, break-resistant optical frames (designed with flexible joints and materials that allow a greater degree of bending than conventional frames) and new materials used for contact lenses such as silicon hydrogel are examples of the technologically innovative products sought by customers. We notably expect that over time, as the general population ages, the increase in the penetration rate of progressive lenses will lead to an increase in the average basket for optical products.

- *Overall economic conditions*. The network's optical product sales have historically been affected by overall macroeconomic conditions and the resulting effects on household consumption. These effects may be particularly significant in countries where the level of reimbursement by insurance systems is low or non-existent, which is the case for most of the markets in which we operate, except France, our largest market. In certain instances, customers have responded to the uncertainty and volatility stemming from macroeconomic conditions by delaying their spending on optical products, which explains the longer product renewal cycle observed during challenging economic times. Generally, the renewal cycle for optical products decreases when overall economic conditions start to improve, leading to positive like-for-like network sales growth. Hearing aid product sales are also influenced by prices, as these products are only partially reimbursed in France (although at a lower rate than for optical products) and not reimbursed at all in Spain.

- *Regulatory environment.* Changes in the regulatory environment impact like-for-like network sales (see "*Regulation*"). This is especially the case in France, where certain recent regulatory developments have facilitated access to optical products by reducing administrative barriers to optical prescriptions (see "*Regulation*").

During the year ended July 31, 2015, like-for-like optical sales in France were negative due to unfavorable changes in overall economic conditions, although the decline (1.9%) was mitigated as a result of our gradual entry into closed networks beginning January 2015 and our increased communication efforts. In Spain, network sales were recorded at 3.9% on a like-for-like basis, mainly due to the continued improvement in overall economic conditions compared with the previous years. Like-for-like network sales for the "other countries" segment were recorded at (0.5)%, mainly due to a weaker sales performance in Belgium amid an uncertain political climate.

During the year ended July 31, 2016, like-for-like network sales increased 3.4% year-on-year. In France, the 3.8% positive performance was mainly due to the positive impact of the Alain Afflelou network's expansion into closed networks, a more aggressive advertising strategy and the one-off calendar effect of three additional business days compared with the previous year. In Spain, network sales increased 1.0% on a like-for-like basis. The slowdown in Alain Afflelou's expansion in Spain follows two years of significant post-recession growth and occurred against a backdrop of political unrest in the second half of 2016. Like-for-like network sales for the "other countries" segment increased 4.5% due to solid business performance in Belgium and Switzerland.

During the year ended July 31, 2017, like-for-like network sales increased by 2.9% as compared to the year ended July 31, 2016. In France, the 3.7% increase was due to the combination of our stronger position within care networks, our efforts in terms of commercial positioning of our brand and our various initiatives to optimize our networks with local support. Our banner has now caught up to its natural market share within care networks following our efforts during the past three years to prepare our franchisees to meet the requirements of these networks (including accompanying our franchisees in the tenders organized by care networks) and more generally to adapt themselves to this new environment. Given the replacement cycle, we believe our banners will continue to benefit in coming years from entry into care networks. Our Alain Afflelou banner has continued to clarify its positioning as a premium offer in the optical market, by reinforcing its innovative image with initiatives like the launch of "Smart Tonic" in 2017, a unique collection of Afflelou frames which can be adapted to various usages, such as protection from the sun or blue rays, and reducing glare, with instantaneously adapting thin, light and almost invisible clips. In addition, our strong marketing campaign featuring Sharon Stone also contributed to footfall and driving network sales. Lastly, initiatives including the development of Alain Afflelou Acousticien corners, the Afflelou Sun corner, and more generally our support to develop franchisee sales through various programs like Club Afflelou, have contributed to our strong over performance as compared to the general market. Optical Discount and Alain Afflelou both experienced positive like-for-like network sales growth.

In Spain during the year ended July 31, 2017, network sales slightly decreased by 0.6% on a like-for-like basis, after three years of growth. We believe the Spanish market has slowed down and that our banners face stronger competition on prices, with aggressive communication campaigns on the part of our competitors. Sales in recent months have turned positive, with a 3.5% like-for-like network sales growth in the last quarter of our fiscal year.

During the year ended July 31, 2017, like-for-like network sales for the "other countries" segment increased by 2.3% as compared with the year ended July 31, 2016, with a strong performance in Belgium, where sales benefited from the same trends as in France.

Business model and new services and offers

Our ability to pivot our franchise business model, and in particular our ability to develop and offer new services to our franchisees and suppliers, across all our networks and geographies, has historically had, and may in the future have, a significant impact on our results of operations.

Average franchise and communication fees can change as our network changes. For example, when long-standing franchisees, which are often subject to historical royalty rates that are lower than current rates, retire and are replaced with new franchisees, we are able to obtain more favorable terms. Concerning revenue from franchisees, the addition of new banners (Optical Discount, Optimil and Alain Afflelou Acousticien) that may have lower royalty rates impacts our average franchise fees as a whole. In general, we invoice higher franchise and communication fees under the Alain Afflelou banner in France than under other banners and in other regions, reflecting the banner's strong brand recognition and considerable know-how. Newer banners (Alain Afflelou Acousticien) or smaller banners (Optical Discount and Optimil) generally incur higher advertising expenditures in order to foster brand awareness and drive footfall.

Additionally, we are progressively extending to all of our banners the central listing and payment unit already in place for the Alain Afflelou banner in France and Spain, which covers all of franchisees' purchases, as well as a central purchasing unit that helps franchisees to optimize the cost of purchases and boost their margins. Moreover, our ability to improve the terms of our agreements with suppliers, primarily attributable to the volume of purchases made by our banners, may have an impact on our results.

The roll-out of a line of exclusive products, notably through our trading activities can also have an effect on our network sales and revenue. Our ability to improve the penetration rate of these products in the overall purchases of franchisees in our network increases our revenue and profitability. Likewise, exclusive products are to be further developed alongside other offers already deployed throughout the network, including the discount and hearing aid banners.

Directly-owned stores

Any changes in sales at directly-owned stores impact our revenue, results of operations and financial position. Directly-owned store sales are included in network sales and are also impacted by the factors described above. The contribution of directly-owned stores to our costs and revenue represents a relatively substantial portion of overall costs and revenue, as it mainly corresponds to the costs and sales of these stores directly borne by us. Changes in the number of directly-owned stores therefore affect our cost structure and revenue generation.

Our strategy for directly-owned stores is based around three major objectives: (i) retaining control over flagship stores located in strategic areas and key geographies; (ii) having a store network to test new business initiatives and identify best practices in operations and distribution before applying them to the franchisees; and (iii) managing the overall store network when the need arises, through supporting locations where the franchisee is either retiring or experiencing financial difficulties to keep them under our banners. Setting and achieving these objectives is part of the overall management strategy for the network and involves specific costs, but it contributes to increasing the profitability of the entire franchise activity. Changes in the initiatives or the number of directly-owned stores could therefore impact our future results.

The following table provides a breakdown of our directly-owned stores by geographical area for the periods indicated.

	As of July 31,		
	2015	2016	2017
(store count)			
France	89	84	85
Spain	100	100	94
Other countries	1	4	5
Directly-owned store count at end of period	**190**(1)	**188**(2)	**184**(3)

(1) Including three stores from the acquisition of Optical Discount.

(2) Including four Alain Afflelou Acousticien stores in France.

(3) Including five Alain Afflelou Acousticien stores in France.

Factors affecting the comparability of our results of operations

Changes in our scope of consolidation

We consummate acquisitions from time to time to take advantage of opportunities to increase our market share in existing markets or to enter adjacent geographies or complementary markets. Our management believes that acquisitions enhance the benefits of scale in our industry, particularly with respect to purchasing power, inventory management and logistics as well as general operational synergies. We typically seek synergies from acquisitions relating to the geographical coverage and density of our store network, supplier relationships and product offerings that allow us to expand our offering to both franchisees and end-customers, distribution capabilities (for example, with respect to e-commerce platforms) and general and administrative costs, among others.

In addition to organic growth of our store network, we have consummated certain acquisitions which have resulted in changes to our scope of consolidation during the periods under review as described below.

- In July 2015, we acquired Optical Finance, the franchisor of Optical Discount in France, which had 88 stores as of July 31, 2015, to accelerate our presence in the discount segment through transitioning our existing Claro by Afflelou stores (63 stores at July 31, 2015) under the Optical Discount banner. As of July 31, 2017, the Optical Discount network comprised 162 stores (of which 147 are in France and the remainder in Belgium and Francophone Africa). The primary driver of the Optical Discount network's growth in France was the transition of Claro by Afflelou stores to Optical Discount stores. The acquisition has impacted our revenue for the year ended July 31, 2016.

- In July 2016, we acquired the franchisor Optimil, which had 54 stores in Spain, including one store transferred from the existing network, as of July 31, 2016. The acquisition had a negative impact of €0.5 million on our Adjusted EBITDA for the year ended July 31, 2017 as we invested in the franchisor structure, excluding an earn-out due in July 2018.

- On July 31, 2016, we acquired the French hearing aid distribution company LSFA from certain of our shareholders. It operated 147 sales outlets (including 46 centers and 101 retail spaces) at the year end. Prior to the acquisition, we had set up a master franchise agreement with LSFA under which we received a royalty fee on sales generated by this particular network. The acquisition had a negative impact of €1.4 million on our Adjusted EBITDA for the year ended July 31, 2017.

- In September 2016, we purchased Happyview.fr and Malentille.com, operators of online glasses and contact lens portals.

As a result of the aforementioned changes in our scope of consolidation, investors may find it difficult to compare our results of operations on a period-over-period basis.

Non-IFRS performance indicators

In assessing the performance of our business, our management considers a variety of performance and financial measures. The key measures for determining how our business is performing are like-for-like network sales growth (as discussed above under "*—Key factors affecting our results of operations—Like-for-like network sales growth*"), store count (as discussed above under "*—Key factors affecting our results of operations—Expansion of store network*") and Adjusted EBITDA. Such indicators are not recognized measures of financial performance under IFRS. See "*Presentation of financial and other information—Other financial measures*" and "*Summary historical consolidated financial information and other data—Other financial information*" for a reconciliation of Adjusted EBITDA to income from operating activities.

Adjusted EBITDA

The following table sets forth a breakdown of our Adjusted EBITDA by geographic segment for the periods indicated.

	As of July 31,		
	2015	2016	2017
(*in € millions*)			
France	55.5	61.9	66.3
Spain	8.0	10.6	10.3
Other countries	1.7	1.8	1.1
Adjusted EBITDA	**65.1**	**74.4**	**77.7**

France

Adjusted EBITDA generated in France increased by €6.4 million, or 11.5%, from €55.5 million for the year ended July 31, 2015 to €61.9 million for the year ended July 31, 2016. Adjusted EBITDA generated in France was relatively stable as a percentage of revenue across the periods. In addition to the positive revenue growth, the increase in Adjusted EBITDA generated in France was mainly due to: (i) the non-recurring sales of exclusive eyeglass frames via the barter system, with no impact on cash flows, and (ii) the relatively stable costs incurred by directly-owned stores primarily as a result of the increase in like-for-like network sales. This increase was partially offset by (i) the increase in the cost of purchases linked to stores joining closed care networks and (ii) the consolidation of Optical Discount, with a contribution that was lower than that of the historical network.

Adjusted EBITDA generated in France increased by €4.4 million, or 7.1%, from €61.9 million for the year ended July 31, 2016 to €66.3 million for the year ended July 31, 2017. Adjusted EBITDA generated in France was relatively stable as a percentage of revenue across the periods. In addition to the positive revenue growth, the increase in Adjusted EBITDA generated in France was mainly due to the strong performance linked to solid growth at our historical Alain Afflelou banner which offset negative EBITDA contribution from our hearing aids business and new online activities that were recently acquired. Sales in France have been growing for eight consecutive quarters, with yearly like-for-like network sales growth at 3.7% and 3.8% for the year ended July 31, 2017 and 2016, respectively. Our main sources of revenue, namely network sales and purchases by our franchisees have been consequently growing, meanwhile our exclusive products, especially our exclusive frames, showed solid performance, in part as a result of the increase in prices for our exclusive frames implemented in 2017. As a mature business in our business, the growth in our revenue have in turn generated a solid growth in our profitability, at the EBITDA level.

Spain

Adjusted EBITDA generated in Spain increased by €2.6 million, or 32.5%, from €8.0 million for the year ended July 31, 2015 to €10.6 million for the year ended July 31, 2016. Adjusted EBITDA generated in Spain represented 13.3% of our revenue in Spain for the year ended July 31, 2016, as compared to 10.6% the previous year. This increase in Adjusted EBITDA as a percentage of revenue was linked to (i) effective management of operating and structural costs incurred by directly-owned stores, and (ii) the non-recurring sales of exclusive eyeglass frames via the barter system.

Adjusted EBITDA generated in Spain decreased by €0.3 million, or 2.8%, from €10.6 million for the year ended July 31, 2016 to €10.3 million for the year ended July 31, 2017. Adjusted EBITDA generated in Spain represented 12.6% of our revenue in Spain for the year ended July 31, 2017, as compared to 13.3% the previous year. This decrease was primarily related to integration costs and the roll-out of our business practices related to the Optimil banner following its acquisition. This decrease was slightly offset by good performance in Spain for the Alain Afflelou banner, which was nevertheless below the French performance of the same banner. Additionally, Spanish directly-owned stores continued to weigh on our performance, recording a slow performance in like-for-like network sales growth in the first half of the fiscal year.

Other countries

Adjusted EBITDA generated in the "other countries" segment increased by €0.1 million, or 5.9%, from €1.7 million for the year ended July 31, 2015 to €1.8 million, for the year ended July 31, 2016. It represented 18.9% of our revenue in the "other countries" segment for the year ended July 31, 2016, as compared to 20.0% for the previous year. The absolute increase in Adjusted EBITDA was mainly a result of (i) reversals of provisions in respect of late payments in Portugal, against a background of an upturn in business activity, and (ii) the non-recurring sales of exclusive eyeglass frames via the barter system.

Adjusted EBITDA generated in the "other countries" segment decreased by €0.7 million, or 38.9%, from €1.8 million for the year ended July 31, 2016 to €1.1 million, for the year ended July 31, 2017. Adjusted EBITDA generated in the "other countries" segment represented 8.9% of our revenue in the "other countries" segment for the year ended July 31, 2017, as compared to 18.6% for the previous year. Adjusted EBITDA in the "other countries" segment was affected by charges related to recent set-up costs in new territories such as China and losses in our directly-owned stores perimeter in Portugal.

Main income statement items

The main items in our income statement, which are used by management to analyze the consolidated financial statements, are described below:

Revenue. Revenue comprises network sales revenue and network purchases revenue, as well as revenue from direct sales to end customers as part of our directly-owned stores business (see "—*Overview*" for a detailed description of our different sources of revenue). We charge our subsidiaries operating directly-owned stores similar fees as those charged to our franchisees. These expenses are later eliminated on consolidation.

Cost of purchases. Cost of purchases refers primarily to purchases of goods from suppliers, and includes communications expenses, mainly for advertising campaigns in various media. Purchases of bought-in goods refers to purchases of exclusive products, mainly as part of the trading activity, and purchases of goods resold to stores in the network through our central purchasing units and frames and sunglasses trading subsidiary. Purchases from suppliers also includes purchases of bought-in goods made by directly-owned stores from suppliers and through our central purchasing units (in which case the purchases are eliminated on consolidation) that are sold to end customers. We neither operate nor own any manufacturing facilities. Consequently, our products are manufactured by independent third parties.

Wages and salaries including social security contributions. This item mainly comprises wages and salaries. It also comprises social security contributions (principally related to France), expenses related to profit sharing schemes and tax income related to the CICE. Wages and salaries including social security contributions includes employees of our directly-owned stores and central services, and contributions to profit sharing and employee incentive schemes.

Other purchases and external expenses. Other purchases and external expenses mainly covers rental costs, professional fees (consulting and audit fees, among others), maintenance and repair expenses, insurance premiums and other external expenses. Rental costs represent the most onerous line item in other purchases and external expenses and mainly comprise rent in respect of directly-owned stores, and to a lesser extent the rental costs associated with our offices. Other expenses mainly comprise payments for various third-party services, such as outsourcing of information systems, temporary workers and different expenses linked to the operation of stores (such as information technology or energy), management fees paid to certain shareholders, travel expenses, shipping and telecommunications expenses, and certain banking services.

Duties and taxes other than income tax. Duties and taxes other than income tax includes taxes on salaries (mainly training taxes), social construction tax (contribution to social housing), social solidarity contribution (*contribution sociale de solidarité des sociétés*, "**C3S**"), which is based on a percentage of net sales, and real property tax, including the *Cotisation Foncière des Entreprises* ("**CFE**") and tax on commercial areas (*taxe sur les surfaces commerciales* – **IBI**). In Spain, duties and taxes other than income mainly includes property tax (*impuesto sobre bienes immeubles* – **IBI**). In the "other countries" segment, they mainly include customs duties related to the trading activity.

Depreciation, amortization and impairment. Depreciation, amortization and impairment relates to regular depreciation and amortization of current and non-current assets and provisions for impairment. Depreciation, amortization and impairment includes the following items:

- depreciation of property, plant and equipment, mainly pertaining to directly-owned stores, in connection with the refurbishment of stores or the opening of new stores;
- amortization of intangible assets with determinable useful lives, such as intellectual property rights (other than our trademarks), and other information technology investments; and
- provisions for current assets, particularly receivables, provisions for third-party and franchisee expenses, provisions for litigation and provisions for franchisee risks, such as the risk of goods being returned as part of our trading activities.

Income from ordinary activities represents revenue generated by us, net of all recurring operating expenses.

Other non-recurring operating items. Other non-recurring operating items includes other items in the income statement which, due to their nature, amount or frequency, cannot be considered as part of our ordinary activities. These items primarily include: (i) proceeds from disposals of assets; (ii) reversal of, and charges to, exceptional provisions related to the impairment of assets, such as goodwill, trademarks and business and leasehold rights; (iii) provisions to cover expenses relating to litigation proceedings and provisions relating to rental payments on vacant premises; and (iv) costs incurred from the acquisition of new entities, or any other non-recurring income or expenses, that we present on a separate line to facilitate the reader's understanding of recurring operating performance and provide him/her with useful information to identify trends in our financial performance.

Operating profit represents income from ordinary activities, net of other non-recurring operating items.

Net financial income/(expense). Net financial income/(expense) consists of investment income less financial expense. Investment income consists of income from other financial assets, other investment income and reversals of financial provisions. Investment income also includes interest on vendor loans granted to franchisees and interest charged to franchisees in the event of late payments. Financial expense mainly includes: (i) interest on the convertible bonds issued by the Parent held by our current shareholders; (ii) interest on the Existing Notes; and (iii) additions to the amortization of financial assets and liabilities and other miscellaneous financial expenses or income, including foreign exchange differences.

Net income before tax of consolidated companies comprises operating profit and net financial income/(expense).

Tax income/(expense). Tax income/(expense) includes current taxes and deferred taxes. Current taxes corresponds to the income tax due, which is calculated using the tax rate in effect on the record date, adjusted for income tax payable in respect of prior years. Tax income/(expense) also includes the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises*, the "**CVAE**"). It excludes the taxes presented within other operating income and expenses. The deferred tax amount shows the impact of temporary differences between the carrying amounts of assets and liabilities of consolidated companies and their respective taxable amounts that are used in determining the taxable profit of future periods by applying the tax rates in effect on the record date.

The year ended July 31, 2017 compared to the year ended July 31, 2016

	For the year ended July 31				
(in € millions)	2016	% of revenue	2017	% of revenue	% change
Revenue	**345.7**	**-**	**372.8**	**100.0%**	**7.9%**
Cost of purchases	(177.9)	(51.5)%	(194.2)	(52.1)%	9.2%
Wages and salaries including social security contributions	(52.3)	(15.1)%	(57.6)	(15.5)%	10.2%
Other purchases and external expenses	(39.5)	(11.4)%	(42.5)	(11.4)%	7.6%
Duties and taxes other than income tax	(3.1)	(0.9)%	(2.2)	(0.6)%	(28.9)%
Depreciation, amortization and impairment	(8.2)	(2.4)%	(8.9)	(2.4)%	9.4%
Income from ordinary activities	**64.8**	**18.8%**	**67.5**	**18.1%**	**4.1%**
Other non-recurring operating items	(3.3)	(0.9)%	(12.8)	(3.4)%	NS
Operating profit	**61.5**	**17.8%**	**54.7**	**14.7%**	**(11.2)%**
Financial income	3.5	1.0%	2.6	0.7%	(25.8)%
Borrowing costs	(67.9)	(19.6)%	(74.6)	(20.0)%	10.0%
Other financial expense	(4.1)	(1.2)%	(5.3)	(1.4)%	28.9%
Net financial income/(expense)	**(68.5)**	**(19.8)%**	**(77.3)**	**(20.7)%**	**12.9%**
Net income before tax of consolidated companies	**(6.9)**	**(2.0)%**	**(22.6)**	**(6.1)%**	**NS**
Tax income/(expense)	(2.7)	(0.8)%	21.7	5.8%	NS
Net income/(loss)	**(9.6)**	**(2.8)%**	**(1.0)**	**(0.3)%**	**NS**

Revenue

The following table sets forth a breakdown of our revenue by geographic segment for the periods indicated.

(in € millions)	For the year ended July 31 2016	2017	Change	% change
France	256.0	278.7	22.7	8.9%
Spain	80.0	81.7	1.7	2.1%
Other countries	9.7	12.4	2.7	27.8%
Total	**345.7**	**372.8**	**27.2**	**7.9%**

Revenue increased by €27.2 million, or 7.9%, from €345.7 million for the year ended July 31, 2016 to €372.8 million for the year ended July 31, 2017, mainly due to a strong increase in revenue in France, following the change in perimeter due to integration of the hearing aid business and the online businesses of Happyview.fr and Malentille.com that increased our store count by 79 stores (of which 44 in France), as well as strong network performance with like-for-like network sales growth for France recorded at 3.7% (from 3.8% for the previous year).

France

Revenue generated in France increased by €22.7 million, or 8.9%, from €256.0 million for the year ended July 31, 2016 to €278.7 million for the year ended July 31, 2017. The integration of the hearing aid business and of our two acquisitions in the online space, Happyview.fr and Malentille.com, has generated €8.7 million of additional revenue. Revenue generated by our historical Alain Afflelou banner also increased appreciably, while we benefited from strong performance of our networks generally, increased revenue following the renegotiation of certain lens manufacturer arrangements and growth in our sales of contact lenses. We generated 74.8% of our revenue for the year ended July 31, 2017 in France, as compared to 74.1% for the year ended July 31, 2016.

Spain

Revenue in Spain increased by €1.7 million, or 2.1%, from €80.0 million for the year ended July 31, 2016 to €81.7 million for the year ended July 31, 2017. This was mainly a result of the integration of Optimil, while other revenue was stable as compared with the year before, with a slight decrease in directly-owned stores revenue, consistent with reductions in the number of stores in that perimeter, compensated by an increase in revenue linked to the expansion of our historical Alain Afflelou banner in Spain and the inclusion of Alain Afflelou Audiólogo into the perimeter. We generated 21.9% of our revenue for the year ended July 31, 2017 in Spain, as compared to 23.1% for the year ended July 31, 2016.

Other countries

Revenue generated by the "other countries" segment increased by €2.7 million, or 27.8%, from €9.7 million for the year ended July 31, 2016 to €12.4 million for the year ended July 31, 2017. This change was mainly attributable to an increase in revenue generated in Belgium, stemming from the launch of a Belgian central purchasing unit for lenses and to the opening a new directly-owned store in Portugal. Revenue was also driven by the expansion of our perimeter in the other countries. We generated 3.3% of our revenue for the year ended July 31, 2017 in the "other countries" segment, as compared to 2.8% for the year ended July 31, 2016.

Cost of purchases

The cost of purchases increased by €16.3 million, or 9.2%, from €177.9 million for the year ended July 31, 2016 to €194.2 million for the year ended July 31, 2017. Our cost of purchases slightly increased, as a proportion of revenue, increasing to 52.1% for the year ended July 31, 2017, as compared to 51.5% for the year ended July 31, 2016, mainly reflecting the rise of our wholesale activity across our business: lenses (with the launch of a central purchasing unit in Belgium as well as the increased prominence of certain manufacturers in France, following our increased enrollment in care networks), contact lenses (with the increase of sales by our central purchasing unit for contact lenses, the ongoing development of "Call" and the impact of our online activities), and our trading activity in frames and sunglasses, given that our wholesale activity generally has a lower gross margin than our other sources of revenue.

Wages and salaries including social security contributions

Wages and salaries, including social security contributions, increased by €5.3 million, or 10.2%, from €52.3 million for the year ended July 31, 2016 to €57.6 million for the year ended July 31, 2017. Our headcount increased from 1,398 employees at July 31, 2016 to more than 1,400 employees at July 31, 2017. The increase in personnel costs is due to the integration of new activities, such as Optimil, our hearing aid business and online activities, representing an additional amount of €3.3 million. These personnel costs should attenuate with the development of those new activities. Personnel costs for our historical banners have increased in relation to the evolution of those networks. As a consequence, personnel costs as a proportion of our revenue increased overall to 15.5% for the year ended July 31, 2017, as compared to 15.1% for the year ended July 31, 2016.

Other purchases and external expenses

Other purchases and external expenses increased by €3.0 million, or 7.6%, from €39.5 million for the year ended July 31, 2016 to €42.5 million for the year ended July 31, 2017. These expenses are primarily composed of rental costs, representing €19.7 million for the year ended July 31, 2017 versus €19.4 million for the year ended July 31, 2016. As a proportion of our revenue, other purchases and external expenses were stable at 11.4% despite the inclusion of other costs to support the acquired businesses (Happyview.fr, Malentille.com, the hearing aid business and Optimil).

Duties and taxes other than income tax

Duties and taxes other than income tax decreased by €0.9 million, or 28.9%, from €3.1 million for the year ended July 31, 2016 to €2.2 million for the year ended July 31, 2017, mainly due to the reclassification of customs duties in cost of purchases (for exclusive frames sold by our trading subsidiary in Switzerland), as it is directly linked to our sales of exclusive frames and sunglasses. The rest of this segment has been stable during the year ended July 31, 2017 as compared to the previous year.

Depreciation, amortization and impairment

Depreciation, amortization and impairment increased by €0.8 million, or 9.4%, from €8.2 million for the year ended July 31, 2016 to €8.9 million for the year ended July 31, 2017. The increase in depreciation is due mainly to an increase in depreciation on intangible assets of €0.5 million (mainly relating to franchisor IT systems), while depreciation on tangible assets and provisions on current assets have been stable as compared to the previous year.

Income from ordinary activities

As a result of the factors discussed above, income from ordinary activities increased by €2.6 million, or 4.1%, from €64.8 million for the year ended July 31, 2016 to €67.5 million for the year ended July 31, 2017.

Other non-recurring operating items

Other non-recurring operating items increased by €9.5 million, from negative €3.3 million for the year ended July 31, 2017 to negative €12.8 million for the year ended July 31, 2017, due primarily to charges of €5.5 million incurred in connection with our contemplated initial public offering, which was put on hold in January 2017. We also had losses on store sales of €4.1 million and various exceptional charges, including depreciation on store goodwill of €0.5 million and earn out provisions.

Operating profit

As a result of the factors discussed above, operating profit decreased by €6.9 million, or 11.2%, from €61.5 million for the year ended July 31, 2016 to €54.7 million for the year ended July 31, 2017.

Net financial expense

Net financial expense increased by €8.9 million, or 12.9%, from €68.5 million for the year ended July 31, 2016 to €77.3 million for the year ended July 31, 2017.

Borrowing costs and other financial expenses increased by €8.0 million, or 11.0%, from €72.0 million for the year ended July 31, 2016 to €79.9 million for the year ended July 31, 2017, as a consequence of the ongoing capitalization of interest on the Shareholder Convertible Bonds issued by the Parent (held by our shareholders), which interest represented €44.9 million for the year ended July 31, 2017, as compared to €38.4 million for the year ended July 31, 2016. Other financial charges mainly correspond to the cost of our high yield debt, composed of €365 million in aggregate principal amount of senior secured notes and €75 million in aggregate principal amount of senior notes, together representing an annual interest charge of €26.4 million, or an average annual cost of debt of 6%. Other expenses and income include a net provision on franchisees receivables of €1.4 million, meanwhile interests charged to franchisees have decreased due to improved payment conditions following strong performance by our networks. Lastly, we incurred a financial charge of approximately €2.2 million on foreign exchange, due to purchases of frames denominated in U.S. dollars.

Net loss before tax of consolidated companies and tax expense

Net loss before tax of consolidated companies and tax expense increased by €15.7 million, from €6.9 million for the year ended July 31, 2016 to €22.6 million for the year ended July 31, 2017.

We recorded an income tax benefit of €21.7 million in the year ended July 31, 2017, as compared to an income tax expense of €2.7 million in the year ended July 31, 2016. This is mainly due to a French income tax benefit of €28 million, pursuant to the upcoming reduction in the rate of the income tax which impacts our deferred tax expense.

Net loss

As a result of the factors discussed above, our net loss decreased by €8.6 million, from a loss of €9.6 million for the year ended July 31, 2016 to a loss of €1.0 million for the year ended July 31, 2017.

The year ended July 31, 2016 compared to the year ended July 31, 2015

(in € millions)	For the year ended July 31 2015	% of revenue	2016	% of revenue	% change
Revenue	**311.0**	-	**345.7**	-	**11.1%**
Cost of purchases	(153.0)	(49.2)%	(177.9)	(51.5)%	16.3%
Wages and salaries including social security contributions	(52.1)	(16.8)%	(52.3)	(15.1)%	0.4%
Other purchases and external expenses	(38.5)	(12.4)%	(39.5)	(11.4)%	2.6%
Duties and taxes other than income tax	(2.9)	(0.9)%	(3.1)	(0.9)%	6.9%
Depreciation, amortization and impairment	(10.8)	(3.5)%	(8.2)	(2.4)%	(24.1)%
Income from ordinary activities	**53.7**	**17.3%**	**64.8**	**18.8%**	**20.7%**
Other non-recurring operating items	(21.9)	(7.0)%	(3.3)	(0.9)%	(85.4)%
Operating profit	**31.9**	**10.3%**	**61.5**	**17.8%**	**92.8%**
Financial income	6.5	2.1%	3.5	1.0%	(46.2)%
Borrowing costs	(62.1)	(20.0)%	(67.9)	(19.6)%	9.3%
Other financial expense	(4.1)	(1.3)%	(4.1)	(1.2)%	-
Net financial income/(expense)	**(59.8)**	**(19.2)%**	**(68.5)**	**(19.8)%**	**14.5%**
Net income before tax of consolidated companies	**(27.9)**	**(9.0)%**	**(6.9)**	**(2.0)%**	**(75.3)%**
Tax income/(expense)	3.9	1.3%	(2.7)	(0.8)%	(171.8)%
Net income/(loss)	**(24.0)**	**(7.7)%**	**(9.6)**	**(2.8)%**	**59.6%**

The following table sets forth a breakdown of our revenue by geographic segment for the periods indicated.

Revenue

(in € millions)	For the year ended July 31 2015	2016	Change	% change
France	227.2	256.0	28.8	12.7%
Spain	75.2	80.0	4.7	6.3%
Other countries	8.6	9.7	1.1	12.8%
Total	**311.0**	**345.7**	**34.7**	**11.1%**

Revenue increased by €34.7 million, or 11.1%, from €311.0 million for the year ended July 31, 2015 to €345.7 million for the year ended July 31, 2016 mainly due to the change in our scope of consolidation based on the full-year contribution of Optical Discount which closed on July 31, 2015. Optical Discount on July 31, 2015 mainly affected our results in France. Based on *pro forma* revenue data for the year ended July 31, 2015 (assuming the acquisition had been carried out as of August 1, 2014), the revenue contribution of Optical Discount would have represented €15.2 million for the fiscal year 2015. On a constant perimeter basis, revenue would have increased by €19.5 million or 6.0%, from €326.2 million for the year ended July 31, 2015 to €345.7 million for the year ended July 31, 2016.

France

Revenue generated in France increased by €28.8 million, or 12.7%, from €227.2 million for the year ended July 31, 2015 to €256.0 million for the year ended July 31, 2016 mainly a result of the integration of Optical Discount. Excluding the impact of Optical Discount, the change in this region was mainly due to organic growth attributable to: (i) the increasing number of stores joining closed care networks, which enabled network sales to outperform the market; (ii) the stepping up of communications efforts; and (iii) a one-off increase in sales of exclusive eyeglass frames. This non-recurring increase was due partly to changes in the logistics arrangements for trading activities resulting in the transfer of a significant portion of our inventories to a manufacturing supplier's logistics platform (giving rise to a positive impact on our revenue relating to the exclusive product trading activity), and also to the launch of a barter system under which inventories of eyeglass frames are exchanged for advertising space (giving rise to a €3.4 million impact on our revenue, with no impact on the cash flows).

We generated 74.1% of our revenue for the year ended July 31, 2016 in France, compared to 73.1% for the year ended July 31, 2015.

Spain

Revenue generated in Spain increased by €4.7 million, or 6.5%, from €75.2 million for the year ended July 31, 2015 to €80.0 million for the year ended July 31, 2016. This was mainly a result of: (i) a net 13 franchised store openings, excluding the 54 Optimil franchises consolidated on July 31, 2016; (ii) the €2.1 million non-recurring increase in sales of exclusive eyeglass frames due to changes in the logistics arrangements for trading activities; and (iii) the slight like-for-like increase in network sales against a background of political tensions.

We generated 23.1% of our revenue for the year ended July 31, 2016 in Spain, as compared to 24.2% for the year ended July 31, 2015.

Other countries

Revenue generated by the "other countries" segment increased by €1.1 million, or 13.3%, from €8.6 million for the year ended July 31, 2015 to €9.7 million for the year ended July 31, 2016. This change was mainly due to: (i) the €0.5 million non-recurring increase in sales of exclusive eyeglass frames due to changes in the logistics arrangements for trading activities; (ii) a net ten store openings excluding Optical Discount, of which seven were franchised stores and three were directly-owned stores; as well as (iii) the consolidation of Optical Discount as from August 1, 2015, or eight stores, two of which were opened during the year. On a like-for-like basis, revenue from the "other countries" segment mainly reflected strong performances in Belgium and Switzerland, which, excluding Optical Discount, represented 60.7% of the aggregate revenue of the "other countries" segment for the year ended July 31, 2016.

We generated 2.8% of our revenue for the year ended July 31, 2016 in the "other countries" segment, unchanged from the previous year.

Cost of purchases

The cost of purchases increased by €24.8 million, or 16.2%, from €153.0 million for the year ended July 31, 2015 to €177.9 million for the year ended July 31, 2016. This increase was mainly due to (i) the consolidation of Optical Discount at July 31, 2016, and (ii) the increase in the cost of purchases of goods linked to year-on-year business growth.

The cost of our purchases also increased, as a proportion of revenue, rising to 51.5% for the year ended July 31, 2016 compared to 49.2% for the year ended July 31, 2015, mainly reflecting (i) the strategy of opening stores as part of closed care networks, which limits opticians' choice of eyeglass manufacturers and thereby generates additional costs compared to previously-agreed arrangements, as well as (ii) the consolidation of Optical Discount, which has higher cost levels than the historical network.

Wages and salaries including social security contributions

Wages and salaries including social security contributions increased marginally by €0.2 million, or 0.4%, from €52.1 million for the year ended July 31, 2015 to €52.3 million for the year ended July 31, 2016. Our headcount increased from 1,377 employees at July 31, 2015 to 1,398 at July 31, 2016. This increase resulted from the integration of 36 employees from Optimil and LSFA at the end of the period.

Employee profit sharing decreased by €0.3 million, from €1.4 million for the year ended July 31, 2015 to €1.2 million for the year ended July 31, 2016. The amount of the CICE remained stable year on year at €0.9 million. As a proportion of our revenue, wages and salaries including social security contributions therefore decreased overall to 15.1% for the year ended July 31, 2016 from 16.8% for the year ended July 31, 2015. The decrease was due to (i) effective management of personnel costs in France, and (ii) the relatively stable personnel costs of directly-owned stores, against a backdrop of year-on-year sales growth.

Other purchases and external expenses

Other purchases and external expenses increased by €1.0 million, or 2.6%, from €38.5 million for the year ended July 31, 2015 to €39.5 million for the year ended July 31, 2016. As a proportion of our revenue, other purchases and external expenses decreased to 11.4% for the year ended July 31, 2016 from 12.4% the previous year, mainly due to the relatively stable rental costs of directly-owned stores against a backdrop of year-on-year sales growth.

Duties and taxes other than income tax

Duties and taxes other than income tax increased by €0.2 million, or 5.8%, from €2.9 million for the year ended July 31, 2015 to €3.1 million for the year ended July 31, 2016.

Depreciation, amortization and impairment

Depreciation, amortization and impairment decreased by €2.6 million, or 24.3%, from €10.8 million for the year ended July 31, 2015 to €8.2 million for the year ended July 31, 2016. The decrease was mainly due to a reversal of a provision for current assets due to the resale, via the barter system, of an inventory of eyeglass frames from past collections, for which a partial provision had been set aside.

Income from ordinary activities

As a result of the factors discussed above, income from ordinary activities increased by €11.1 million, or 20.6%, from €53.7 million for the year ended July 31, 2015 to €64.8 million for the year ended July 31, 2016.

Other non-recurring operating items

Other non-recurring operating items contracted by €18.6 million, or 85.0%, from negative €21.9 million for the year ended July 31, 2015 to negative €3.3 million for the year ended July 31, 2016.

This decrease was mainly due to the fact that impairment losses on leaseholds and related costs had been recognized in 2015 in an amount of €24.2 million, compared to €2.6 million in 2016. During the year ended July 31, 2016, disposals and closures of directly-owned stores in France and Spain did not have a significant net impact on other non-recurring operating items. The capital losses from the disposals and closures of stores (€7.3 million) were offset by provisions for depreciation of assets of an equivalent amount. As of July 31, 2016, other non-recurring operating items included: (i) an earn-out payment on the acquisition of Optical Discount in an amount of €2.4 million and (ii) the costs already incurred in relation to the initial public offering process, which amounted to €1.7 million.

Operating profit

As a result of the factors discussed above, operating profit increased by €29.7 million, or 93.2%, from €31.9 million for the year ended July 31, 2015 to €61.5 million for the year ended July 31, 2016.

Net financial income/(expense)

Net financial income/(expense) decreased by €8.7 million, from negative €59.8 million for the year ended July 31, 2015 to negative €68.5 million for the year ended July 31, 2016.

Borrowing costs and other financial expenses increased by €5.7 million, or 8.6%, from €66.2 million for the year ended July 31, 2015 to €72.0 million for the year ended July 31, 2016. The increase was mainly due to the year-on-year rise in capitalized interest payable in respect of the Shareholder Convertible Bonds, which increased from €32.6 million for the year ended July 31, 2015 to €38.4 million for the year ended July 31, 2016 (before IFRS adjustments in respect of the equity component of the Shareholder Convertible Bonds), with no impact on our cash flows.

Financial income decreased by €2.9 million, or 45.5%, from €6.5 million for the year ended July 31, 2015 to €3.5 million for the year ended July 31, 2016. Financial income comprised, among other things, late payment interest on loans to franchisees. The decrease in financial income was mainly due to a base effect arising as a result of the non-recurring income relating to the payment of interest following a tax dispute, recorded at July 31, 2014.

Net income before tax of consolidated companies and tax expense

Net income before tax of consolidated companies increased by €21.0 million, or 75.2%, from negative €27.9 million for the year ended July 31, 2015 to negative €6.9 million for the year ended July 31, 2016.

Income tax expense in an amount of €2.7 million was recognized at July 31, 2016 compared to an income tax benefit of €3.9 million at July 31, 2015. Current taxes increased by €0.7 million, or 14.0%, from €4.5 million for the year ended July 31, 2015 to €5.2 million for the year ended July 31, 2016, mainly due to improved performance. Deferred taxes decreased by €6.0 million, from €8.5 million for the year ended July 31, 2015 to €2.5 million for the year ended July 31, 2016.

Net loss

As a result of the factors discussed above, net loss decreased by €14.4 million, or 59.9%, from a loss of €24.0 million for the year ended July 31, 2015 to a loss of €9.6 million for the year ended July 31, 2016.

Liquidity and capital resources

Historically, our liquidity requirements have arisen primarily from the need to service our indebtedness, finance working capital and fund the expansion of our store network, finance acquisitions and pay taxes.

Prior to the Transactions, our sources of liquidity have historically consisted mainly of the following:

- issuances of senior and senior subordinated debt consisting of the Existing Notes and borrowings under the Existing Revolving Credit Facility;
- shareholder injections in the form of the Shareholder Convertible Bonds;
- certain other bilateral credit facilities permitted sale of discounted receivables from franchisees (*cessions Dailly*), finance leases and factoring of CICE- and CIR-related receivables; and
- cash generated from operating activities.

As part of the Transactions, we will redeem the Existing Notes and cancel the Existing Revolving Credit Facility.

Following the Transactions, our principal sources of liquidity will be cash flow from operating activities and the New Revolving Credit Facility. The majority of our indebtedness will be represented by the Notes offered hereby. Additionally, we will continue to access certain uncommitted short-term discount lines (assignment of trade receivables), overdrafts, medium-term bilateral loans, CICE-related factoring programs and financial leases as business needs dictate, in particular for store renovations (mainly for directly-owned stores) and key money. See "*Capitalization*" and "*Description of certain other indebtedness*".

The sources of our working capital requirements include:

- requirements relating to sales of goods in our wholesale activity with our networks. In connection with our exclusive frames trading business and central purchasing unit sales, we recognize significant trade receivables in relation to our franchisees as well as in relation to our partners distributing the exclusive frames. The redistribution of the frames to franchisees via the logistics platform in Hong Kong ties up significant funds, given the quantities stored locally in order to efficiently serve all networks. Since our migration to a logistics systems for exclusive frames sold to our store network, the quantities stored in Hong Kong were transferred to the distribution platform of a lens supplier in Thailand during the year ended July 31, 2016. This created a substantial trade receivable with respect to said supplier in light of the volumes required to ensure that goods are redistributed to franchisees without the risk of stock outs. Furthermore, optical sales to end-consumers via directly-owned stores in France generate customer credit for an estimated period of between 15 days and one month following the sale, due to the third-party payment system that is used in the French optical sector (*tiers payant*);

- inventories, mainly in directly-owned stores. Inventories may vary depending on the arrival of new collections, particularly with regard to sunglasses. We also store products to be sold to franchisees as part of the rollout of new collections; and

- requirements generated by central listing and payment unit arrangements, whereby we pay suppliers on behalf of franchisees. Such mechanisms normally generate a time lag of 15 days to 1 month between payment to suppliers and payment by franchisees in respect of the goods concerned. In addition, in the event of late payments, we sometimes grant franchised stores more flexible payment deadlines, which further increases working capital requirements.

Analysis of consolidated cash flows

The following table summarizes our cash flows during the years ended July 31, 2015, 2016 and 2017.

	For the year ended July 31,		
	2015	2016	2017
(in € millions)			
Net cash from operating activities	55.0	53.1	53.8
Net cash used in investing activities	(18.4)	(29.6)	(11.8)
Net cash used in financing activities	(30.2)	(10.6)	(45.7)
Net change in cash	**6.3**	**12.9**	**(3.7)**
Cash and cash equivalents at beginning of period	19.7	26.0	38.9
Cash and cash equivalents at end of period	26.0	38.9	35.2

Cash flow from operating activities

The following table sets out the cash flows resulting from operating activities in the years ended July 31, 2015, 2016 and 2017.

	For the year ended July 31,		
	2015	2016	2017
(in € millions)			
Cash flow before borrowing costs	63.9	68.7	66.7
Income tax paid	(6.1)	(2.9)	(3.7)
Change in working capital	(2.7)	(12.7)	(9.2)
Net cash from operating activities	**55.0**	**53.1**	**53.8**

In the year ended July 31, 2015, net cash from operating activities amounted to €55.0 million. This reflected cash flow before borrowing costs of €63.9 million, which was partially offset by income tax paid of €6.1 million and a negative €2.7 million change in working capital.

In the year ended July 31, 2016, net cash from operating activities amounted to €53.1 million. This reflected cash flow before borrowing costs of €68.7 million, which was partially offset by a negative €12.7 million change in working capital and income tax paid of €2.9 million.

In the year ended July 31, 2017, net cash from operating activities amounted to €53.8 million. This reflected cash flow before borrowing costs of €66.7 million, slightly below the previous fiscal year, partially offset by a lower change in working capital requirements at negative €9.2 million and income tax paid of €3.7 million.

Cash flow before borrowing costs

The following table sets out cash flow before borrowing costs in the years indicated.

	For the year ended July 31,		
	2015	2016	2017
(in € millions)			
Net income/(loss)	(24.0)	(9.6)	(1.0)
Net depreciation and amortization and provisions	26.4	(1.8)	9.6
Capital gains and losses on disposals	3.3	9.6	5.2
Tax expense including deferred taxes	(3.9)	2.7	(21.7)
Borrowing costs	62.1	67.9	74.6
Cash flow before borrowing costs	**63.9**	**68.7**	**66.7**

In the year ended July 31, 2015, cash flow before borrowing costs amounted to €63.9 million, mainly reflecting a net loss of €24.0 million adjusted for (i) borrowing costs of €62.1 million, which included €32.6 million in capitalized interest on the Shareholder Convertible Bonds and €26.4 million in interest on the Existing Notes, (ii) €26.4 million in net depreciation and amortization and provisions and (iii) €3.3 million of net capital gains on disposals.

In the year ended July 31, 2016, cash flow before borrowing costs amounted to €68.7 million, mainly reflecting a net loss of €9.6 million adjusted for (i) borrowing costs of €67.9 million, which included €38.4 million in capitalized interest on the Shareholder Convertible Bonds and €26.4 million in interest on the Existing Notes, and (ii) €9.6 million in capital gains and losses on disposals.

In the year ended July 31, 2017, cash flow before borrowing costs amounted to €66.7 million, mainly reflecting a net loss of €1.0 million adjusted for (i) borrowing costs of €74.6 million, which included €44.9 million in capitalized interest on the Shareholder Convertible Bonds and €26.4 million in interest on the Existing Notes, (ii) the income tax benefit of €21.7 million, as described under "*—The year ended July 31, 2017 to the year ended July 31, 2016—Net loss before tax of consolidated companies and tax expense*", (iii) €5.2 million in net capital gains on disposals and (iv) €9.6 million in net depreciation and amortization and provisions.

Change in working capital

The following table sets out changes in working capital in the years ended July 31, 2015, 2016 and 2017.

	For the year ended July 31,		
	2015	2016	2017
(in € millions)			
(Increase)/decrease in inventories	(1.3)	2.1	(3.4)
(Increase)/decrease in receivables	8.5	(15.0)	(7.0)
Increase/(decrease) in liabilities	(9.9)	(0.4)	0.5
(Prepaid expenses)/deferred income	(0.1)	0.7	0.7
Change in working capital	**(2.7)**	**(12.7)**	**(9.2)**

In the year ended July 31, 2015, change in working capital had a negative €2.7 million impact on cash from operating activities. This was mainly attributable to:

- a negative €9.9 million impact relating to a decrease in liabilities owing to a €5.8 million decrease in purchases of goods and services related to ordinary activities; and

- a positive €8.5 million impact relating to a decrease in trade receivables, of which €6.2 million related to France, mainly attributable to client debt. The decrease in trade receivables was attributable to (i) a base effect, as client debt levels were particular high for the year ended July 31, 2014, as a result of weak sales following the implementation of agreements concerning closed care networks and (ii) a €3.8 million year-on-year decrease in receivables relating to distribution fees, resulting from a change in payment method with certain suppliers, which now grant discounts on purchases made via the networks instead of paying distribution fees.

In the year ended July 31, 2016, change in working capital had a negative €12.7 million impact on cash from operating activities. This was mainly attributable to:

- a negative €15.0 million impact relating to the increase in trade receivables, of which €16.4 million related to France. The increase in trade receivables is mainly a result of: (i) the non-recurring sale of exclusive eyeglass frames to a lens supplier as part of an inventory transfer to one of our partners; (ii) the sale of inventories of eyeglass frames from previous collections via a barter system (sales of eyeglass frames from previous collections to a specialized organization in return for the purchase of media space by us; and (iii) an increase in franchisee sales following the gradual move towards closed care networks, combined with extended payment terms granted to certain franchisees in France; and

- a positive €2.1 million impact relating to a decrease in inventories, which primarily resulted from the sale of inventories of exclusive eyeglass frames from previous collections via a barter system.

In the year ended July 31, 2017, change in working capital had a negative €9.2 million impact on cash from operating activities. This was mainly attributable to:

- a negative impact of €3.4 million on inventories: this figure includes €2.2 million corresponding to two stores which were bought back into our directly-owned stores network during this fiscal year and which are expected to be sold back to franchisees within a short time period and are therefore accounted for as inventories. The remainder of the increase in inventories results from the temporary impact of an exclusive sunglasses collection amounting to €0.9 million, and inventory generated in the wholesale activity of our discount banner in France; and

- a negative impact of €7.0 million on trade receivables, versus a negative impact of €15.0 million in the year ending July 31, 2016, mainly corresponding to the improvement in the payment regularity of our franchisees as well as strong performances in our French network, partially offset by an increase in receivables with our logistics partner for exclusive frames sold to our network, following an increase in sales and the upcoming launch of new collections in our network.

Income tax paid

In the year ended July 31, 2015, income tax paid corresponded to an outflow of €6.1 million, of which €2.3 million was paid to the tax authorities to settle a dispute concerning our Swiss subsidiary. The amounts paid were reimbursed to us during the year ended July 31, 2016.

In the year ended July 31, 2016, income tax paid amounted to €2.9 million.

In the year ended July 31, 2017, income tax paid amounted to €3.7 million, mainly corresponding to French CVAE tax.

Cash used in investing activities

The following table sets out our cash flows used in investing activities in the years ended July 31, 2015, 2016 and 2017.

	For the year ended July 31,		
	2015	2016	2017
(in € millions)			
Purchases of intangible assets	(14.7)	(6.3)	(8.4)
Purchases of property, plant and equipment	(7.6)	(7.7)	(7.2)
Proceeds from disposals of intangible assets	12.3	7.7	3.1
Purchases of financial assets	(5.8)	(3.6)	(4.3)
Proceeds from disposals of financial assets	5.9	5.2	6.0
Purchases of subsidiaries, net of cash acquired	(8.6)	(25.0)	(1.0)
Net cash used in investing activities	**(18.4)**	**(29.6)**	**(11.8)**

In the year ended July 31, 2015, investing activities represented an outflow of €18.4 million, and included:

- an outflow of €14.7 million relating to purchases of intangible assets, of which €12.0 million corresponded to the purchase of business assets (€8.9 million in France – €3.9 million relating to the acquisition of seven unbranded stores in Alsace, €1.2 million relating to the acquisition of two unbranded stores in Le Mans and Oise, and €1.1 million relating to the creation of new stores across France – and €3.1 million in Spain). Investments relating to structural expenses (including network and IT developments) and set-up costs amounted to €2.0 million;

- external growth operations, which resulted in an outflow of €8.6 million net of cash acquired. The most significant operations during the period were the acquisition of Optical Discount on July 31, 2015 (network of 88 stores in France, Belgium and Morocco);

- an outflow of €7.6 million relating to purchases of property, plant and equipment, of which €3.0 million related to Spain, mainly relating to work carried out in 74 stores during the period. The majority of the work corresponded to the renovation of existing stores and the creation of new stores;

- an inflow of €12.3 million relating to disposals of property, plant and equipment and intangible assets, of which €1.5 million related to Spain, relating to the disposal of 10 directly-owned stores during the period; and

- a net inflow of €0.1 million relating to financial assets, mainly attributable to repayments of vendor loans granted to franchisees in order to support the conversion of directly-owned stores into franchises.

In the year ended July 31, 2016, investing activities represented an outflow of €29.6 million, and included:

- external growth operations which, net of cash acquired, represented an outflow of €25.0 million. The most significant external growth operations during the period were

(i) the acquisition on July 31, 2016 of LSFA, the franchisor of the Alain Afflelou Acousticien banner (a network of 148 hearing aid points of sale in France, of which 47 were stores and 101 were corners), for €18.8 million net of cash acquired; (ii) the acquisition on July 31, 2016 of Ursa Vision, the franchisor of Spanish retail optical chain Optimil, for €3.3 million net of cash acquired (a network of 54 stores in Spain at July 31, 2016); and (iii) an earn-out payment of €2.3 million relating to the acquisition of Optical Finance, the franchisor operating the Optical Discount brand, in the year ended July 31, 2016;

- an inflow of €7.7 million relating to disposals of tangible and intangible assets, of which €4.8 million was in France and €3.1 million was in Spain, primarily relating to the disposal of certain directly-owned stores during the period;

- an outflow of €7.7 million relating to purchases of property, plant and equipment, of which €5.1 million was in France and €2.2 million was in Spain, mainly relating to work carried out in certain directly-owned stores during the period. This work primarily corresponded to renovations of existing stores and the creation of new stores;

- an outflow of €6.3 million relating to purchases of intangible assets, of which €4.7 million was in France and €1.5 million was in Spain. This primarily included purchases of business assets of €3.9 million (of which €2.7 million was in France and €1.2 million was in Spain), mainly corresponding to the creation of new stores. Set-up costs and IT system upgrade and maintenance costs represented €2.0 million during the year; and

- an inflow of €1.6 million relating to disposals of financial assets, of which €1.4 million related to the repayment of vendor loans granted to franchisees in order to support the conversion of directly-owned stores into franchises.

In the year ended July 31, 2017, investing activities represented an outflow of €11.8 million, and included:

- an outflow of €8.4 million relating to purchases of intangible assets, of which €3.4 million was linked to the acquisition of Happyview.fr and Malentille.com, with the remainder relating mainly to purchases of business assets, corresponding to stores bought back from franchisees for €1.7 million, and set-up costs and IT system upgrade and maintenance costs of €2.0 million during the year;

- an outflow of €7.2 million relating to purchases of property, plant and equipment, of which €3.1 million was in France and €2.3 million was in Spain on our directly-owned stores structure (mainly on maintenance capital expenditure on existing stores), the rest being spread mainly over our offices;

- an inflow of €3.1 million relating to disposals of tangible and intangible assets, of which €1.2 million was in France and €2.1 million was in Spain, primarily relating to the disposal of certain directly-owned stores during the period;

- a net inflow of €1.7 million relating to financial assets, mainly corresponding to a net repayment inflow of long term commitments (vendor credits and repayment of loans to franchisees) of our franchisees; and

- purchase of subsidiaries which represented an outflow of €1.0 million, mainly corresponding to earn-out payments to former shareholders of Optical Discount.

Cash used in financing activities

The following table sets out the cash flows relating to our financing activities in the years ended July 31, 2015, 2016 and 2017.

	For the year ended July 31,		
	2015	2016	2017
(in € millions)			
Loans	0.3	18.3	0.2
Repayment of loans	(2.8)	(1.7)	(18.5)
Other financial expense paid	-	-	-
Debt issuance costs	(2.0)	-	-
Net interest paid	(25.6)	(27.1)	(27.4)
Net cash used in financing activities	**(30.2)**	**(10.6)**	**(45.7)**

In the year ended July 31, 2015, financing activities represented an outflow of €30.2 million, which was attributable to (i) €25.6 million in net interest paid, of which €26.4 million was in respect of the Existing Notes; (ii) €2.6 million in net repayments of bank loans taken out by various subsidiaries; and (iii) €2.0 million in debt issuance costs relating to the refinancing operation of May 6, 2014, which had not yet been paid at July 31, 2014.

In the year ended July 31, 2016, financing activities represented an outflow of €10.6 million, and included (i) €27.1 million in net interest paid, of which €26.4 million was in respect of the Existing Notes, and (ii) €16.6 million in net subscriptions to bank loans taken out by various subsidiaries, including €17.3 million attributable to discounted receivables.

In the year ended July 31, 2017, financing activities represented an outflow of €45.7 million, versus an outflow of €10.6 million, in the year ended July 31, 2016. The difference is mainly attributable to the repayment of discounted receivables (*cessions Dailly*) drawn before the end of the preceding fiscal year and reimbursed during fiscal year 2017. The rest of our financing activities generated a comparable level of outflows, as our main debt corresponded to the Existing Notes in aggregate principal amount of €440 million with a blended fixed interest expense of 6% on average.

Capital expenditure

In our statement of consolidated cash flows, cash used in investing activities represented €18.4 million, €29.6 million and €11.8 million in the years ended July 31, 2015, 2016 and 2017, respectively. This line item includes purchases of property, plant and equipment and intangible assets net of proceeds from disposals of property, plant and equipment and intangible assets. Cash used in investing activities also includes acquisitions of subsidiaries, and more generally exceptional transactions, defined as external growth. For a full breakdown of its constituent components, see our consolidated financial statements included elsewhere in this Offering Memorandum.

The cash used in investing activities during the periods under review corresponding to our external growth operations amounted to €5.6 million, €24.9 million and €4.4 million for the years ended July 31, 2015, 2016 and 2017, respectively, corresponding to: (i) the acquisition of LSFA, the master-franchisee of our hearing aids business, on July 31, 2016 for an amount of €18.8 million net of cash acquired; (ii) the acquisition of Ursa Vision, the franchisor of Spanish retail optical chain Optimil, on July 31, 2016 for an amount of €3.3 million, net of cash acquired; (iii) the acquisition of Optical Finance, the franchisor operating the Optical Discount brand for a total amount of € 7.4 million, mainly incurred in the year ending July 31, 2015; (iv) the gradual acquisition over the years ended July 31, 2015 and 2016 of a 29.7% interest in Optivisão, the Portuguese optical franchisor operating the Optivisão banner, for a total amount of €1.9 million; and (v) the acquisition of Happyview.fr and Malentille.com for a total amount of €3.4 million paid in the year ended July 31, 2017.

We define capital expenditure for the periods under review, by the cash from/(used) in investing activities, net of the cash outflows for our external growth operations, composed of Optical Finance, Optimil, LSFA, Optivisão and Happyview.fr and Malentille.com. We consider that capital expenditure corresponds mainly to our maintenance-related capital expenditures. While capital expenditure relating to our franchisor activity is limited, mainly to intangible assets linked to our IT systems, and tangible assets linked to our headquarters, directly-owned stores require investments, mainly relating to opening new stores and renovating existing ones. Capital expenditure may be also recorded as part of the directly owned stores strategy to manage the Group's network, and would in such case include (a) the acquisition of a formerly franchised store either through key money or through a purchase of subsidiary in the event the Group buys back the company operating the store, (b) through the acquisition of financial assets in case a vendor credit would be granted to franchisees buying back directly owned stores or (c) occasionally, the costs incurred by the Group's directly-owned store activity when new stores are opened to secure a desirable location.

The following table presents a reconciliation of capital expenditure to net cash from/(used in) investing activities for the periods indicated.

	For the year ended July 31,		
(*in € millions*)	2015	2016	2017
Net cash from/(used in) investing activities	**(18.4)**	**(29.6)**	**(11.8)**
Reversal of external growth transactions	5.6	24.9	4.4
Capital expenditure	**(12.9)**	**(4.8)**	**(7.4)**

Our capital expenditure amounted to €12.9 million, €4.8 million and €7.4 million in the years ended July 31, 2015, 2016 and 2017, respectively. It comprised maintenance capital expenditure incurred by: (i) our franchisor activity (mainly related to the development of IT tools for franchisees), (ii) the renovation of stores and the investment in assets by our directly-owned stores activity (as part of our strategy to ensure network management), and (iii) financial assets purchased and disposed in relation to the support of our franchisees and the sale of directly owned stores to franchisees.

The estimated capital expenditure for the year ended July 31, 2018 is between approximately €6.0 million to €10.0 million.

Contractual commitments

As of July 31, 2017, our total debt adjusted to give *pro forma* effect to the Transactions would have amounted to €726.1 million and would have consisted mainly of the Notes and the Shareholder Convertible Bonds. The following table summarizes our total contractual obligations and commitments as of July 31, 2017, giving effect to the Transactions, sorted by the year in which they are due to mature. It does not include (i): non-recourse factoring that are off-balance sheet and recourse discount lines that typically are paid intra-month (and in any case within 60 days) as further described under "*—Off-balance sheet commitments*" and (ii) miscellaneous other debt in the amount of €1.9 million as of July 31, 2017.

(millions of €)	**Less than 1 year**	**1-4 years**	**4-6 years**	**more than 6 years**	**Total**
Notes offered hereby	—	—	425.0	—	**425.0**
New Revolving Credit Facility	—	—	—	—	—
Shareholder Convertible Bonds	—	—	—	299.2	**299.2**
Total	—	—	**425.0**	**299.2**	**724.2**

Off-balance sheet commitments

Off-balance sheet commitments are described in note 6.6.1 to the consolidated financial statements for the years ended July 31, 2015, 2016 and 2017 included elsewhere in this Offering Memorandum.

As of July 31, 2017, our commitments included securities and bank guarantees granted to banks financing franchisees for an amount of €18.7 million, as compared to €19.0 million as of July 31, 2016.

Secured loans are part of our overall borrowing capacity. For such operations, we are involved in these transactions in our capacity as guarantor to these banks for the financing they provide to franchisees in the proportion of 100% of each application for financing, with a maximum exposure of up to approximately 30% of a contractually-agreed cap for each facility.

In addition, we also engage in opportunistic factoring transactions with factoring providers on a recourse basis pursuant to which receivables due from franchisees are sold at a discount to such factoring providers. We also engage in opportunistic factoring transactions with factoring providers on a non-recourse basis pursuant to which receivables due from the French state related to CICE/CIR tax credits are sold. These transactions are made pursuant to one-off factoring transactions entered into when management determines it can improve our net working capital.

We have access to uncommitted discount receivables lines (*cessions Dailly*) for an approximate amount of €40 million, with a group of commercial banks. These lines give us capacity to borrow against receivables from franchisees that mature at a maximum of 45 days and are on a recourse basis. These lines are generally used for working capital purposes for short periods. In the year ended July 31, 2017, we utilized these lines for a monthly average of approximately €6.0 million. See "*Description of certain other indebtedness—Assignment of accounts receivable*".

Quantitative and qualitative disclosures about market risk

Exchange rate risk

Fluctuations in foreign exchange rates could have a material adverse effect on our results of operations. We face foreign exchange risks to the extent that most of our revenue is in euros while we source most of our frames and sunglasses from a Chinese intermediary agent, as discussed above, on the basis of a price list denominated in U.S. dollars. Although our current arrangements with our Chinese intermediary agent use a fixed exchange rate between euros and U.S. dollars for certain purchases, this rate could change or cease to be fixed, in which case a sustained appreciation of the U.S. dollar against the euro may lead to an increase in prices we pay for products that we may not necessarily be able to pass on, whether partially or entirely, to our franchisees or end customers. In addition, our network works with suppliers who, although their merchandise is billed in euros, are themselves subject to fluctuations in exchange rates, in particular between euros and U.S. dollars.

Interest rate risk

We are exposed to interest rate fluctuations as certain of our indebtedness bears interest rates at floating rates that could increase, increasing our debt service obligations. Borrowings under the Floating Rate Notes and the New Revolving Credit Facility will bear interest indexed to the Euro Interbank Offered Rate ("**EURIBOR**"), adjusted periodically, plus a margin for drawings in euro, and, with respect to the New Revolving Credit Facility, at the London Interbank Offered Rate ("**LIBOR**"), adjusted periodically, plus a margin for borrowings in other currencies. EURIBOR and/or LIBOR may increase significantly in the future, resulting in additional interest expense for us, reducing the free cash flow for investments and limiting our ability to service our indebtedness. Although we do not currently intend to enter into hedging derivatives with respect to the Floating Rate Notes, we may do so in the future. As of July 31, 2017, we had no outstanding floating-rate debt and our outstanding fixed-rate third-party debt was €440 million related to the Existing Notes.

Liquidity risk

Our financial liabilities mainly include borrowings and trade and other debts. These liabilities may expose us to liquidity risk in the event of early repayment or short maturity. In order to manage our liquidity risk, we rely on cash on hand and additionally contracts revolving credit or bank facilities for an appropriate amount and maturity to ensure that we have adequate available funds to meet our commitments with a large range of financial institutions. We had cash and cash equivalents of €35.3 million as of July 31, 2017, compared to €39.4 million as of

July 31, 2016 and €27.8 million as of July 31, 2015. The total amount of credit facilities that were not used as of July 31, 2017 was €30.0 million, compared to €30.0 million as of July 31, 2016 and €30.0 million as of July 31, 2015.

Critical accounting policies and estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which were prepared in accordance with the IFRS as of the date of preparation of the financial statements, including the International Accounting Standards ("**IAS**") and IFRS standards and the International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations. The preparation of this financial information requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial information, so we consider these to be our critical accounting policies. Due to the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies described below. For more information, see note 3 to the Parent's consolidated financial statements included elsewhere in this Offering Memorandum.

Goodwill impairment testing

Goodwill and intangible assets arise in connection with acquisitions. We do not amortize goodwill and intangible assets with indefinite lives. Intangible assets with finite lives are amortized on a straight-line basis over the assets' respective useful lives. Goodwill is tested for impairment at least annually, at year end, using the method described in the notes to the Parent's consolidated financial statements included elsewhere in this Offering Memorandum. The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets and discount rates applied in calculating the value in use. Any impairment arising is charged to the income statement.

Retirement benefits

We offer our employees retirement plans and other long-term benefits in accordance with regulations and market practices in France and Spain. We account for our defined benefit plans in accordance with IAS 19 "Employee benefits". Accounting for retirement benefit plans requires us to make assumptions including, but not limited to, discount rates, rates of inflation and life expectancies. The use of different assumptions could have a material effect on the accounting values of the relevant assets and liabilities which could result in a material change to the cost of such liabilities as recognized in the income statement over time. These assumptions are subject to periodic review.

Deferred taxes

Deferred tax assets are recognized to the extent that it is regarded as probable that the deductible temporary differences can be realized. The probability that we are able to realize such differences is based on fiscal forecasts drawn up for the tax consolidation group. We estimate deferred tax assets as well as expectations regarding the manner and timing of recovery of the related assets. Changes in these estimates may affect the amount of deferred tax liabilities or the valuation of deferred tax assets.

Provisions

We record provisions for liabilities when we have a current obligation (legal or implied) resulting from a past event; it is likely that an outflow of resources representative of economic benefits will be necessary in order to clear the obligation; and the amount of the obligation can be estimated reliably. The provisions are determined and updated based on assumptions made by us at each reporting date. When the impact is significant, we discount provisions based on a discount rate that reflects the risk-free interest rate and the risks specific to the asset. Due to the uncertainty inherent in these matters, actual results could differ from the estimates on which these provisions are based.

Advertising expenses

Communication fees collected from stores in our network on a monthly basis are recognized as revenue generated by such fees when advertising expenses or communication fees are effectively incurred, for instance in connection with the launch of an advertising campaign.

Industry

*This section contains information about our markets and our competitive positions, including information about the size of our markets and our position in those markets. Certain of the information set forth in this section has been derived from external sources. Other than the estimations and analyses carried out by us and unless otherwise indicated, the facts and information on which we base our statements in this "Industry" section are based on information from: (i) a market study carried out at our request in 2016 by an independent, third-party market consultant, (ii) recent general market and industry studies and statistics obtained from other independent third-party market consultants and professional data providers including, but not limited to, Arcane Research ("**Arcane**"), Gallileo Business ("**Gallileo**") and Strategy with Vision ("**SWV**"), (iii) professional associations and international organizations, such as IGAS (Inspection générale des affaires sociales), UNSAF (Syndicat National des Audioprosthésistes), Euromonitor International, EuroTrak (hearing aids), SNITEM (Syndicat National de l'Industrie des Technologies Médicales) and the International Monetary Fund and (iv) publicly-available information, including information from our competitors, interviews and visits carried out by experts and market participants, secondary market analyses and operating and financial information provided by us. To our knowledge, this information has been faithfully reproduced and no fact has been omitted which would render the information provided inaccurate or misleading.*

Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgments or may have been subject to limited audit or validation. While we believe this market data and other information to be accurate and correct, we have not independently verified it. The projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Further, such estimates or judgments, particularly as they relate to expectations about our market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk factors" and "Forward-looking statements" elsewhere in this Offering Memorandum.

The optical products market

Overview of optical products

The term "optical products" refers to products used for vision enhancement and protection or as fashion items, which include, among other things, corrective lenses, frames, contact lenses, sunglasses and related products (primarily care products for contact lenses and accessories, such as cases, cords and chains). In general, optical products are either prescription products that are designed to address vision impairment, such as prescription glasses and contact lenses, or non-prescription products, such as non-prescription sunglasses or ready readers.

Prescription optical products

Prescription optical products include corrective lenses, frames and contact lenses. Functionality, comfort and aesthetics are the key factors that influence customers when selecting prescription optical products. An individual's need for prescription optical products is assessed through eye examinations and tests. In many countries, optometrists and opticians perform eye examinations, administer eye tests and prescribe prescription optical products. In France, only ophthalmologists are authorized to prescribe prescription optical products. For further information concerning the regulations governing the optical products and hearing aid market in France and Spain, see "*Regulation—France—Regulations governing the optical products and hearing aid markets in France*" and "*Regulation—Spain—Regulations governing the optical products and hearing aid markets in Spain*".

Corrective lenses

There are different types of corrective lenses: (i) unifocal lenses with one correction region correcting a particular vision condition and (ii) multifocal lenses (including bifocals and progressive lenses) with two or three correction regions, each dealing with a particular vision condition. The market for corrective lenses has evolved considerably in the 45 years since our founding, as exemplified by the emergence of tailor-made progressive lenses and lenses produced with the help of digital surfacing technology.

Frames

Frames are generally available in a wide range of materials, styles and brands, generally need to be adapted to suit their wearer and may also have additional technical features, such as flexible spring hinges. Many customers view glasses as a fashion accessory in addition to having a functional purpose, so aesthetics and the brand name represent key factors in customers' decision to purchase frames. The market for frame manufacturing, which consists of a large number of medium-sized players, is highly fragmented and competitive. However, two groups, Luxottica and Safilo, are considered the leaders in this market, in particular for luxury brands.

Contact lenses and care solutions

As is the case with corrective lenses, contact lenses may be unifocal or multifocal. Further, contact lenses can be soft, rigid or hybrid, which share qualities with both soft and rigid lenses. Rigid contact lenses are generally more expensive than soft contact lenses because they may be used for several years without replacement. Contact lenses also require certain care products, such as daily or weekly cleaning solutions. Contact lenses are not perfect substitutes for traditional optical products but present customers with an alternative to wearing glasses. Consequently, customers that wear contact lenses typically also own at least one pair of glasses to regularly or occasionally replace their contact lenses. The market for the manufacturing of contact lenses is led by three U.S. manufacturers (Johnson & Johnson, Bausch & Lomb and Coopervision) and one Swiss manufacturer (Alcon-Ciba).

Non-prescription optical products

Non-prescription products include ready readers, non-prescription sunglasses, protective eyewear for use during certain activities or sports, accessories, such as cases, cords and chains and cosmetic contact lenses and binoculars. Sunglasses, which are generally the largest segment of the non-prescription optical products market, are both a protective product and a fashion product, which is why they enjoy particularly high market penetration.

General optical products market drivers

Our main geographic markets are France and Spain and we also have presence in, among other countries, Portugal, Belgium, Luxembourg and Switzerland. The drivers of the optical products market are broadly consistent across our geographic markets: consumption trends and demographics, social drivers and macroeconomics, the regulatory environment and technological advances.

Consumption trends and demographics

One of the primary drivers of the optical products market is the increased prevalence of vision conditions, mainly due to an aging population. Purchases of prescription optical products that address such vision conditions are generally non-discretionary. Prescription optical products are also more resilient during periods when purchases diminish, in particular in France where a significant portion of the cost of optical products is reimbursed by private insurers through supplementary health insurance contracts. Further, the repurchase and replacement cycle for optical products is typically two to four years and is relatively steady, as replacement ultimately depends on general wear and tear or loss of glasses as well as on periodic adjustments to the patient's correction strength due to changes in their vision.

In France and Spain, average selling prices ("**ASPs**") for optical products are decreasing moderately due in part to promotions and rebates. However, increased volumes across optical product segments partially offset the impact of this slight decline in ASPs. Only non-prescription sunglasses have experienced price growth (with flat volumes) in recent years. The hearing aid market operates similarly, with increasing volumes tied to an aging population partially offsetting the impact of declining prices. For example, in the French hearing aid market, volumes grew at a compound annual growth rate ("**CAGR**") of 6% over the 2011 to 2015 period and in the Spanish hearing aid market, volumes grew at a CAGR of 6% over the 2010 to 2014 period.

Population growth and aging

Current demographic studies indicate a growing and aging population in our primary markets. Between 2017 and 2021, the population in France is expected to grow by approximately 1.0 million and in Spain by approximately 0.1 million (source: United Nations, World Population Prospects Study, 2017 edition). Usually, eyesight begins deteriorating progressively between ages 40 and 45 and the occurrence of visual disorders, particularly presbyopia, generally becomes more common and more serious with age. It is estimated that, by 2021, 46% of the French population and 50% of the Spanish population will be over age 45 and that 55.9% of each of the French and Spanish populations will need vision correction (with 55.0% of the French population and 54.5% of the Spanish population using vision correction).

Non-discretionary nature of prescription optical products purchases

The prescription optical products market generally tracks GDP, though in France it is more insulated from swings in GDP due to the favorable French insurance and reimbursement frameworks. Additionally, purchases of prescription optical products are generally non-discretionary: while the purchase of glasses or contact lenses may be temporarily deferred or a less expensive product may be selected, customers generally do not decide against vision correction once they have been diagnosed with a visual impairment. Thus, we observe that resilient demand for prescription optical products contributes to relative stability in the main optical products markets in which we operate during periods of macroeconomic instability.

Repurchase and replacement cycle

The optical products market is characterized by steady repurchase and replacement cycles (2.2 years in France, our largest market). The main drivers for repurchasing or replacing an optical product are loss, wear and tear, changes in vision, reimbursement cycles (where applicable), evolving fashion trends and technological improvements. Moreover, many consumers own more than one pair of glasses (a trend we refer to as "multi-possession") and also tend to own at least one pair of glasses even if they primarily use contact lenses. Changes in fashion trends also lead to replacement of optical products, in particular for frames and sunglasses, which are more exposed to evolving fashion trends.

Social drivers, health, lifestyle and macroeconomics

Social and economic factors have a significant impact on how eyesight impairments are identified and treated by consumers. Changing lifestyles, such as increasing numbers of people attending schools and universities, working skilled and technical jobs, using computers and similar devices and driving are factors that lead to an increased need to maintain good eyesight. Some of these factors may even aggravate eyesight impairments or cause patients to seek a solution more readily than they might if they did not think good vision was critical to their quality of life. With generally rising rates of near-sightedness, we expect that increased access to and demand for optical diagnosis and optical care, as well as increased demand for branded optical products, will continue to drive demand in the markets in which we operate.

Reimbursement framework

Reimbursement frameworks vary across the geographies in which we operate with a relatively high-level of reimbursement being available in France, and a relatively low-level of reimbursement being available in other countries. For example, in France, the optical products market is characterized by high levels of reimbursement through private health insurers (*Organismes Complémentaires d'Assurance Maladie* or "**OCAMs**") and care networks: as of 2015, more than 95% of the French population was covered by an OCAM. Additionally, the French *Accord National Interprofessionnel* (the "**ANI**"), requires all employers to offer complementary health insurance to their employees as of 2016, thus increasing the percentage of the population covered by employer-provided insurance, which often provides more generous reimbursement as compared with the coverage provided by the baseline private insurance held by individuals through the OCAMs. Thus, in spite of low levels of reimbursement for optical expenses from the French public health system, due to the prevalence of private insurance coverage through the OCAMs and the ANI, the French reimbursement framework is overall favorable to us because it allows for generally low out-of-pocket costs for our end-customers, which in turn helps drive and sustain demand.

In contrast, the optical products markets in Spain, Belgium, Switzerland and Portugal are characterized by (i) low levels of coverage for optical costs through the public health system, (ii) low levels of enrollment in private health insurance programs (approximately 20% in Spain as of 2014, for example) and (iii) regulatory frameworks that are not as supportive as the one in France, which for example do not require employers to offer complementary health insurance.

Regulatory environment

National optical products markets are subject to various regulations regarding (i) access to the retail optical products market (*e.g.*, by limiting the ability to carry out eye tests and examinations to only ophthalmologists, on one hand, or licensed optometrists and opticians, on the other hand); (ii) optical products distribution channels (*e.g.*, by regulating online sales); and (iii) communication, marketing and advertising (*e.g.*, restrictions on advertising by healthcare professionals, including opticians). For several years, market regulation in various countries in which we operate has become increasingly liberal. If this trend towards market liberalization continues, for example through the easing of restrictions on eye testing and measurement services, the market is expected to become more accessible to opticians offering a total range of products and services. For further information about the regulations applicable to the sale of optical products and hearing aids in France and Spain, our two main markets, see "*Regulation*".

Technological advances

Optical product technology is constantly evolving. These technological evolutions drive increases in average basket value in the form of product "add-ons", even as ASPs for certain products are in slight decline. Customers may select one or more supplements to their product, such as multifocal lenses, polarized lenses or blue-light blocking coatings. The development of polycarbonate lenses (which are thinner, lighter and more impact-resistant than standard plastic lenses), break-resistant optical frames (designed with flexible joints and materials that allow a greater degree of bending than conventional frames), new materials used for contact lenses (such as silicon hydrogel) and higher quality lens materials (resulting in lenses that are extremely thin or light, progressive, anti-reflective, shock-proof, photochromatic (light-adaptive or transition lenses), scratch-resistant, polarized, ultraviolet-protective and blue-light blocking) has led to higher ASPs.

Optical products competitive landscape

The national markets in which we operate are fragmented, with independent retailers playing a significant role. Our main competitors tend to be small, local competitors, which are easily identified by customers in those national markets. While there are many regional and national networks of optical retailers, there are a fairly limited number of multi-national networks like us. The European optical products market generally includes (i) retail optical chains, (ii) marketing groups, (iii) independent retailers and members of buying groups and, in France, (iv) mutualists (*mutuelles*):

- Retail optical chains include franchise stores, stores fully owned by one company (sometimes referred to as "integrated networks") or a combination of both franchise stores and owned-stores networks. We have selected the franchise model, which we operate alongside a limited number of directly-owned stores, as explained further in "*Business*". In contrast, examples of retail optical chains using the integrated network model include GrandVision (operating the banners Grand Optical, Générale d'Optique and Solaris in France), as well as General Óptica and Óptica 2000 in Spain. Certain of our retail optical chain competitors, such as Générale d'Optique and General Óptica, also maintain a network of directly-owned stores, similar to us. To be considered a "retail optical chain", it must include five or more stores.

- Marketing groups, which are sometimes referred to as "cooperatives", are groups of independent opticians who combine under a single banner and have a shared marketing approach. Opticians in such marketing groups pay a contribution fee to the group and benefit from various pooled resources and services. All storeowners in a marketing group have a stake in the group and each is involved in the decision-making process.

- Independent retailers and members of buying groups own and operate their own stores under their own brands and bear all risks related to investments, operating expenses and inventory management. Independent retailers may also join buying groups in order to benefit from better purchasing conditions, but generally do not have the advantage of collective commercial benefits available to those in retail optical chains or marketing groups.

- Mutualists are a type of French optical store where, in the past, people with certain insurance policies (e.g. school teachers) could buy optical products at a much-reduced price, which was then reimbursed by the health insurance company. This led to the formation of a nation-wide chain of optical stores, called Les Opticiens Mutualistes. Following regulatory change in 2014, Les Opticiens Mutualistes no longer benefit from a protective statute and now operate like the other retail optical chains in France, although they are still linked to insurance companies.

In France in 2016, retail optical chains held 37% (5% more than 2011), marketing groups held 35% (1% less than 2011), mutualists held 10% (stable since 2011) and independent retailers and members of buying groups held 18% (4% less than 2011) of market value. In Spain in 2016, retail optical chains held 38% (stable since 2013), marketing groups held 30% (6% more than 2013) and independent retailers and members of buying groups held 32% (6% less than 2013) of market value. Independent retailers are facing increasing pressure from the expansion of large optical products distribution networks, including the leading European networks, such as GrandVision (the Netherlands), Specsavers (United Kingdom), Fielmann (Germany) and Afflelou. The consolidation of optical products players generally along with forward integration by some optical products suppliers may further increase competitive pressure within the optical products market. For example, two of the largest industry players, Luxottica and Essilor, entered into a business combination agreement in January 2017, which if consummated, would create the Essilor-Luxottica group. We expect market consolidation and concentration to accelerate in the coming years, offering competitive advantages to large players like us over small and independent retailers, due to greater purchasing power with suppliers, talent attraction and retention and economies of scale.

Our optical products geographic markets

Below, we describe the characteristics of the optical products market in both France and Spain, our main optical products markets.

France

Market size and growth potential

The total retail value of the optical products market in France (including the French overseas territories) was approximately €6.5 billion (including VAT and excluding online sales) in 2016, an increase of 0.8% as compared with 2015. Despite challenging macroeconomic conditions in recent years, the market has shown moderate and uninterrupted growth, recording an approximate CAGR of 1.7% from 2011 to 2016. From 2011 to 2016, the growth in the French optical products market has been supported by: (i) sales volume growth in corrective lenses and frames and growth in average basket size due to "add-ons", which has helped to offset declines in ASPs for those products and (ii) stable growth in retail values for contact lenses, care solutions and non-prescription sunglasses.

In France in 2016, the largest segment of the optical products market was the glasses segment, which represented approximately 83% (which is calculated as the total of lenses (58%) and frames (25%)) of the total retail value of the market, with total sales of lenses of approximately €3.7 billion and total sales of frames of approximately €1.6 billion (including VAT and excluding online sales). The market also includes the contact lenses and care solutions segment (7%), the non-prescription sunglasses segment (7%) and the accessories segment (3%) (including VAT and excluding online sales). The French optical products market is forecasted to continue growing at a CAGR of 1.2% over the 2015 to 2021 period.

Market trends

The French optical products market is characterized by positive demographic, social and economic drivers as well as a favorable regulatory framework, all of which have contributed to resilience during difficult economic cycles. We expect that the French optical products market in the coming years will be supported by a growing, aging population, steady renewal cycles (2.2 years in 2016), increased demand for branded products and favorable regulatory changes.

(1) Consumption trends and demographics

As is true in the optical products market generally, population growth and the aging of the overall population are expected to continue to increase demand for optical products in France. The French population is expected to continue growing moderately at a CAGR of 0.4% over the 2017 to 2021 period (source: United Nations, World Population Prospects Study, 2017 edition). The percentage of the population using optical products is expected to grow at a CAGR of 0.3% over the same period. The share of the French population aged 45 and older is estimated to increase at a CAGR of 1.0% over the 2016 to 2021 period. The increasing number of older people in France, a majority of whom will require progressive lenses (which have higher ASPs than unifocal lenses) together with general volume growth is expected to support market growth and offset the impact of longer renewal cycles.

(2) Social drivers

We believe that the French optical products market will also benefit from certain social drivers which lead to increased volumes and higher average basket sizes. These social drivers include (i) increased awareness of the need to protect eyes from sun exposure; (ii) higher demand for branded optical products; (iii) higher demand for multiple pairs of glasses; and (iv) customers' increased interest in high-value products, such as blue-light blocking lenses that address the growing prevalence of eye strain resulting from increased exposure to digital displays.

(3) Reimbursement framework and regulatory environment

The French optical products market has shown resilience in challenging economic environments, due in part to a supportive reimbursement framework that effectively limits the out-of-pocket cost of optical products to customers. In France, the optical products market is characterized by high levels of reimbursement through private health insurers (the OCAMs). A significant portion of the cost of optical products is covered by OCAMs, which reduces customers' exposure to the price of optical products. At present, OCAMs reimburse on average of 72% of such expenses, with 24% being paid by the customer and 4% being paid by the public health system. OCAMs, together with *couverture maladie universelle* ("**CMU**"), and *aide à la complémentaire santé* ("**ACS**") allow almost all of the French population to be covered by a complementary health insurance. Care networks are intermediary parties between the OCAMs and healthcare professionals, including opticians, which were implemented to allow OCAMs to control reimbursements to healthcare professionals. OCAMs may choose to apply different levels of reimbursement depending on whether the customer makes his or her purchase from an optician admitted to a relevant care network. Customers are therefore encouraged to choose an optician admitted to a relevant care network as the consumer will receive a higher reimbursement from the OCAM. As of 2015, more than 95% of the French population was covered by an OCAM and close to half of OCAMs were affiliated with at least one care network and, of those covered by such care network, 62% used the care network to purchase glasses.

Additionally, the ANI requires all employers to offer complementary health insurance to their employees as of 2016, thus increasing the percentage of the population covered by employer-provided insurance, which often provides more generous reimbursement as compared with the coverage provided by the baseline private insurance held by individuals through the OCAMs. Thus, in spite of low levels of reimbursement for optical expenses from the French public health system, due to the prevalence of private insurance coverage through the OCAMs and the ANI, the French reimbursement framework is overall favorable to us because it allows for generally low out-of-pocket costs for our end-customers, which in turn helps drive and sustain demand. Furthermore, our end-customers in France are also able to benefit from third-party payment (*tiers payant*), a mechanism which allows for the reimbursement of medical expenses to be paid directly by the public health system and/or OCAMs to the individuals or entities that provided the service. Certain recent changes in the French regulatory system have impacted, and are expected to continue to impact, the French optical products market as discussed further in "*Regulation*".

Our competitors and competitive position in France

The French optical products market is composed of retail optical chains (such as Générale d'Optique, Optical Center and us), marketing groups (such as Optic 2000, Krys and Atol), mutualists (Les Opticiens Mutualistes), independent retailers and members of buying groups. Retail optical chains held 37% (5% more than in 2011), marketing groups held 35% (1% less than in 2011), mutualists held 10% (stable since 2011) and independent retailers and members of buying groups held 18% (4% less than in 2011) of market value in France in 2016.

In 2016, we were the largest retail optical chain and "Alain Afflelou" was the fourth largest banner in the French optical products market with 9.2% market share in terms of turnover (including VAT), behind two marketing groups, Optic 2000 (14.1% market share) and Krys (11.7% market share) and Les Opticiens Mutualistes, a mutualist with 10.0% market share. The two largest discount retailers, Générale d'Optique and Optical Center, followed with 7.9% of market share each.

In recent years, retail optical chains have been the most dynamic player in the French market, outpacing the market at a CAGR of approximately 3% over the 2011 to 2016 period. Additionally, in recent years, discount banners have gained market share in the French optical products market, increasing from approximately 22% in 2010 to approximately 25% in 2015. Our discount banner, Optical Discount, was among the top five discount store retailers in France in 2015 in terms of revenue.

Spain

Market size and growth potential

The total retail value of the Spanish optical products market amounted to approximately €1.8 billion (including VAT and excluding online sales) in 2016. The Spanish optical products market grew at a CAGR of 2.4% between 2013 and 2014 as compared with 1.3% between 2014 and 2015 and 4.1% between 2015 and 2016, a reflection of continuing pressure on consumption during the economic downturn and a lengthening of the optical product renewal cycle during the economic recession, followed by growth in the last year that reflects pent-up demand accumulated during the economic recession.

In Spain in 2016, the largest segment of the optical products market was the corrective lenses segment, which represented approximately 47% of the total retail value in the optical products market, with total sales (including VAT and excluding online sales) of €0.9 billion. The frames segment was the second largest market segment representing approximately 22% of the total retail value in the market with total sales (including VAT and excluding online sales) of €0.4 billion. The market also includes the contact lenses and care solutions segment (approximately 15%), the sunglasses segment (approximately 14%) and the accessories segment (approximately 3%). The Spanish optical products market is forecast to reach a CAGR of approximately 3.4% over the 2016 to 2021 period, alongside projected GDP growth at a CAGR of 2.1% over the 2016 to 2021 period (source: IMF).

Market trends

The Spanish optical products market is smaller than that of France, largely due to the relatively low proportion of the Spanish population that has private health insurance (approximately 20% in Spain as of 2014, compared to over 95% in France) and the lack of reimbursement by public health insurance. Spanish customers generally bear most of the cost of optical products as an out-of-pocket expense, which explains, at least in part, why the Spanish optical products market is more closely tied to macroeconomic indices such as GDP. The renewal cycle for prescription glasses was estimated to be an average of 3.9 years in 2016, as compared with an average of 2.2 years in France, due to optical products generally not being reimbursed in Spain. However, the Spanish optical products market is characterized by positive demographic, social and economic drivers. We believe that in the coming years the Spanish optical products market will benefit from an aging population, increased demand for branded optical products, an improved macroeconomic environment and a favorable professional licensing regime with respect to optician-optometrists.

(1) Consumption trends and demographics

The Spanish optical products market is exposed to similar demographic trends as the French optical products market, notably an aging population. While the size of the Spanish population is stable overall, with approximately 46 million people in 2016 and no significant change forecasted through 2021, the share of the Spanish population aged 45 and older is estimated to increase at a CAGR of 1.3% over the 2016 to 2021 period, which in turn is expected to lead to increased demand for optical products. In addition, as is the case in France, we expect that Spanish consumer spending will be characterized by increased interest in branded optical products in the coming years.

(2) Social drivers

The Spanish optical products market is more closely correlated with macroeconomic indices, such as GDP and disposable income levels, as compared with the French optical products market. Following the economic crisis, which negatively affected the Spanish optical products market between 2008 and 2013, the economy in recovery since 2014 has allowed for the revival of sales in the Spanish optical products market. In light of the forecast for 2.1% GDP growth in Spain between 2016 and 2021 (Source: IMF), we anticipate that the optical products market will have a favorable future in this country.

(3) Reimbursement framework and regulatory environment

Optical products are generally not covered by public health insurance in Spain and the percentage of the Spanish population with private health insurance is relatively low.

Additionally, as is the case in France, there is a shortage of ophthalmologists in Spain. However, unlike in France, optician-optometrists in Spain may perform eye exams and write prescriptions for optical products, which mitigates the impact of the ophthalmologist shortage.

Our competitors and competitive position in Spain

The Spanish optical products market remains fragmented, with retail optical chains holding 38% (stable since 2013), marketing groups holding 30% (6% more than in 2013) and independent retailers and members of buying groups holding 32% (6% less than in 2013) the market value in Spain in 2016.

In 2016, we were the largest retail optical franchise network in Spain (in terms of number of stores), with the "Alain Afflelou" banner having a 3.1% market share. Our Optimil network contributes an additional 0.5% of market share to the Afflelou group in Spain. The second and third largest retail optical chains are General Optica and Vision Lab, with 2.4% and 1.5% market shares respectively.

The hearing aid market

Overview of hearing aids

In terms of hearing aids, we operate exclusively in the hearing aids market (as opposed to the hearing implants market). Hearing aids are best used in cases of mild to severe sensorineural hearing loss. While the fundamental components of hearing aids are the same, the specific components used across different hearing aids can vary significantly. The cost of a high-end hearing aid can be many times the price of a low-end hearing aid. Such cost differences are generally driven by the device's software, components and functionality. The market for hearing aid manufacturers is highly concentrated, with the top six hearing aid manufacturers accounting for approximately 90% of the market (Sivantos (Siemens), Sonova, William Demant, GN Resound, Starkey and Widex).

General hearing aid market drivers

As is the case with the optical products market, the hearing aids market consists primarily of national markets, with each national market being subject to local demographic conditions, regulatory frameworks, penetration rates and competition. Drivers of the hearing aid market are generally similar to those of the optical products market in our main geographic markets for hearing aids, France and Spain. However, the size of the addressable population is smaller and the hearing aid market is generally less developed, as demonstrated by lower penetration rates. The hearing aid market is generally driven by consumption trends and demographics, social drivers, macroeconomics and technological advances.

Consumption trends and demographics

Similarly to the optical products market, we expect that demographic and demand trends will support growth in the hearing aid market. Hearing loss is an increasingly common and irreversible phenomenon that comes with aging and which is amplified by certain lifestyle choices, such as living in noisy environments or excessive use of headphones. The prevalence of hearing loss is positively correlated with the increasing population of people aged 65 and older, as well as with increasing levels of noise pollution. It is estimated that the majority of the population of people aged 65 and over have some degree of hearing loss. Thus, as the population ages, the addressable market is expected to grow in parallel. In addition to an increasing number of new users of hearing aids, we have observed that total market volumes are also supported by stable replacement rates for existing customers. Generally, hearing aids need to be replaced every four to five years. However, a large proportion of purchases are driven by loss or damage. Lastly, as is the case with optical products, hearing aids are somewhat non- discretionary purchases, as good hearing is essential to being fully cognitive and socially active, which further supports growth in this market.

Social drivers, health, lifestyle and macroeconomics

Penetration rates, which represent the proportion of the population equipped with hearing aids, are growing steadily and are primarily driven by social and macroeconomic factors, including reimbursement rates, affordability, levels of social acceptance of such devices and changing lifestyles. For example, increasing noise pollution in urban areas as well as harmful exposure to loud music through headphones and at concerts are additional factors that may lead to hearing loss. Social acceptance of hearing aids, *i.e.*, the absence of stigmatizing those who wear hearing aids, is another key driver likely to increase hearing aid penetration rates. As previously mentioned, reimbursement rates impact hearing aid penetration rates. In France, hearing aids are reimbursed between 30% and 35% on average, which require a personal cost of around €1,000 per ear, leading to an equipment rate of 54% in France. In Spain, reimbursement of hearing aids is even more limited as a result of the fact that the public health insurance system does not reimburse hearing aid costs and the low percentage of individuals with complementary health insurance. This has led to a penetration rate of only 13% in Spain. In countries where reimbursement rates are low or zero, the affordability of hearing aids is particularly important, as most of the purchase cost is borne by the customer. In recent years, we have observed downward price pressure on hearing aids. ASPs of hearing aids are expected to continue to decline over time, which may help drive volume growth as hearing aids become increasingly affordable to customers. The ASP of hearing aids was approximately €1,500 in 2015 and is expected to decline to approximately €1,400 by 2021. We expect that the decline in ASPs will be offset by such volume growth as well as volume growth driven by demographic factors.

Technology

Hearing aid technology is constantly evolving. Technological improvements drive sales of hearing aids by making them more discreet and improving comfort and functionality. Improvements in microphone and microchip technology have led to the advent of miniature hearing aids that are virtually invisible, comfortable to wear, easy to insert and remove and provide better hearing correction. Additionally, constant technological development creates pricing pressure and promotes affordability, which in turn drives penetration rates.

Hearing aids competitive landscape

As is the case with the optical products market, retail competition in the hearing aid market generally takes place on a national level: competitors are mainly local banners, easily identified by customers. The geographic markets in which we operate are highly fragmented between retail optical chains and marketing groups, with independent retailers holding approximately 15% to 20% of the market retail value. While there are many regional and national hearing aid retail chains, there are a fairly limited number of multi-country chains, such as Amplifon and us. The European hearing aid retail market generally includes large banners (including retail chains, marketing groups and mutualists (in France)) and independent retailers.

Our hearing aid geographic markets

We are present in the hearing aid market in both France and Spain, though the majority of our hearing aid points of sale (190 points of sale as of July 31, 2017) are located in France. Hearing aids accounted for 31.8% of our network sales as of July 31, 2017.

France

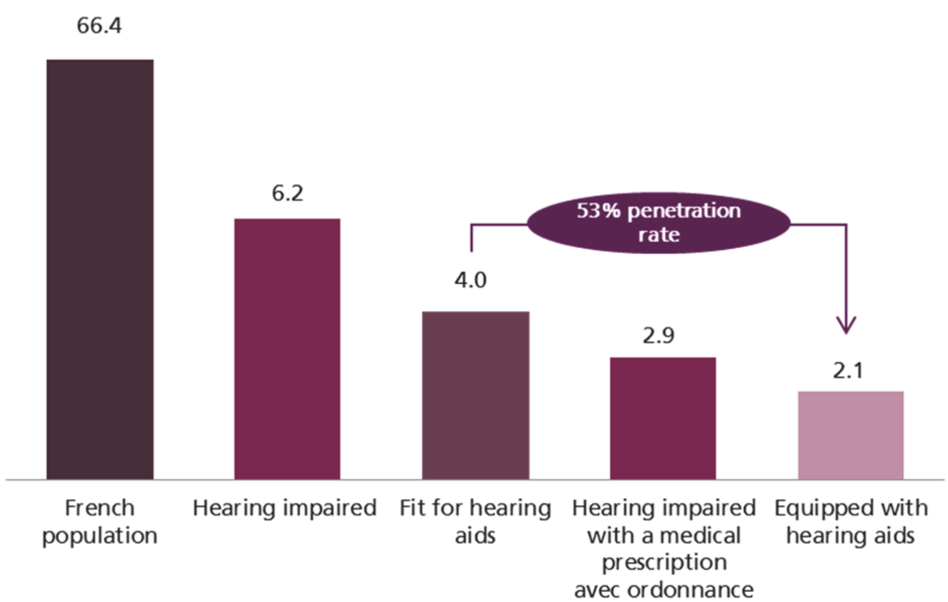
Market size and growth potential

In 2015, the total retail value of the French hearing aid market was €1.2 billion (including VAT and consumables). Despite challenging macroeconomic conditions, the market has sustained uninterrupted growth, expanding at a CAGR of 5.7% between 2011 and 2015. Prices have been declining by approximately 1% per annum since 2012, mainly due to share gains by price-aggressive players, including us, the development of private labels and the expansion of managed care networks' tendered discounts. Over the 2007 to 2015 period, the growth in the

French hearing aid market has been supported by solid volume growth at a CAGR of approximately 6%, which accelerated to 9% in 2015, mainly driven by demographics, a higher penetration rate and lower prices. The French hearing aid market is forecast to continue growing at a CAGR of approximately 5% over the 2015 to 2021 period.

Market trends

As is the case with the French optical products market, the French hearing aid market is expected to benefit from favorable demographic trends, including a growing and aging population, which are likely to drive demand. The penetration rate for hearing aids in France is currently low but we expect it to grow over the next few years. In France, approximately 6.2 million people have a hearing deficiency, while 4 million of those people could benefit from the use of appropriate hearing aids and of whom approximately 2.9 million of those people have obtained a prescription for hearing aids. However, only approximately 2.1 million people in France are actually equipped with hearing aids, representing a 53% penetration rate, compared to a 95% penetration rate for optical products, as illustrated in the chart below.



(in millions of people)

The current low penetration rate of hearing aids is primarily due to a significant number of undiagnosed hearing pathologies as well as pathologies that go untreated due to high prices, social stigma, and lack of comfort or efficacy of certain hearing aid products. For example, the French public health system covers approximately 14% of the cost of hearing aids, with the OCAMs covering approximately 30%, leaving approximately 56% of the cost to our end-customers.

Our competitors and competitive position in France

The primary players in the French hearing aid market are banners and independent retailers. Banners include retail chains (such as Audika and Amplifon), buying groups (such as Audition Conseil and Audition Santé), cooperatives (such as Entendre), mutualists (Audition Mutualistes), optical retailers who also sell hearing aids (such as Optical Center, Audio 2000, Krys and us), as well as hearing aid specialists and small optical retailers. The largest players in the market are Audika (market share of approximately 10%) and Amplifon (market share of approximately 9%). In 2015, our points of sale for hearing aids were approximately 3% of the market in France.

Spain

Market size and growth potential

The total retail value of the Spanish hearing aid market was €0.4 billion (including VAT and consumables) in 2014. Spain is one of the least developed hearing aid markets in Western Europe, primarily due to the low level of reimbursement, lower GDP per capita and societal stigma associated with the use of hearing aids. However, the Spanish market has enjoyed robust growth in recent years, with a CAGR of 6.4% in volumes between 2010 and 2014 and particularly strong growth rate since the end of the financial crisis (9% per year between 2013 and 2014).

Market trends

Similar to the Spanish optical products market, the Spanish hearing aid market is expected to benefit from favorable demographic trends, including an aging population, a decline in the social stigma around hearing aids and an improving macroeconomic environment. In Spain, public health insurance generally does not cover hearing aids. We do not expect the reimbursement scheme for hearing aids to change in Spain. Thus, penetration rates will remain closely tied to the ability of market players to offer hearing aids at affordable prices.

Our competitors and competitive position in Spain

The primary players in the Spanish hearing aid market are retail chains and independent retailers. Retail chains account for 80% to 85% of the market, with independent retailers accounting for the remainder.

Business

Overview

Founded by Mr. Alain Afflelou in Bordeaux in 1972, we are a leading optical product and hearing aid franchisor in Europe. The retail sale of optical products and hearing aids represented 95.8% and 4.2%, respectively, of our revenue for the year ended July 31, 2017. As of 2017, we operate the largest French optical product franchise network (in terms of revenue and number of stores) and the Alain Afflelou banner is the fourth largest optical banner in France (in terms of number of stores), with 9% of market share in France based on turnover (including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers. In addition to our historical French market, we hold a strong position in Spain, where we operated the largest retail optical franchise network in 2017 (in terms of number of stores).

We are pursuing an international strategy and are present in a number of geographic markets, with 1,474 stores as of July 31, 2017, across 16 countries that together represent our international coverage, including our two main markets, France and Spain, as well as Algeria, Andorra, Belgium, Burkina Faso, Chile, China, Côte d'Ivoire, Lebanon, Luxembourg, Morocco, Portugal, Senegal, Switzerland, and Togo. During the year ended July 31, 2017, France and Spain, our main areas in terms of networks, represented 77.0% and 16.3%, respectively, of network sales. We pursue a strategy based on strong branding, exclusive products, multi-possession, payment solutions and positive customer experience, based on a multi-banner and multi-offer approach that reaches a variety of price points and target customers. The Alain Afflelou umbrella brand is positioned as a generalist optical product and hearing aid retailer and includes the highly recognizable "Alain Afflelou" optical banner as well as the "Alain Afflelou Acousticien" hearing aid banner, the "Afflelou Sun" banner for sunglasses and the "Afflelou-Paris" banner in selected international markets. We also operate in the discount segment through the Optical Discount banner in France, Belgium, Côte d'Ivoire, Morocco and Togo and the Optimil banner in Spain. Our banners offer a wide range of optical and hearing aid products, including our exclusive products, which consist of (i) signature label frames and sunglasses bearing the "Afflelou" signature; (ii) frames and sunglasses under exclusive licenses; and (iii) exclusive collections from designer brands such as Calvin Klein Jeans.

We connect with and understand consumers in our markets through our communications and marketing efforts, which have created a powerful and enduring brand image in France and Spain, as evidenced by our superior brand awareness with customers in those markets. We ranked first in terms of spontaneous and assisted awareness for optical retailers in France and first in terms of spontaneous awareness for optical retailers in Spain, according to market studies we commissioned in 2017 and 2016, respectively. We also connect with consumers via our online presence. We began developing our online presence in 2012 and have progressively been incorporating our online initiatives into a unified digital umbrella. Currently we maintain websites in the principal languages where our banners operate. Additionally, in September 2016, we acquired Happyview.fr and Malentille.com, two online pure players, in order to expand our online presence.

We operate in highly attractive markets that are differentiated from traditional retail markets due to the largely non-discretionary nature of optical and hearing aid expenses and a favorable regulatory environment in France. We believe that both the optical product and hearing aid markets are supported by positive structural drivers, including demographic trends, changing lifestyles, technological innovations, product penetration dynamics and value-adding product add-ons.

Our principal activity is to act as a franchisor, licensing the use of our brand and banners to franchisees and providing them with the right to trade under one of our banners and implement our value proposition through our commercial offers. Our directly-owned stores support our principal franchisor activity by (i) serving as flagship locations in and around Paris and other key strategic locations; (ii) helping to test new concepts; and (iii) facilitating store network management.

Our services as franchisor are aimed at helping franchisees to grow their sales by fostering a strong brand image, driving customers to our stores through the design and promotion of our commercial offers and facilitating franchisee operations via a number of support services. Our scale and expertise yield tangible benefits to our franchisees, allowing us to offer (i) commercial support and innovation through new commercial offers and through high-impact national and local communications campaigns that create superior brand awareness; (ii) access to central listing and purchasing unit services that lower costs for our franchisees; (iii) dedicated services that enhance store attractiveness, including assistance with location selection and store design; (iv) training programs designed to enhance sales performance; and (v) other general support functions, including legal, human resources and recruiting assistance, as well as assistance with joining care networks. In addition, our signature products are a key value differentiator, generating customer interest and good margins for us and our franchisees. This unique, franchisee-centered business model results in revenue per store in France and Spain that strongly outperforms market averages and independent retailer stores sales in France and Spain For example, in France in 2015, our revenue per store in our Alain Afflelou banner was 1.5 times the market average and 2.6 times the independent retailer store average and in Spain in 2015, our revenue per store was 2.2 times the market average and 3.0 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our global network of stores. We also provide suppliers with distribution services, including a central listing and payment unit that allows suppliers to list and offer their products to our franchisees, while offering the benefit of having a single counterparty for commercial negotiations and payments. We also support suppliers by actively promoting their innovative products to our franchisees as well as through sales in our directly-owned stores.

Our franchise model combines (i) revenue based on network sales of our franchisees, (ii) revenue based on purchases and (iii) revenue generated by sales to end-customers in our directly-owned stores and through our websites. Revenue based on network sales includes, in particular, entry fees, franchise fees and communication fees, as well as other fees charged for services that we provide to our franchisees. Revenue based on purchases includes, in particular, trading as well as central listing and payment unit fees and licensing fees and revenue from sales of our exclusive products. Revenue generated by our directly-owned Alain Afflelou, Optical Discount and Alain Afflelou Opticien stores mainly includes sales made directly to end-customers as well as through our websites. This model provides us with revenue diversification.

Our main costs are related to the supply, design and production of products that we sell under our own brands or for which we have a license. For our exclusive frames, Okia, a company based in China, has long been our favored intermediary. Okia is not a manufacturer but sources its products from a network of independent factories in Asia and allows us to benefit from optimal production conditions through this unique commercial relationship.

Competitive strengths

Markets benefiting from structural growth dynamics

We operate in highly attractive markets that are differentiated from traditional retail markets due to the mostly non-discretionary nature of certain optical and hearing aid health expenses as well as a favorable regulatory environment, particularly in France. Consumers replace their glasses, contact lenses and hearing aids for various reasons, such as improved technology and changing fashion trends and consumer preferences, changes in prescription and loss or damage. These factors drive particularly stable replacement cycles for prescription glasses (an estimated average of 3.9 years in Spain and 2.2 years in France in 2015).

We also believe that the optical product and hearing aid markets are supported by positive structural demographic trends and other drivers such as changing lifestyles, technological improvements and product penetration dynamics. As the global population grows and ages, the number of people needing vision correction and/or hearing aids will grow. We believe that the following dynamics, among others, will support further growth in our markets:

- It is estimated that, by 2021, 46% of the French population and 50% of the Spanish population will be over age 45 and that 55.9% of each of the French and Spanish populations will need vision correction (with 55.0% of the French population and 54.5% of the Spanish population using vision correction).
- Because eye and ear conditions such as farsightedness and age-related hearing loss usually develop after the ages of 40 and 55, respectively, and generally become more common and serious with age, the number of potential customers will increase as a consequence of the aging population.
- The hearing aid market is characterized by significant under penetration: in France in 2015, only 54% of people with hearing loss who were fit to wear hearing aids were equipped, resulting in a significant opportunity for us to transform such unequipped people into customers.
- Evolving technology for corrective lenses and hearing aids, such as improvements in multi-focal lenses and increasingly small microphones leading to smaller hearing aids, is expected to lead consumers to replace old equipment and also to drive increased average basket size.

Supportive regulatory environment in one of our core markets: France

Our largest core market, France, currently benefits from a private health insurance reimbursement framework that reduces the price sensitivity of customers. Approximately 95% of the French population were covered by private health insurance plans as of 2015. While presently the government-related social security system reimburses only approximately 4% of end-customers' optical expenses, widespread private health insurance companies' ("**OCAMs**") policies generally reimbursed approximately 72% of such expenses, leaving approximately 24% to be paid by end customers as of 2015. Despite the economic downturn, the market for optical products in France has proved to be relatively resilient, with a compound annual growth rate of 1.7% for the 2011 to 2016 period, due to the supportive regulatory environment.

A leading multi-expertise European franchisor within the optical product and hearing aid markets

We are one of the leading franchisors in the European optical product and hearing aid markets with over forty years of experience. The Alain Afflelou umbrella brand is positioned as a generalist optical and hearing aid retailer and includes our deeply-entrenched "Alain Afflelou" optical banner and our "Alain Afflelou Acousticien" hearing aid banner, as well as a range of associated concepts, such as Afflelou Sun for sunglasses and Afflelou-Paris for selected international markets. We also operate in the discount segment, which is organized around price as the key purchase criterion, through our Optical Discount banner in France, Belgium and Morocco and our Optimil banner in Spain.

Our core activity is our franchise business. As of July 31, 2017, our networks included 1,474 stores, which generated network sales of €759.5 million in the year ended July 31, 2017. Our networks include 184 directly-owned stores as of July 31, 2017, which help us manage our franchise network in an efficient and optimal manner.

We are active in a number of geographic markets across 16 countries including our two core domestic markets, France and Spain. We have successfully expanded in adjacent markets: Belgium, Luxembourg, Switzerland and Portugal. We currently also operate in Algeria, Andorra, Belgium, Burkina Faso, Chile, China, Côte d'Ivoire, Lebanon, Morocco, Portugal, Senegal, Switzerland, and Togo.

As of 2017, we operate the largest French optical product franchise network (in terms of revenue and number of stores) and the Alain Afflelou banner was the fourth largest banner overall (in terms of number of stores), holding 9% of market share in France (in terms of revenue, including VAT and excluding online sales) in a fragmented market that has historically included many independent retailers. In addition to our historical French market, we have a strong footprint in Spain, our second domestic market, where we had 373 stores as of July 31, 2017. We operate the largest network of optical product franchises in Spain in 2017 (in terms of number of stores) and have implemented both our generalist and our discount concepts, successfully replicating our proven franchise model. In the hearing aid market, Alain Afflelou Acousticien, we have grown faster than the market average and held approximately 3% market share in France in 2016 (in terms of number of points of sale).

Our high-impact communication and marketing strategy has created a powerful and enduring brand image in France and Spain, as evidenced by our superior brand awareness with customers in those markets. We ranked first in terms of spontaneous and assisted awareness for optical retailers in France and first in terms of spontaneous awareness for optical retailers in Spain, according to market studies we commissioned in 2017 and 2016, respectively.

A proven franchise model at the heart of the value chain

We have developed a successful franchise model in the optical product sector, combining our superior brand image with commercial innovations and close relationships with suppliers. Since 2003, we have been replicating and expanding this franchise model beyond our home market, France, and, since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), into the hearing aid market in France and Spain. Our success is driven by our place at the center of the relationships among our suppliers, franchisees and customers.

Our scale and expertise generates multiple synergies and offers tangible benefits to our franchisees. We provide our franchisees: (i) commercial support and innovation through new commercial offers, including high-impact national and local communication campaigns that create superior brand awareness; (ii) access to central purchasing unit services that lower costs for our franchisees; (iii) dedicated services that enhance store attractiveness, including assistance with location selection and store design; (iv) training programs designed to enhance sales performance; and (v) other general support functions, including human resources, recruiting assistance and financing assistance. In addition, our signature products are a key value differentiator, generating customer interest with affordable products and good margins for us and our franchisees. Our franchisee-centered business model resulted in revenue per Alain Afflelou store in France in 2015 being 1.5 times the market average and 2.6 times the independent retailer store average and, in Spain in 2015, our revenue per store was 2.2 times the market average and 3.0 times the independent retailer store average, demonstrating the added value we offer to current and potential franchisees, which helps us retain current franchisees and attract new ones.

Our franchise model also offers tangible benefits to our suppliers by giving them access to our global store network. Additionally, we provide suppliers with distribution services, such as a central listing and payment unit that allows suppliers to list and offer their products to our franchisees. We then generally centralize payments from our networks, to obtain optimal terms and facilitate credit management for these suppliers. We also support suppliers by jointly developing and actively promoting their innovative products to our franchisees, as well as through sales in our directly-owned stores.

A multi-dimensional and fully flexible model centered around consumers

We have leveraged our historical focus on the optical product segment, employing a generalist concept focused mainly on city centers to diversify our offering. To that end, we have: (i) developed multiple store formats and actively managed the locations of our stores, extending our banners into shopping centers and retail parks; (ii) introduced differentiated discount offerings, including through our acquisitions of Optical Discount and Optimil; (iii) developed a digital presence with a "click-and-mortar" approach as well as a new pure play online offering through our acquisitions of Happyview.fr and Malentille.com and the distribution of our own branded products through both channels; and (iv) expanded into the complementary hearing aid business, including hearing aid corners within existing optical stores and standalone hearing aid franchised stores.

- Multi-format

We actively manage our store networks and store formats, using our expertise to identify changes in the market and to adapt our stores' locations and size to meet demand, including through strategic relocations, adjustments to store sizes in city centers and through development of larger store formats outside city centers. In recent years, a growing share of our franchised stores have been located in shopping centers and retail parks, with notable success.

- Multi-banner

We use our several banners to cater to a wide spectrum of customers, including those who seek quality design and those who value multi-possession and strong customer service at our generalist banner Alain Afflelou stores and want to shop for name brands at low prices at our discount-focused Optical Discount and Optimil stores. We operate our discount banners using the same successful model that underpins our generalist banner, combined with a clear price-focused proposition for a different customer experience. We acquired Optical Discount in France in July 2015 and Optimil in Spain in July 2016, leading to a significant expansion of our discount network and enabling us to develop a clear and powerful discount offering.

- Multi-channel

We are developing our online functionalities, providing a complementary and integrated shopping experience to our store network. Our websites offer inspiration to our customers, who can access them 24/7 and can select and order frames directly online for delivery in a store for fitting and lens mounting. By allocating online-generated sales to specific stores, we increase the traffic in our various locations. Our "Afflelou" website was ranked as the most consulted optical Internet site in France in 2016, as per a market survey conducted in June 2016. We also sell contact lenses and sunglasses through our Optical Discount website. In September 2016, we purchased Happyview.fr and Malentille.com, expanding our presence in the online market for optical products and acquiring know-how that we intend to replicate through our various existing online platforms. We are also present on social media and have developed apps that our customers can use to interact with our product offering, for example allowing them to track their contact lens replacement cycle or to virtually try on our frames.

- Multi-offer

Since 2011 (save for 2013 to 2016, during which period LSFA developed the hearing aid business in France outside of the Group), we have pursued a multi-offer strategy through the creation of our Alain Afflelou Acousticien banner in the French and Spanish hearing aid markets and in 2016 rolled out our Afflelou Sun concept in France and Spain. The reintegration of the Alain Afflelou Acousticien banner after the purchase of LSFA on July 31, 2016, demonstrates our desire to increase its market presence. We have modelled the Alain Afflelou Acousticien strategy on our successful approach in the optical product segment, capitalizing on key success factors (such as our franchise experience, strong branding, disruptive price-focused approach and constant commercial innovation) and leveraging our high network density to develop cross-selling opportunities and synergies (through hearing aid corners within optical shops) and expand our footprint in a cost efficient manner.

An expanding international presence

We have a well-established and expanding presence outside of our core markets of France and Spain, having successfully expanded our Alain Afflelou banner into Belgium (1995), Luxembourg

(2002), Switzerland (2005) and Portugal (2008). These markets represent, collectively, millions of potential end-customers. In addition, we have significantly expanded our offering outside of France in the discount and hearing aid markets. with a discount offering in Spain and Belgium and hearing aids points of sale in Spain.

We believe that our franchise model adapts well to various geographies, languages and types of markets. Our international roll-out strategy to penetrate new geographies rests on three pillars that reduce the risk we take on when we expand into new geographies:

- We first enter a new market through wholesale activities to test the appetite for our branded products, while limiting our exposure and investment risk.
- If this first phase is successful, we replicate our proven franchise model, with limited capital expenditure and execution risk.
- We then expand our store network in the new market, using our proven business strategy.

Robust financial track record with superior cash generation and high profitability

As a franchisor, we have built an asset-light model that requires limited capital expenditure: all capital expenditures for the franchised stores in our networks are borne by our franchisees who are responsible for their own store investments. We only bear the investment costs for our limited network of directly-owned stores and, therefore, we operate with limited capital expenditure, contributing to a robust record of cash generation with strong free cash flow and profitability.

In addition, our franchise model combines multiple sources of revenue from both franchisees (franchise fees (entry fees and royalty fees), communication fees, wholesale activity consisting of revenue from the sale of exclusive own-branded products and central purchasing units revenue) and from suppliers (central listing and payment fees and license royalties). This approach provides us with revenue diversification and attractive margins, with an 20.8% Adjusted EBITDA margin as of July 31, 2017.

In 2016 and 2017, we accelerated our store network growth and network sales, benefitting from the acquisitions described above as well as the strength and reputation of our franchise network which incentivizes franchisees to open new stores and expand our store network. This growth was evident in an increase in our revenues and our ability to maintain Adjusted EBITDA margins above 20%. Additionally, we have achieved strong cash flow generation and attractive free cash flow conversion dynamics with a 73.9% free cash flow conversion rate for the year ended July 31, 2017 as a result of our limited capital expenditures and working capital requirements.

Experienced management team with a proven track-record

We benefit from the experience and industry know-how of our senior management team. Members of senior management have worked together as a team for many years and have significant experience in the optical retail industry in addition to a thorough understanding of regulatory dynamics in the jurisdictions where we operate. Our CEO, Mr. Frédéric Poux, has 24 years of experience within the Group. Our management team has delivered significant operational improvements and achieved Adjusted EBITDA growth in recent years despite challenging market conditions.

Strategy

Our strategy has six pillars: (i) increase our franchise network footprint in our domestic markets through new store openings while continuing to optimize our efficiently-managed network and enhance our multi-channel offering; (ii) drive organic growth through marketing, innovation and central support to franchisees; (iii) expand our discount offering in France and Spain; (iv) continue to build momentum in the French and Spanish hearing aid markets, eventually becoming a reference brand in these markets; (v) extend our European reach through consolidation and focus on network density and (vi) continue delivering operating efficiencies across all of our banners.

Increase our franchise network footprint in our domestic markets

We intend to further develop our network through new franchised store openings in our domestic markets with our Alain Afflelou banner, while continuing to optimize our network and enhance our online offering. We believe that there are opportunities to further develop our franchise network, both in France and in Spain. There are also several avenues for continued network optimization, such as actively managing our network and redeploying stores in order to capture more consumer traffic.

In addition, we intend to strengthen the multi-channel experience we offer to end customers. We currently have a "click-and-mortar" approach that encourages end customers to explore and test products online before ultimately buying products in one of our stores. With our acquisitions of Happyview.fr and Malentille.com, we are engaging with consumers through additional distribution channels.

Drive organic growth through marketing, innovation and central support to franchisees

We intend to continue growing our store networks by enhancing our brand image, including by promoting awareness of our banners and commercial offers, remaining engaged with customers and potential customers through innovative communications campaigns and further strengthening access to potential customer pools by encouraging and assisting franchisees' accession to care networks in France. With respect to our franchise store network, we will seek to maintain our strong framework of services and support functions to enhance franchisee customer services and financial performance, including opening, day-to-day and *ad hoc* support, such as through access to our central purchasing unit services, our expanded *prêt-à-porter* logistics platform and offering customer relations training programs to acquaint franchisees and their employees with the benefits of our latest commercial offers. These services increase customer satisfaction and improve performance in our stores, key elements of our financial performance. Additionally, we intend to continue our rollout of a multi-offer approach, converting existing franchisees into operators of, as applicable, multiple stores bearing our generalist and discount banners, and/or an hearing aid or sunglasses corner in addition to an optical store. We believe that our strong focus on cultivating and promoting our franchisee-centered business model will continue to support robust levels of revenue per store in France and Spain that has historically outperformed independent retailers' levels of sales.

Expand our discount offering

We intend to accelerate the roll-out of our discount banners in the French and Spanish optical product markets. Existing Alain Afflelou franchisees are the key constituent group for marketing our Optical Discount (in France, Belgium and Morocco) and Optimil (in Spain) banners. We intend to continue our current sales strategy of demonstrating to franchisees the value of operating two differentiated and complementary banners (a generalist Alain Afflelou banner and a discount concept under the Optical Discount or Optimil banners), offering franchisees an opportunity to cater to the full spectrum of potential customers.

Become a reference brand in the French and Spanish hearing aid markets

We intend to continue our expansion into the French and Spanish hearing aid markets, aiming to become a reference brand in these markets. In addition to benefitting from strong intrinsic growth in the market, due to an aging and growing population coupled with relatively low equipment penetration rates and a favorable regulatory environment, we believe there is growth potential in our existing countries of operation. Our strategy in the hearing aid segment is based on synergies between our historical core, the optical product segment, and the hearing aid segment. As consumers age, the need for optical and hearing aid products increases. Our combined offering provides consumers with the ability to acquire both products provides consumers with the ability to satisfy their needs. Approximately two-thirds of our hearing aid points of sale are corners in Alain Afflelou optical stores, in part due to the fact that there is substantial overlap in the population seeking vision correction and the population seeking hearing aids.

Further penetrate the European market

We intend to further extend our European footprint in countries in which we already operate (mainly BeLux, Switzerland and Portugal) by deepening our franchise network and exploiting opportunities for consolidation, given the high level of fragmentation of these markets.

In Belgium, we intend to accelerate the development of both our Alain Afflelou and Optical Discount banners. In both Belgium and Switzerland, we are mainly present in French-speaking regions and we are increasing our presence in Flemish-speaking regions of Belgium and the German- and Italian-speaking regions of Switzerland.

In Portugal, we intend to develop organically, with the expansion of our generalist Alain Afflelou banner and the launch of the Afflelou Sun banner.

Deliver operating efficiencies across all banners

We intend to continue to take advantage of the economies of scale provided by our network organization by streamlining our administrative and overhead functions and controlling our cost base.

In our Alain Afflelou banner, we intend to continue to evaluate the performance of our store network with a view to optimizing such performance. We will seek to expand our performance monitoring system by improving data collection from franchisees, reinforcing the supervision of franchisees by regional network managers, sharing best practices across our network and encouraging the use of our common point-of-sale software solutions by our franchisees. We also intend to continue our advertising efforts to support the development of our network, while leveraging our economies of scale. In addition, we intend to continue to leverage our long-standing relationships with suppliers to obtain the most favorable commercial terms for our store network. The expansion of our network, together with the implementation of dedicated central purchasing units, has reinforced our purchasing power and our ability to negotiate discounts and rebates with suppliers. Savings generated from these discounts or rebates are shared with franchisees. We intend to continue to generate savings for our directly-owned and franchised stores in connection with the purchase of optical products from suppliers.

Separately, we will focus on the integration of our recently acquired banners (Optical Discount, Optimil, Alain Afflelou Acousticien, Happyview.fr and Malentille.com). We intend to improve the scale and profitability of each banner.

Description of our business

Our principal activity is acting as a franchisor, allowing our franchisees to trade under our brands and banners. Pursuant to the terms of the franchise agreements that we enter into with each of our franchisees, we authorize our franchisees to use our brands, grant them the right to distribute optical products and/or hearing aids under one of our banners, allow them to use our commercial offerings and provide them with a variety of tools, services and know-how. We allow our franchisees to deploy our innovative commercial offers and develop publicity campaigns and communications to promote our brands and drive traffic to their stores. The best practices that we develop in our directly-owned stores are also shared with our franchisees. We have also put in place a comprehensive supply, purchase and logistics system for our franchisees. Additionally, we sell optical products that bear the "Afflelou" signature label, which are offered to franchisees as a means to extend their product range. The services that we offer our franchisees as franchisor aim to develop, support and foster the business of our franchisees. We believe that the services we offer to our franchisees allow them to develop their business, increase their performance and offer consumers a better shopping experience while continually reinforcing the image of our brand and banners. This role also allows us to increase footfall to stores and assist in franchisee recruitment. The following sections present an overview of our relationship with our franchisees and describe the various services that we provide to them. In addition to our role as a franchisor, we also operate certain directly-owned stores.

Franchise model

Overview

Our franchisees are independent entrepreneurs who have entered into franchise agreements with us to operate one or several optical and/or hearing aid points of sale. Franchisees trade under one or more of our banners. As of July 31, 2017, our network included 742 franchisees.

Our franchise agreements

The terms and conditions of our franchise agreements define the reciprocal roles and obligations of us and our franchisees and reflect the particular requirements of each of our brands and banners as well as the different jurisdictions in which we operate. Likewise, levels of remuneration paid to us from franchisees vary from banner to banner and country to country.

Franchise agreements in our Alain Afflelou banner generally have an initial three-year term and are automatically renewed for an additional one-year period, unless the contract is terminated during its initial period or during each such additional period, for a maximum period of ten years. We are working to import certain key features from our Alain Afflelou franchise agreements into our Optical Discount franchise agreements. Franchise agreements in our Optical Discount banner generally have a similar duration to those in our Alain Afflelou banner and franchise agreements in our Optimil banner generally have a five-year term with automatic renewal for a subsequent five-year period unless either side unilaterally terminates the contract.

Franchisees are generally granted exclusivity in a certain territory with respect to the banner or banners they are operating under, and in return, they are subject to standard non-compete provisions. In order to protect the integrity of the Alain Afflelou network, franchisees are prohibited from carrying out a franchise activity with any other group or franchise or distribution network during a period of one year from the date of the end of the franchise agreement.

We receive a one-time entry fee per store with a lower fee charged for each additional store opened by a franchisee. This entry fee varies according to negotiations with our franchisees. Additionally, pursuant to our standard franchise agreement, franchisees pay a monthly royalty of up to 3.3% of their network sales (excluding VAT). The royalty fee is our fee for the award of a non-exclusive license to use our brand, the relevant banner and trademarks according to the terms of the franchise agreement, as well as the provision of various other franchisor services, in particular the know-how that we provide to the franchisee during the course of the agreement. See "—*Services that we provide as franchisor*" for a description of the services we provide to franchisees. For the year ended July 31, 2017, the average franchise royalty (including entry fees) was 3.3% of a franchisee's network sales (excluding VAT).

Additionally, as franchisor, we provide communications and marketing services as further described under "—*Advertising and communications to build strong brand awareness*", for which the franchisees compensate us. For European franchisees, the communications budget for each country is presented by management and approved at the annual meeting of the relevant CNF (as defined in "—*Franchisee representation*") and is generally the same amount within a banner, with no negotiation except for franchisees outside of metropolitan areas. For non-European franchisees, the compensation for these services is set in the franchise agreement and varies in amount depending on the market and our local communications strategy. Communication fees were 7.4% of a franchisee's network sales (excluding VAT) during the year ended July 31, 2017.

We may terminate a franchise agreement in a number of circumstances, in particular in cases of a material failure by the franchisee to observe our commercial policy or where a franchisee closes its store or is unable to maintain or renew the relevant lease, fails to make payments required under the agreement or becomes insolvent. Additionally, we may terminate the contract upon the death or incapacity of the franchisee or the loss of his or her license as an optician or audio prosthetist (as applicable), or in certain other events, including the violation of the non-compete provision.

The franchisee may also terminate a franchise agreement without cause at the end of the initial three-year period or during its extension periods, by notifying the franchisor within two calendar years (whether successive or not), in which case the agreement would terminate at the start of the calendar year that immediately follows the year in which the second notice was given.

If a franchise agreement is terminated due to a franchisee failing to meet its contractual obligations or at the franchisee's request before the end of the current contractual period, the contract provides that we retain the right to receive our annual royalties and communication fees provided for under the agreement until the end of the initial duration of the franchise agreement.

As franchisor and in accordance with our obligations under the franchise agreement, we have the following obligations:

- providing our franchisees the know-how, expertise and training necessary to operate their business;
- allowing franchisees to use our banners, brands and merchandizing as well as allowing them to use our central listing and purchasing unit and our commercial offers; and
- developing and implementing publicity campaigns and communications at our level.

As franchisee and in accordance with its obligations under the franchise agreement, the franchisee must in particular respect the following obligations:

- paying ongoing royalties as indicated above;
- purchasing their products exclusively from suppliers listed by our central listing and payment unit;
- complying with certain requirements in terms of merchandizing and store layout, so that brand identity is aligned and the same store concept is used throughout our networks;
- implementing our commercial strategy and promoting our commercial offers;
- contributing to communications and advertising expenses and submitting any local advertising initiative for our approval;
- reporting sales levels on a monthly basis (franchisees may also report other performance indicators, such as sales by product and total number of products sold);
- providing us with a copy of their annual accounts;
- granting us a right of first refusal in the event that they seek to sell their business or retire;
- adhering to a non-compete clause prohibiting affiliation with a competing network, which typically extends for one year after the termination of the franchise agreement;
- adhering to certain confidentiality provisions; and

- following the termination of the franchise agreement, ensuring that all manner of trade goods and fixtures pertaining to our banners and brands, including our store concept, furniture, display shelves and signage, are removed from the store.

Franchisee representation

Our relations with our franchisees are mainly structured around a national franchisee commission (each, a "**CNF**") which we have set up in each of the European countries in which we carry out our activities. The CNFs are responsible for collectively representing the franchisees in their relationship with us and are also responsible for: (i) the representation of our franchisees in Europe; (ii) centralizing, simplifying and organizing communications with the franchisor; and (iii) approving certain decisions, such as our marketing plan, which is submitted annually for the approval of the relevant CNF. In France, the CNF is composed of 15 members for a term of three years, each representing 23 franchisees in France. Members are elected by the franchisees in the jurisdiction covered by such CNF. In Belgium, Portugal, Luxembourg and Switzerland, all franchisees are members of the CNF due to the limited number of franchisees. See also "*Regulation*" for a summary of the regulatory framework that applies to our relationship with franchisees.

Franchisee profile

We ask our franchisees to deliver the customer service and purchasing experience that customers expect from our banners. Forming close, successful partnerships with franchisees based on mutual commercial success is an essential component of our business model. The following presents a profile of our franchisees as of July 31, 2017.

Optical

In France, the average length of relations between us and an optical franchisee is approximately eleven years. In France, approximately 54.6% of Alain Afflelou franchisees have worked with us for more than ten years and 67% of those who were franchisees in 2007 remained Alain Afflelou franchisees as of July 31, 2017. On average, Alain Afflelou franchisees in France operated 1.9 stores as of July 31, 2017. As of July 31, 2017, Optical Discount franchisees operated 1.2 stores on average.

In Spain, the average length of relations between us and an optical franchisee is approximately six years. We entered the Spanish market in August 2004. As of July 31, 2017, 54.7% of Spanish franchisees who were associated with us in 2007 remain Alain Afflelou franchisees. On average, franchisees in Spain operated 1.5 stores as of July 31, 2017.

In the other European markets where we carry out our activities, our franchisees have a similar profile to our franchisees in France and Spain. In certain non-European markets, the profiles of our franchisees may differ from those common in Europe. For example, our first franchisee in China, Meilu Vision, operates a network of optical product stores under its own banner.

The average revenue (including VAT) per Alain Afflelou store for franchisees for the year ended July 31, 2017 was €810,000 in France and €391,000 in Spain. For the market generally, the average revenue per store combining all banners (including VAT) was €524,000 in France in 2015 and €180,000 in Spain in 2014. However, average revenue (including VAT) for independent retailers was €305,000 in France in 2015 and €130,000 in Spain in 2014. We believe this performance is mainly the result of: (i) the quality of service that our franchisees provide to customers; (ii) the strong recognition of the Alain Afflelou brand and our banners; and (iii) the services that we provide to franchisees which support and assist them in their operations. For further information about our competitive position in the geographies where we compete, see "*Industry*".

Our ten largest franchisees (across all banners and jurisdictions) own and operate an average of 9.9 stores, representing 10.6% of network sales in the year ended July 31, 2017. None of them operates more than 16 stores as of July 31, 2017. Thus, we believe that we are not dependent on any one franchisee.

In the year ended July 31, 2017, 36 new franchisees joined our Alain Afflelou banner in France and Spain, representing 16 franchised stores opened on a net basis under one of our banners (including directly-owned stores converted into franchised stores).

Hearing aids

As of July 31, 2017, our 50 hearing aid franchisees in France operated an average of 1.9 stores and 2.9 corners. For more information regarding our banners and their presence in our main geographies, see "—*Distribution channels*".

Services that we provide as franchisor

As franchisor, we provide our franchisees, both before the opening of their store and throughout the course of their operations, advice and support services. Our services as franchisor, the relationships formed with franchisees and the interaction between us, our franchisees and end-customers are intended to increase franchisees' sales. On the basis of data collected from 217 Alain Afflelou banner stores either established or that joined the network between 2003 and 2015, we believe that the necessary amount of time for a new store to reach its full commercial potential is five years, with 81% of this full potential being achieved after the first year.

The following section describes the characteristics of our brand, which is based in part on customer surveys performed by various institutions in France and Spain and a study that we commissioned as well as a brief description of the know-how that we provide our franchisees.

Advertising and communications to build strong brand awareness

Since our founding, we have developed significant know-how in terms of advertising and communications. Our communications strategy focuses on promoting the reputation of our brands and banners, as well educating customers about our commercial offers and new products bearing our own brands. Our commercial offers are relayed by television, the Internet, billboards, radio and print, through marketing campaigns or sponsorship opportunities and by in-store signage. In November 2014, Sharon Stone became the face of Alain Afflelou, embodying elegance, fun and strength of personality.

Our multimedia advertising campaigns and communications strategy are intended to be memorable, resonate with customers and inspire confidence in our opticians and audio prosthetists, while informing customers of our commercial offers. These campaigns and communications also drive footfall to our stores. We enjoy the highest advertising recall rates among our five main competitors in France, according to a survey conducted in July 2015 among 1,030 eyeglass wearers in France (Opinion Way, ISO 20252 sample rules). We have also won a number of industry awards in both France and Spain, such as optical customer service provider of the year in France in 2017 and best network of opticians in Spain in 2016, as well for our television and video advertisements which customers easily recall.

Other than national campaigns, our communications team also supervises local and temporary advertising initiatives to promote the opening or reopening of stores. In such cases, advertising expenses are financed by the relevant store, but our communications team assists the store in managing the campaign. Prior to a franchised store opening for business, our development department works closely with the franchisee to prepare a local communications and outreach plan to maximize impact and visibility for their store's first trading days.

Our strong media presence allows our flagship brand, Alain Afflelou, to enjoy a strong reputation. This brand is firmly embedded in customers' minds particularly in France, which we believe is considered to be a preeminent retail destination for eyewear. Our strong brand image is built on several pillars, including our 45-year long history of innovation in terms of communications and commercial offers. For more information regarding our track record of introducing new products and offers see "—*Products and commercial offers*". The strength and reputation of our brands are also premised on the quality of service that we provide our customers. We believe that the services we provide our franchisees as franchisor enable franchisees to concentrate their efforts on their business which in turn allows customers to enjoy better services from franchisees and their employees, enhancing the reputation and image of our brands and our networks.

Procurement, purchasing and logistics solutions

As franchisor, we provide our franchisees with many services related to procurement, purchasing and logistics. These services generate franchisor revenue through fees charged to our suppliers, who in turn benefit from access to our franchisees and store networks. We also earn revenue through the resale of certain optical and hearing aid products by us to franchisees. Purchasing solutions refers collectively to the following activities: (i) our central listing unit and payment unit; (ii) purchasing and licensing; and (iii) trading. During the year ended July 31, 2017, we generated 44% of our revenue from our procurement activities for our franchisees.

Central listing and payment unit

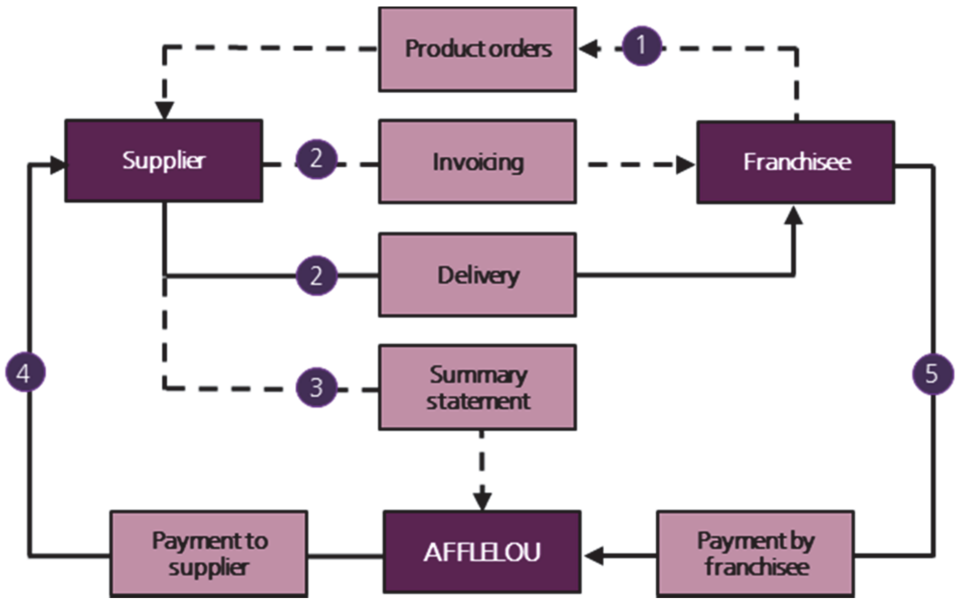
As independent retailers, our franchisees are free to select products to sell in their stores, choosing among the suppliers that are listed by our central listing and payment unit. Franchisees are free to determine products' resale price. However, for optical products sold under our own brands, we set the maximum price.

The central listing unit encompasses all listed suppliers and their products that are approved to be sold in our store networks. We have a dedicated division which is responsible for compiling and updating the list of suppliers and products. Among our listed suppliers are the main frame, lenses, contact lenses and sunglasses manufacturers in the market, as described under "—*Sourcing*" and certain smaller players who wish to be listed and meet our requirements. Stores in our networks may also suggest that a particular supplier be listed.

The purchases by our networks allow us to negotiate advantageous commercial terms with each of our suppliers and enter into framework agreements with them on behalf of the stores in our networks, thus creating significant economies of scale. Framework supplier agreements are renewed every year and do not provide for volume commitments. Additionally, some suppliers that offer specific products and services may, from time to time, be listed and take advantage of our central payment unit. Stores in our network are required to purchase all products sold in their stores, such as frames, lenses, contact lenses and optical products, exclusively from suppliers that are listed by our central listing and payment unit. As of July 31, 2017, we had approximately 128 listed suppliers in France and 81 in Spain.

We generally also serve as an intermediary to facilitate payment between our networks of stores and our listed suppliers, simplifying relations between the two.

The diagram below sets out our listing and payment process.



(1) *Ordering*. The relevant store sends its order to the listed supplier pursuant to their own arrangements. The majority of orders are processed electronically.

(2) *Delivery of goods/invoicing*. The supplier delivers the goods ordered and sends the invoice to the store.

(3) *Summary statement*. Each month, the supplier sends us a summary statement listing goods invoiced to each store. We collect summary statements from all suppliers and provide franchisees a monthly statement listing all invoices due to suppliers.

(4) *Payment to suppliers*. We pay suppliers net of discounts and listing fees, rebates in accordance with negotiations with the central listing unit and *del credere* commissions billed as part of listing fees.

(5) *Payment from stores*. Stores pay us amounts due to suppliers, net of discounts and rebates that we negotiate on their behalf.

We invoice listed suppliers for the following:

- listing and payment commissions;
- *del credere* commissions, which correspond to the guarantee provided by the franchisor for the orders of the stores within our networks; and
- early payment allowances in case of a cash purchase or an early payment made by us.

Our invoice system is identical in France and Spain, except that the *del credere* commission is less common in Spain, as some suppliers choose to bear the store's default risk. Similar arrangements are in place in Belgium, Luxembourg and Switzerland, allowing franchisees in countries where our presence is less developed to benefit from the same services as those provided to our historical locations and use suppliers that can sell to stores in such countries. Similar arrangements have also been put in place for the Optical Discount and Alain Afflelou Acousticien networks. Franchisees in non-European jurisdictions are also able to access these listing services and receive support from our sourcing and supply chain team.

Purchasing and licensing

In order to offer franchisees better prices on lenses and frames, we aggregate purchases by leveraging the size of our store networks, generating significant economies of scale. As of July 31, 2017, corrective lenses, frames, contact lenses and care solution and sunglasses represented, respectively, 54%, 26%, 10% and 10% of franchisees' purchases through our central purchasing unit. As a result, franchisees are able to benefit from discounts and rebates we negotiate with suppliers when they make purchasers through our central purchasing units, of which we retain a share.

We also make available to stores in our networks our own-brand lenses and contact lenses, which are lenses and contact lenses manufactured by third parties that are among the largest in the industry (such as Hoya, Coopervision or Safilens or subsidiaries of the Essilor group (Essilor has recently announced a business combination agreement with Luxottica which is pending completion) and are distributed by us. We charge manufacturers of our own-brand lenses and contact lenses a licensing fee for use of our brand names, such as Éphémère or Égérie. Such licensing fees are calculated as a percentage of the supplier's sales to stores in our networks.

Trading

Our trading activity acts as a supplier by which we resell exclusive products or own-brand products within our own networks through our central purchasing department. This activity mainly involves frames and corrective lenses that we sell under our own brands. We directly sell exclusive frames and sunglasses to stores in our networks either through logistics providers or directly. Our exclusive frames and sunglasses consist of (i) from time to time, signature label frames and sunglasses bearing the "Afflelou" signature; (ii) frames and sunglasses under exclusive licenses; and (iii) exclusive collections from designer brands such as Calvin Klein Jeans (for which we are the exclusive distributor in France). As part of our trading activities, we retain a margin on the resale of exclusive frames and sunglasses to stores in our network. Finally, trading activities are also an entry point for new countries by allowing us to test consumers' reactions to our own branded products and our other product lines. For more information about our exclusive and own-brand products, see "*—Products and commercial offers—Products*" and "*—Sourcing, design and manufacturing—Sourcing*". During the year ended July 31, 2017, our license purchasing and trading activities as well all of our purchase solutions for supplying our franchisees totaled €138 million, *i.e.*, 18.1% of store sales.

Support services

Overview

We have been operating for 45 years and have gained significant experience in managing our distribution networks, allowing us to master all aspects of our role as a franchisor and the management of our directly-owned stores. When a new franchisee signs a franchise agreement with us, a long-term partnership is formed, involving the transfer of knowledge, monitoring, sharing and refining of best practices. This section details the know-how that we provide and continue to expand, hone and update, based on everyday interactions with our franchisees and the realities of their business needs. For a description of the IT solutions that we provide to our franchisees see "*—Information technology*".

Store location planning

Store location planning refers to a range of services and value-added tools that we employ to assist existing and incoming franchisees determine where to place their stores, which is often the most important consideration for the health of their businesses. As the largest optical product franchisor in France, we have knowledge and experience that allows us to knowledgeably advise franchisees on store locations using data that we have compiled based on information received from each of the stores in our networks in the past decades. Our target catchment areas are medium- to large-sized urban communities. Pursuant to our contractual arrangements, every franchised store location must be approved by us prior to opening its doors. We are also able to analyze store potential based on, among other things, the proximity of competitors. We can also connect potential franchisees with local contractors, helping them evaluate offers for refurbishment and outfitting and arrange store visits to existing stores in similar locations. In addition, our analyses of our existing stores' network sales, including information gathered from our customer relationship management system, provide insights that enable our franchisee sales and network development teams to identify favorable whitespace in areas where we operates in Europe. Following such analysis, our development team can actively seek out prospective franchisees in such areas where we believe they are more likely to be successful, further bolstering the network's presence in these areas.

Store design

Alain Afflelou banner stores are known for their distinctive color schemes, elegant displays and intuitive retail store layout. We have developed a range of products and services for franchisees in order to present customers a consistent, high-quality shopping experience across all our store networks and maintain brand integrity. We provide comprehensive store design and layout solutions, including selling distinctive retail furniture and wall display pieces, which creates a similar welcoming feel in each of our stores. To maintain this, we have obtained design protection from the relevant authorities for certain of our custom-designed retail furniture to ensure that they are adequately protected.

Training and development

We provide extensive training for franchisees and their employees, to enable them to meet the high standards that our customers expect of our stores. As part of the initial training provided to franchisees, we have a program that familiarizes franchisees with our business model and acquaints them with the representatives and regional managers who will be their primary contacts. Initial training includes programs covering, among other things, advertising and local communications, inventory management and planning and using our order fulfillment system. Our "Alain Afflelou Academy" provides training courses for franchisees and their employees in France and was expanded to Spain through "Alain Afflelou Academia de Vuelo" in April 2014. In April 2016, our training programs became available online. The training sessions that we offer cover, in particular, sales techniques for different optical products such as sunglasses and children's glasses, effective store and personnel management as well as commercial strategies.

Certification

Certifications granted by independent providers have become an important commercial consideration for consumers, as a symbol of professionalism and integrity, as well as for the process of joining closed networks in France. We have mobilized to assist and guide our franchisees in obtaining certifications in order to further enhance our standing among customers. In 2014, we set up a hotline to assist franchisees with the documentation required to obtain Afnor and Veritas certifications. In addition, regional managers maintain and update lists of franchisees that have obtained such certifications in order to analyze the resulting benefits and impact of such certifications. In order to help our franchisees navigate this process, we provide our franchisees with an information guide and place them in contact with the company France Certification to attend training sessions on these certifications.

We provide support for obtaining AFNOR-REF 230 (Service Agreement – Optical Quality) certification to our and franchised stores. AFNOR-REF 230 certification aims to improve the quality of customer service and satisfaction, in particular by: (i) guaranteeing care from a trained and educated professional, working in close collaboration with an ophthalmologist; (ii) offering products at a superior price/quality ratio due to a rigorous selection process of lenses and frames suppliers; (iii) offering the option for no upfront costs, with costs being paid by the public health system and the OCAMs; and (iv) offering a follow-up service to monitor changes in the customer's prescription during its validity.

Similarly, we provide support for obtaining VeriSelect Quality Optician Services to all of our directly-owned stores and franchised stores. VeriSelect Quality Optician Services are issued by the Veritas Certificate Bureau and recognized by OCAMs and care networks. The goal of this certification is to guarantee consumers that certified stores provide reliable service, are professional and attentive in particular by: (i) respecting clear and legible commitments made to consumers; (ii) guaranteeing a well-adapted space by identified and competent professionals; (iii) providing explanations in terms of equipment choice and (iv) providing uniform invoices including the consumer's healthcare data; and (iv) providing personalized and confidential service and follow-up in terms of the quality of service.

Assisting with access to care networks in France

Since 2014, we have provided our franchisees with information and assistance in qualifying for and joining the French care networks. We feel that membership in a care network enables franchisees to attract a larger number of customers. However, joining a care network can be a costly and burdensome process involving preparation of submissions to tenders and related complex documentation. In 2015, we institutionalized our care network support activity. Currently, our care networks manager assists our opticians and audio prosthetists in preparing and submitting bids by providing guidelines, bespoke advice via a hotline and preparing standardized support documentation. For example, when a care network issues requests for proposals as part of a tender process, our care networks manager analyzes the selection criteria and provides a summary to our franchisees and directly-owned store managers. Certain training and certification costs associated with this initiative are invoiced to the franchisees. As a result of various efforts to support franchisees, as of July 31, 2017, 87% and 72% of the stores under the Alain Afflelou banner in France are part of one and two or more care networks, respectively. For more information about care networks and a description of care networks, see "*Regulation—France—Regulations governing the French complementary health insurance system*".

Management and operational support

If a franchisee encounters difficulties within the scope of their operations, we also provide a certain number of assistance and advice services. In 2014, we launched a campaign called "Elite" that assisted and helped franchisees whose results were below expectations. This initiative involved a full range of management and operational support, including in respect of merchandising, product range, training, cash management, store refurbishment and inventory optimization. Monthly follow-ups were arranged in order to quickly monitor progress, identify new developments and respond accordingly. This program reinforced our relationships with our franchisees and harmonized customer service and customers' shopping experience across our networks. We believe that this program was successful in improving the performance of certain stores which, without this support, likely would have closed. In 2017, we concluded the "Elite" campaign and now focus our management and operation support efforts on more general incentive systems, such as Club Afflelou, which focus on rewarding commercial efficiency.

Financing solutions for franchisees

As part of our franchisor role, we offer different financing solutions for developing franchisees' activities.

New store openings. Opening an optical product or hearing aid store requires capital. In an effort to attract a new generation of franchisees and accelerate the transition of certain of our directly-owned stores into franchised stores, we piloted a financial support program. This program, called "Project Adelante", began in Spain in 2013 and was extended to France in 2016. The aim of the program is to help qualified opticians employed at our directly-owned stores transition into successful optician-entrepreneurs and thus, future franchisees. In Spain, we provide financial support to these opticians by guaranteeing bank loans obtained from partner banks, which facilitates opticians' access to financing, which is necessary at the start of their franchisee business. In France, we will, in some instances, help finance the new franchisee by purchasing convertible bonds issued by the new franchise company, helping it obtain the equity cushion it needs to qualify for bank financing. As part of "Project Adelante", potential and/or future franchisees are hired by us as managers of directly-owned stores in order to increase the potential and/or future franchisee's knowledge and experience, before taking over a franchise store.

Working capital financing. We have negotiated with consumer finance lender Cofidis, our partner with our Win-Win and NextYear financing solutions. Cofidis makes available a working capital advance, for which we pay the interest, to allow the franchisee to pay for signature label eyewear products after one year. In addition, we have put in place several framework agreements with partner banks to finance refurbishment, store design or working capital needs. These agreements allow our franchisees to access external financing at preferential conditions compared to those they would receive from their usual partners and be subject to less stringent requirements as a result of our support.

Legal

As part of operating a store, franchisees may encounter legal problems related to their optician or audio prosthetist business or for example, labor law difficulties. In order to respond to these specific labor law difficulties, we provide legal support services to our franchisees.

Human resources and sales force incentives

Recruiting, retaining and rewarding qualified staff is an important component that underpins our success. We operate a central clearinghouse for recruitment of trained and newly-graduated opticians and audio prosthetists from recognized institutions. Franchisees can also utilize this platform for their recruiting needs.

In April 2016, we created "Club Afflelou" in France, to help organize business activities which is open to franchisees, employees of franchisees and employees of our directly-owned stores. This program allows members to accumulate points which can be exchanged for a large range of gifts. Members who sign up can access their accounts through a dedicated online portal. "Club Afflelou" members earn points as they accomplish specific tasks, such as completing an "Alain Afflelou Academy" course on commercial offers or selling a certain number of "Win-Win" offers. We view "Club Afflelou" as the next generation of the management and operational support that we formerly offered through "Elite".

Consumer financing solutions

Finally, we have negotiated with consumer finance lenders (in particular Cofidis) to provide payment facilities to customers who purchase products through our NextYear and Win-Win commercial offers. NextYear enables customers of our networks to pay for their eyeglasses, contact lenses or hearing aid products in twelve equal monthly payments without interest or other charges. We serve as an intermediary between consumers and these finance lenders and do not incur any credit risk as part of this program. The Win-Win offer also allows for the possibility to extend payments up to a period of two years. The financing period for hearing aids may be further extended to 48 months.

Distribution channels

We manage an extensive store network across 16 countries, primarily in France (including the main overseas departments and territories) and Spain. As of July 31, 2017, our networks comprised 950 stores in France (including 56 hearing aid stores and 134 hearing aid corners), 391 stores in Spain (including 18 hearing aid stores and 36 hearing aid corners) and 133 stores in other countries. The majority of our stores are franchises though, in key European markets such as France and Spain, we also operate certain directly-owned stores in order to support the breadth of our networks and anchor our presence at strategic locations. For more information about sales of our networks of stores by geographical area as of July 31, 2015, 2016 and 2017, see "*Management's discussion and analysis of financial condition and results of operations—Main factors affecting our results—Expansion of store network*".

In order to optimize our performance and attract the greatest number of customers to our networks of stores, we have organized our optical banners to appeal to two customer segments: one that is attracted by a strong brand name, high-quality commercial offers and products and technological innovations, which we consider to be our premium offering, and the other for whom price constitutes the main purchasing criterion. Our banners are also divided into a generalist and a discount segment.

Store networks

Generalist segment

Alain Afflelou is our most established banner. The founding of this banner helped create the modern optical retail sector in Europe by focusing on customer needs and affordability. As of July 31, 2017, we had a total of 1,474 stores, of which 894 were optical product stores located in France, 373 were optical product stores located in Spain and 133 were optical product stores located in other countries and 244 dedicated hearing aid points of sale.

As of July 31, 2017, our networks include 1,180 Alain Afflelou banner stores, of which 738 are in France, 324 in Spain and 118 are in other countries. We operate three different types of stores: downtown stores, stores located in shopping malls and stores located in retail parks.

Optical - France

In France, as of July 31, 2017, our networks comprise 738 Alain Afflelou banner stores, of which approximately 90.7% are franchisee operated. In France, our Alain Afflelou banner stores are concentrated in and around medium- and large-size urban areas. We are also present in the main French overseas departments and territories.

In recent years, we have emphasized the opening of franchised stores outside of city centers, responding to changing consumer preferences. Stores situated in shopping malls or in retail parks offer more floor space with larger parking facilities, lower rents and generally lower refurbishment costs. Furthermore, Sunday trading and longer opening hours are possible in malls and retail parks, whereas they are generally not possible in city centers outside of certain high traffic areas in larger cities.

Our directly-owned stores in France are part of our strategic decision to support our franchisees and our brand, including through operating city center and shopping mall stores for flagship purposes in and around Paris and other key strategic locations, as well as maintaining a group of stores for testing new offers and instituting best practices. Finally, certain directly-owned stores comprise former franchised stores that had encountered difficulties and have been transitioned to direct ownership in order to address operational issues before securing a new franchisee operator. See "—*Distribution channels—Development and management of our store networks*" for more information.

In June 2016, we began offering new and existing franchisees the opportunity to create a pure-play sunglasses corner within their store, called "Afflelou Sun", of which there were approximately 20 locations in France and Spain as of July 31, 2017. It aims to respond to the growing demand for sunglasses for vision correction, as a fashion accessory and for ultraviolet and solar protection. The first such stores in France have opened in Paris and Biarritz.

Optical - Spain

In Spain, as of July 31, 2017, our networks comprise 324 Alain Afflelou stores, of which approximately 71.3% are franchisee operated. In comparison, our networks in Spain consisted of 122 stores as of July 31, 2006 and 263 stores as of July 31, 2011. Our Alain Afflelou banner stores in Spain are concentrated in the Madrid region and on the eastern coast in the regions of Catalonia and Valencia, as well as in certain northern regions such as Galicia.

Our directly-owned stores in Spain consist of: (i) flagship stores located in city centers and shopping malls, these stores allow the banner to anchor our presence in major urban areas; (ii) stores to test new business initiatives, product concepts and innovations and identify best practices; and (iii) a group of certain former franchised stores that resulted from repurchases of such stores from former franchisees who retired or withdrew from the business during the economic crisis from 2009 to 2013. In particular as a result of "Project Adelante", we intend to shift a large portion of such stores to franchisees.

Optical - other countries

In Belgium and Luxembourg, as of July 31, 2017, we had 49 Alain Afflelou banner franchised stores. In Belgium, these stores are mainly located in Wallonia, the francophone region of Belgium, though in recent years, we have developed our activity in Flanders. In 2016, our franchisees in Belgium and Luxembourg operated 1.8 stores per franchisee on average. We do not directly own any stores in Belgium or Luxembourg.

In Portugal, as of July 31, 2017, we had 24 Alain Afflelou banner franchised stores, primarily located in the country's main urban areas such as Lisbon, Setúbal, Porto, Braga and Faro. The majority of our Portuguese stores are franchised stores. As of July 31, 2017, we directly own five stores in Portugal.

We also hold a 29.7% equity investment in Optivisão, Óptica, Serviços e Investimento, S.A. ("**Optivisão**"), the parent company of the privately-held Optivisão Group, founded in 1989. Optivisão is one of the main optical franchise banners in Portugal. We do not exercise any management control over Optivisão and do not have any representation on its management bodies.

In Switzerland, as of July 31, 2017, we had 16 Alain Afflelou banner franchised stores, all located in French-speaking Switzerland. We do not directly own any stores in Switzerland.

We are also present through franchisees only in other countries in Africa, the Middle East, Asia and South America. Afflelou-Paris, which focuses on our French beginnings and fashion know-how, is the generalist banner that we intend to use for our international development in non-French speaking countries.

Hearing aids - Alain Afflelou Acousticien

Our founder, Mr. Alain Afflelou, is best known as an optician. However, he is also a trained audio prosthetist. After observing that the hearing aid market did not feature a player that combined technological innovation with attractive commercial offers, we launched the Alain Afflelou Acousticien brand, which built on the reputation of the Alain Afflelou brand, the trust that customers placed in this brand and changing commercial offers we have historically offered. Alain Afflelou Acousticien also benefits from the use of the Alain Afflelou banner, known on the optical products markets for its products and innovative commercial offers. In July 2013, the Afflelou family (through their interest in Holding AA & Fils) and certain other of our indirect shareholders established LSFA in order to separate the networks of hearing aid product retail stores. On July 31, 2016, we acquired 100% of LSFA and, as part of the transaction, completed the integration of the hearing aids franchise activity under the Alain Afflelou Acousticien banner.

As of July 31, 2017, the Alain Afflelou Acousticien banner comprised 190 points of sale in France and 50 franchise partners, of which 56 are stores and 134 are corners, and 54 points of sale in Spain, of which 18 are stores and 36 are corners. We entered into a master franchise agreement with Audicost in Spain in 2016 in order to accelerate our development in the Spanish hearing aid market. In the year ended July 31, 2017, 93% of our network sales in the hearing aid segment were made in France. The majority of these points of sale are corners hosted in Alain Afflelou optical stores. We believe that hearing aid corners allow optical product consumers to discover our hearing aid products and are likely to generate significant clientele for audio prosthetist franchisees. Likewise, we believe that the addition of a hearing aid corner to an optical store is likely to create additional sales for the optician. For example, during the year ended July 31, 2017, Alain Afflelou stores in France with a hearing aid corner outperformed the rest of the Alain Afflelou French network at a rate of 2.0% on a like-for-like basis.

Discount segment

We have had a presence in the discount segment since our acquisition of Optique Carrefour in 2003, which enabled us to develop our general segment as well as our discount segment, under the banner Claro by Afflelou.

In order to benefit from the brand and commercial strategy of Optical Discount, as well as to increase our presence in the discount segment and exploit operational synergies, we purchased the company that operated the Optical Discount banner in July 2015. Eventually, we intend for our entire discount offering to be offered under the Optical Discount name and commercial strategy. In July 2016, we purchased Ursa Vision, the company that operated the Optimil banner. Optimil is present in the discount segment of franchised stores in Spain, comprising 49 stores as of July 31, 2017, one of which we directly own. In the year ended July 31, 2017, network sales for our discount segment were approximately €60.6 million including Optimil.

Optical Discount in France

We purchased the company operating stores under the banner Optical Discount in July 2015 to increase our presence in the discount segment of the optical product market. Optical Discount was founded in 1995 by Gilles Meridjen and Stéphane Laloum and positioned itself in the discount segment, specifically focused on offering leading brands such as Gucci, Ray Ban, Armani, Givenchy, Hugo Boss, Diesel, Roberto Cavalli and Police at competitive prices. The Optical Discount banner targets price-sensitive customers looking to enjoy the same leading brand name products at a lower price.

Optical Discount's strategy is to provide customers leading brand optical products that they are able to find at other retailers, at an attractive price. To do this, Optical Discount mainly purchases prior years' collections from leading brand manufacturers and also provides them with a clearance solution.

We believe that one of the features that draws customers to Optical Discount stores is the option to purchase a "Club OD" card for €10, which gives access to discounts on a wide variety of products. The "Club OD" card is valid for purchases in store and online. Optical Discount's price tags display the lower "Club OD" price as well as a suggested prevailing retail price for the same item so that customers are able to easily quantify their savings.

Moreover, Optical Discount uses the same commercial strategy as certain hard discount stores, refunding twice the difference to any customer that finds the same product for a lower price at another location. Furthermore, each purchase with the "Club OD" card accrues points which the customer can use for gifts such as cinema tickets, electronics and gift certificates with other merchants.

As of July 31, 2017, Optical Discount comprised 147 stores in France and 15 in other countries. Upon the acquisition of Optical Discount in July 2015, we decided to concentrate our discount efforts under the Optical Discount banner. As such, we have progressively transitioned Claro by Afflelou franchised stores to Optical Discount. As of July 31, 2017, there are eight Claro by Afflelou stores in France.

Optimil in Spain

In July 2016, we purchased Ursa Vision ("**Optimil**"), which operates 49 optical and hearing aid product franchised stores under the Optimil banner as of July 31, 2017. Optimil's stores are concentrated in the regions of Valencia, Murcia, Andalusia, Castile, Léon in Castile-La-Mancha and the Balearic Islands. Founded in 1999, Optimil is a discount banner that offers leading brand frames such as Dior, Gucci, Armani, Prada, Vogue, Ray Ban, Police and Ralph Lauren. Optimil also sells its own products under four brands: women's brand Lucia Notti, retro-inspired brand Pixel and children's brands basic-O! and Kiddik. Certain Optimil stores also include hearing aid corners which will provide us with the ability to offer integrated optical-hearing aid franchises to potential franchisees.

Development and management of our store networks

Franchised stores

Our franchisees independently operate one or several stores under one or more of our banners. As franchisor, we continuously interact with franchisees in order to promote their activity and increase their performance. We have put in place at the local level an internal surveillance and communications system with our franchisees, allowing us to maintain and promote brand integrity, and gather sufficient information about our franchisees' businesses.

A regional network manager works with franchisees at the regional level of each geographic zone and across all our banners. Regional network managers organize training and exchange initiatives with franchisees and visits of model directly-owned stores. These initiatives enable us to share the most up-to-date know-how and expertise with our franchisees in terms of store layout, merchandizing, best commercial practices and sales techniques. Regional network managers are employed by us and act as intermediaries between our management and franchisees. In other markets, regional network managers are generally responsible for an entire market, grouping together several countries, depending on the number of stores that we maintain in a given market or region.

We have implemented an internal monthly scoring system for each store and franchisee, which enables us to process data collected from franchisees, our central listing and payment units, our central purchasing units and suppliers. In addition, our "Alain Afflelou Academy", "Alain Afflelou Academia de Vuelo" and "Club Afflelou" also provide additional levers to gauge franchisee engagement, the success of our latest commercial offers and franchisees' commitment to the relevant banner. Our scoring system evaluates various aspects of our relationships with franchisees, such as purchases, revenue, implementation of our commercial strategy, sales of exclusive products, relationship quality and status of payments. As a result, we are able to identify low performers among our franchisees, and work with them towards improving their performance. Our central management determines the goals and analyzes franchisees' results. Regional network managers regularly contact our central management and oversee various activities, such as the communications, franchisee network development, financial management or the logistics departments, allowing them to improve uniformity of practices and provide data for all our store networks.

Developing networks and recruiting new franchisees

Europe

In Europe, our strategy for developing franchise networks concentrates on maintaining robust and dynamic networks of optical franchisee-entrepreneurs and continuing to build a growing audio prosthetist-entrepreneur network for our hearing aids business. Our franchise development team is responsible for increasing the number of franchised stores and uses the following methods: (i) recruiting at trade shows and at events organized at optician and audio prosthetist training schools; (ii) targeted recruitment of independent retailers and franchisees trading under other banners at locations that have been identified as important zones for us; and (iii) a multi-banner, multistore and multidiscipline strategy. Prior to opening an Optical Discount store in a particular area, the local Alain Afflelou franchisee is consulted to see if he or she is interested in expanding their business by associating with our discount model as well. In addition, our regional network managers often work closely with our franchisee development team to identify suitable franchisees that could potentially expand their activity and operate a store under our discount banner. Additionally, we provide introduction services to help connect opticians with audio prosthetists to encourage the introduction of hearing aid corners which can yield increased footfall for both businesses. For a summary of the regulations applicable to us in connection with sales of franchisees in France see "*Regulation*".

Outside of Europe

Internationally, we seek franchise networks in certain markets where we believe demand would be high enough and that stores would be able to attract customers. Historically we have expanded in countries where there has been a strong connection to French culture, entering into contracts with local entrepreneurs who had an awareness of and affinity for our brand and value proposition. We perform due diligence on prospective international franchisees to maintain brand quality and determine whether the franchisee would be suitable to implement our commercial offers and preserve the image of the brand and banner. In China, we unveiled a policy to promote the Afflelou-Paris banner's French-inspired collections embodying the latest fashion trends. After having signed the first franchise agreement with Meilu Vision for Szechuan in 2016, we opened one store in central China in October 2016, as well as one store in Hong Kong, operated by Okia as our franchisee. We also have planned a December 2017 opening of one store in Vietnam.

Directly-owned stores

Our core business is our franchisor activity. To support our franchisor role, we also directly operate a portion of our networks of stores. As of July 31, 2017, we operated 80 directly-owned optical stores in France, 15 directly-owned hearing aid points of sale in France, 94 directly-owned optical stores in Spain, 18 directly-owned hearing aid points of sale in Spain and five directly-owned optical stores in Portugal.

For the year ended July 31, 2017, directly-owned stores generated 31.5% of our total revenue and 15.1% of our network sales. Our directly-owned stores operate under the same legal framework as franchised stores, particularly through the intermediary of an intra-group franchise agreement; we invoice our subsidiaries operating directly-owned stores for the same type of fees that we receive from franchisees.

Objectives

We believe that operating directly-owned stores is a fundamental component of our global franchisor strategy in that it allows us to better manage our networks. Operating directly-owned stores allows us to:

- control our flagship stores and anchoring our banners in key symbolic and strategic locations;
- test and refine new commercial offers and establish best practices; and
- perform network management and buttress our expansion strategy in strategic areas.

(1) Flagship and key strategic locations

In order to maintain, increase and promote the brand equity of our banners, we believe we must be present at certain highly visible locations. Between ten to 20 stores are located in symbolic locations such as the Champs-Elysées or La Défense in Paris, the Plaça de Catalunya in Barcelona, Gran Via in Madrid and the Graça neighborhood in Lisbon. These stores are located in big cities and tend to be on the more well-known shopping boulevards that are frequented by domestic and international tourists. Controlling these stores directly allows us to utilize them as walk-in advertisements and analyze customer's behavior and their experience. In certain instances, such as the Champs-Elysées, rent and refurbishment costs of such stores are too high for a franchisee.

(2) Stores for testing new concepts

Continuous commercial innovation and retail best practices have assisted us in developing networks of leading optical and hearing aid retailers in the countries where we operate. The stores in this category comprise between 50 to 100 stores, primarily in large urban areas and shopping malls with strong visibility where we test and adapt our commercial offers. Such stores serve as models for our entire network in terms of testing new commercial initiatives before rolling them out to the full network and establishing operational and retail best practices. Current and prospective franchisees are frequently invited to visit such stores as part of training. For example, the commercial offers NextYear and Win-Win (which were launched at directly-owned stores at the beginning of 2015), were tested and adapted in our directly-owned stores. Our Alain Afflelou Acousticien corners, the Afflelou Sun corners, the new software for managing sales points, sales force incentives, supply chain monitoring and consumer data analytics tools are initiatives that were initially developed and tested in our directly-owned stores.

(3) Network management

In order to efficiently manage and develop our networks, we may temporarily acquire certain franchised stores, and subsequently transition such store to a new franchisee in the short to mid-term. The reasons for opening or assuming the direct management of a franchised store include, among others, the need to ensure that we do not lose a particular site in case of the retirement of a franchisee, material disagreement with a franchisee regarding commercial policy or the need to turn around an underperforming store. Such stores can be operated for a time as directly-owned stores before transitioning to franchisee ownership, which sometimes involves assistance with financing by us.

Our strategy is to reduce our directly-owned stores portfolio. However, we intend to retain the directly-owned stores corresponding to the flagship and key strategic locations as well as those stores for testing commercial, operational and logistics initiatives.

Leasehold arrangements

Substantially all of our directly-owned stores are subject to commercial leaseholds. The following provides a brief description of our leasehold arrangements in France and Spain, where the majority of our directly-owned stores are situated.

French commercial leases generally have a minimum initial duration of nine years, but rarely exceed twelve years. The lessee has the right to terminate a commercial lease at the conclusion of each three-year period. The lessor may only terminate the lease at the conclusion of each three-year period in certain limited circumstances. At the end of the contractual term of the lease, the lessee is entitled to a renewal. If the lessor refuses such renewal, the lessor will be required to compensate the lessee, unless the lessor can show good cause. Upon expiration of the lease agreement, if the lessor and lessee take no action to renew or to terminate the lease, the original lease will be automatically renewed until a notice of termination is served by either the lessee or the lessor. An automatically renewed lease may be terminated at any time by either the lessee or the lessor providing that six months' prior notice is given.

The parties are free to determine the initial rent, generally according to the current market value of the property at the signing of the contract. The rent may be fixed, variable or composed of a fixed portion and a variable portion. Generally, the lease contains an annual rent indexation clause. The agreed index must have some connection with the activity carried out by one of the parties or to the purpose of the lease. Alternatively, parties can choose the Commercial Rent Index (ILC) (*l'indice des loyers commerciaux*) or the Index Applicable to Leases of the Service Sector (ILAT) (*indice des loyers des activités tertiaries*), both published by *l'Institut national de la statistique des études économiques* (INSEE), the French public statistics institute.

In Spain, although the legal framework for commercial leases is less strict (*i.e.*, commercial leases are not subject to a specific legal framework), commercial leases are identical to those in France. However, rent is often calculated as a percentage of turnover with a minimum lease amount being determined by the parties.

Products and commercial offers

Products

Our philosophy and our added value, are premised on the idea that the customer can appreciate the extent of our product offering and highlight the price-quality ratio of our products. These factors are essential components of our model. This same philosophy inspired Mr. Alain Afflelou when he created Alain Afflelou Acousticien, which relies on the main characteristics of price, choice and accessibility.

We offer Alain Afflelou and Optical Discount franchisees a range of refined and affordable optical products such as prescription glasses, ready readers, sunglasses and contact lenses. We also provide a range of hearing aid products for our Alain Afflelou Acousticien banner franchisees.

Our goal is to provide a product range that exceeds the choice offered by our competitors. Each of our banners has a slightly different product range. For example, Alain Afflelou stores have the largest range with a certain number of luxury brands, but also midmarket brands and signature label collections. Optical products offered under our own brands include both ophthalmic frames and sunglasses, contact lenses from the leading market players and other accessories. We do negotiate purchasing terms on behalf of our networks, such as discounts and rebates which allows us to order, including through our procurement, larger quantities and enjoy advantageous conditions.

The following presents a brief description of the type of products that we list in our central listing and purchasing unit.

Frames and sunglasses

Products that we sell under our own labels

Since 2014, we have designed and sub-contracted the production of eyewear collections featuring the "Afflelou" signature. These optical products allow us to expand the product offer in our stores and demonstrate our innovative capacity to customers while also providing franchisees and directly-owned stores with attractive margins on these products. In the countries where we are present, signature label products are only available at Alain Afflelou stores.

The products that we market under our own brands are specifically designed to be fashion-forward yet affordable, and are compatible with the economic model of our Tchin Tchin commercial offer (a second pair of our signature label eyeglasses for €1.00). According to a survey on brand awareness in frames, the products that we market under our own brands are among the most well-known frame brands in France, with a strong awareness among both women and men. The products that we market under our own brands rank second in unaided brand awareness after Ray-Ban but before such frame brands as Dior, Chanel and Dolce & Gabbana for women and Krys, Lacoste and Optic2000 for men according to a survey of 825 respondents in France. The products that we market under our own brands are positioned in the middle market and appeal to customers seeking a brand name who may also be attracted to our multi-possession proposal that the Tchin Tchin offer allows (second pair of eyeglasses for €1.00). For the year ended July 31, 2017, the products that we market under our own brands represented 2.7 million pairs of glasses and approximately 35.3% in value of frames sold within our networks.

Exclusive collections from designer brands and licensed products

As part of these offers, we negotiate the exclusive right to distribute ophthalmic frames and sunglasses collections from third-party brands. These ophthalmic frames and sunglasses are designed and produced by third-parties and are exclusively distributed across the networks of Alain Afflelou banner stores. For more information about our suppliers, see "*—Sourcing, design and manufacturing—Sourcing*". We also negotiate licenses for the design, product and marketing of ophthalmic frames and sunglasses. We design these products, subcontract their manufacturing pursuant to our specifications and market them under the brands for which we have obtained a license.

Third-party manufacturers' products

Our networks offer a large range of products manufactured by leading producers of optical products. Through our central listing and payment unit, we allow the stores in our networks to access almost all optical products available on the market.

Lenses and contact lenses

Proprietary products

We have been marketing our own products under our own brands (Éphémère since 2002, Protect since 2006 and Égérie since 2011) and exclusive products that have been licensed by us to certain third-party suppliers. These exclusive products, which cannot be found outside of our stores, provide franchisees with a competitive advantage by leveraging our advertising and communications to increase customer interest in our offering. Own-brand lenses and contact lenses are lenses and contact lenses distributed by us through our central purchasing units or by one of our suppliers in the context of a commercial offer. Manufacturers that we select to produce these exclusive products are generally leading industry operators, such as Hoya or subsidiaries of Essilor in respect of lenses and Coopervision and Safilens in respect of contact lenses. They are selected for the quality of their products, as well as for the logistics services they provide. When distributing own-brand lenses and contact lenses, we invoice licensing fees to suppliers. Such licensing fees are calculated as a percentage of the supplier's sales to franchisees and directly-owned stores.

Other products

We also offer a range of third-party lenses and contact lenses from large suppliers in particular lenses from Essilor, Carl Zeiss and Seiko and contact lenses from Bausch & Lomb, Alcon and Johnson & Johnson.

Commercial offers and marketing strategy

We regularly launch commercial offers to drive traffic and increase sales in our stores. Many such commercial offers originated in France but have been successfully exported to other countries where we operate and have become just as recognizable in such countries, particularly in Spain. The success of these commercial offers in different markets builds and reinforces the dynamism and attractiveness of our stores, in France or in another country.

The evolution of our commercial offers illustrates our constant desire to create added value, enhance the lives of our customers and offer a new and unique selling experience to franchisees. In the early days of our operating history through the 1980s, the commercial offers were focused on price, democratizing the optical product market and rendering it more accessible. In the 1990s, we began to focus on products, offering the first private label lenses and ready readers (which would eventually include contact lenses starting in 2002), which transformed our brand to signify not just a retailer, but also a provider of cutting edge products. In 1999, we introduced multi-possession with our Tchin Tchin offer that, for one franc (then €1), gives consumers the chance to own another pair of eyeglasses at very low additional cost, which was expanded with Tercera in 2004. The Tercera program was eventually transformed into a Summer/Winter promotion that offered two additional pairs of glasses for €1.00 more. In 2009, during the economic crisis, we launched NextYear to allow customers to have access to optical products and maintain a relatively low price. Next, we concentrated our efforts on product experience and developed Win-Win, a monthly, flat-rate program that offers various services to our customers. In 2017, we launched "Smart Tonic", a collection of frames with magnetic clips for sun protection, blue light filter and night driving.

The following table lists and describes our most significant and innovative commercial offers, most of which are still currently available in our store networks:

Year Launched	Product or Commercial Offer	Description
1978	"*La moitié de votre monture à l'œil*"	Frames sold at half price.
1985	"*On est fou d'Afflelou*"	First nationwide advertising campaign.
1991	"*Les lunettes en une heure*"	Glasses ready in an hour.
1994	"2Ai," replaced by "Protect" in 2006	First polycarbonate unbreakable lens.
1995	"*Cent pour Cent*"	First branded progressive multifocal lens offering better comfort to presbyotic customers.
1997	"Forty"	A package of four pairs of ready readers in four different colors, allowing customers to always have a pair of glasses handy.
1998	"Funny"	A package of four pairs of sunglasses.
1999	"Tchin Tchin"	A second pair of glasses for 1 franc (then €1).
2000	"Tchin Tchin solaire"	A second pair of sunglasses for 1 franc (then €1).
2002	"L'Éphémère"	First daily disposable contact lenses for €1 per pair.
2004	"Tercera"	Third pair of glasses for €15.
2006	"Le Cinq," replaced by "Égérie" in 2011	Tailor-made progressive lenses, prepared pursuant to a surfacing technique called freeform, offering better comfort and instantaneous adaptation.
2006	"Protect"	Thin polycarbonate unbreakable lens.
2008	"*Ma collection*"	A collection of over 500 Alain Afflelou exclusive frames.
2009	"E-forty"	Ready-made pairs of glasses, with lenses adapted for mid-range vision, typically used for computer work.
2009	"NextYear"	Payment arrangement over one year, with twelve monthly payments, free of interest and other charges.
2011	"Tchin Tchin Nouvelle Génération"	The second pair of glasses may be given to a person chosen by the customer.
2013	"*1 mois d'essai gratuit*"	Free one-month trial for contact lenses.
2013	"*Toutes les montures à moitié prix*"	Frames sold at half price.
2014	"*Griffe Afflelou*"	Our brand of ophthalmic frames, sunglasses and bearing the "Afflelou" signature label ready readers.
2015	Win-Win	Payment arrangements in two years with monthly flat rate offer starting at €10.90, with various services included.
2017	Smart Tonic	A collection of frames with magnetic clips for sun protection, blue light filter and night drive.

Product display

Customers visiting an Alain Afflelou store enter a bright and warm space that encourages them to discover our product offering. In particular, we strive to highlight the products from our signature brands. These frames are usually presented on a separate shelf to assist customers in making their choice and to encourage them to opt for multi-possession. Our communications regarding commercial offers and our latest advertisements are also present in the store's display posters for maximum impact.

Online activities

In 2012, we decided to develop our online sales activity. Progressively, we took a series of strategic decisions related to our online sales activity that we currently assemble in a single global digital offer.

Notably, we are exploring the possibilities of increasing our online presence due to regulatory changes introduced as part of the *Loi Hamon* in 2014. Currently we maintain websites in the principal languages where our banners operate, namely French, Spanish, Portuguese and Flemish for Alain Afflelou and French for Optical Discount and in French and Spanish for Alain Afflelou Acousticien. Optimil also maintains a website in Spanish. According to a market survey of French respondents from 2012 to 2015, the Alain Afflelou website was tied for first among the most visited websites in connection with a purchase of eyewear, and in first position when visits are cumulative. Additionally, in September 2016, we purchased Happyview.fr and Malentille.com, two players that are particularly active in the online sale of optical products. Happyview.fr is a website that sells corrective lenses and frames and is approved by the French Health Ministry and Social Security. Malentille.com is a website that has sold contact lenses in France since 2006. For further information regarding the online sale of optical products, see "*Industry—The optical product market—Optical product competitive landscape*".

The online eyewear segment has been slow to catch on in Europe due to regulatory constraints which require a prescription prior to the sale of corrective eyeglasses, consumer shopping patterns that favor trying on eyewear in person and a lower sales penetration rate generally than the United States, for example. For further information regarding regulatory constraints in our main markets, see "*Regulation*".

The following sections briefly describe our online activities across our banners and our optical and hearing aids business lines.

Communications.

Our online presence primarily serves as a means to identify, inform and interact with existing and potential customers, including via social media such as Facebook, YouTube and online advertisements, newsletters and descriptions of our products, services and commercial offers. In addition to these online communications initiatives directly-owned stores and individual franchisees may also operate their own Facebook pages.

Web-to-store/multi-channel initiatives and 24/7 access.

Our main online activity has since our beginning been concentrated on developing web-to-store traffic and multi-channel relationships with customers. Stimulating web-to-store traffic is achieved in a number of ways, including through geolocation functionalities on www.afflelou.com which directs the user to their nearest point of sale, a click-and-collect sales feature offering free or discounted delivery of online purchases to a nearby store and an application that lets users digitally try on glasses by recording the user's face with a webcam and superimposing a model of the eyeglasses on the digital image. These initiatives seek to provide customers with a forum that is always available to our customers and potentially increase traffic into stores and convert such visits into sales by familiarizing customers with our products. Happyview.fr also has a physical store location in Paris, providing a multichannel solution for its customers.

Online sales.

We sell sunglasses, ready readers, contact lenses and contact lens solutions online, as these categories do not require vision exams or fitting and consumers are less likely to want to try out the products before purchasing. Online sales are made through our websites, which offer free shipping to stores and, in certain countries such as France and Spain, directly to customers' homes with a service charge. Each sale completed through our websites is allocated to a physical store (either franchisee or directly-owned) that is nearest to the customer, thus avoiding cannibalization of sales.

Franchisee development information.

Our online presence is also focused on the further development of our franchisee network. Dedicated websites, such as http://www.jouvreunmagasinafflelou.com, direct opticians and audio prosthetists to learn more about franchise opportunities with our banners.

In September 2016, we purchased two businesses: Happyview.fr and Malentille.com, which are websites focused on online sales of optical products. These two businesses represented a sales volume of €2.6 million for the year ended July 31, 2017. The Happyview.fr and Malentille.com teams have been instrumental in helping us to develop our online sales activity and benefit from the experience of these two websites and in return provide this activity with our expert knowledge of the optical product market, in particular when negotiating with our large suppliers.

Customer service

Presenting a consistent customer experience is an important component of our strategy. We provide a customer service hotline which answers queries from customers and franchisees regarding our products and commercial offers. We have put in place a team dedicated to this activity in France. In addition, we feel that all the services that we provide in our role as franchisor to the members of our networks fully contribute to improving customer service. We were the winner of the "Customer Service Award" for France in 2017.

Sourcing, design and manufacturing

Sourcing

We maintain a flexible and efficient sourcing policy premised on long and trusting relationships with our suppliers. Our main partners and suppliers are Luxottica, Safilo, Marcolin and De Rigo with respect to designer frames and sunglasses, Essilor, Hoya, Seiko and Carl Zeiss with respect to lenses, Bausch & Lomb, Alcon, and Johnson & Johnson with respect to contact lenses and Sivantos/Siemens with respect to hearing aid products. These suppliers are among our most important suppliers during the last three years. For more information about our and our franchisees' risk of dependence on certain suppliers and service providers, see "*Risk factors—Risks related to our supply activities—We and our franchisees rely significantly on certain suppliers and service providers*".

For products that we market under our own brands, or for which we have obtained a license to produce, Okia and its network of independent factories in Asia has historically been our preferred intermediary for the external manufacturing of our exclusive products. Okia, which is a Chinese intermediary, is not a manufacturer but rather puts us in contact with a network of independent factories in Asia and allows us to obtain manufacturing conditions all while enjoying a unique commercial relationship. In addition to this relationship, Okia now serves as our franchisee in Hong Kong. To develop our "Made in France" collection, we have recently begun developing our relationships with manufacturers in France. For more information, see "—*External manufacturing*".

Our main interactions with our suppliers consist of: (i) negotiating common commercial terms and conditions that benefit all of our networks; (ii) purchasing and reselling optical products, namely lenses and contact lenses; (iii) arranging the manufacturing for our signature brand eyewear and licensed products; and (iv) entering into arrangements with suppliers pursuant to which such supplier partners provide logistics services and support to benefit our franchisees and directly-owned stores. Suppliers that fulfill the criteria that we set have access to our central listing unit.

Design activities

In 2014, we created our "Afflelou" signature label, which comprises a range of ophthalmic frames, ready readers and sunglasses. Our product design team (for our signature brand collections and licensed product collections) is composed of designers and product managers based in Geneva.

In order to develop our new collections, the product design team draws from the latest trends and analysis of sales information from previous collections. We endeavor to continually introduce new models and update existing models while maintaining best sellers. In terms of ophthalmic frames and sunglasses, approximately 2.7 million Afflelou-branded frames are produced annually, with a variety of new SKUs being introduced per month allowing us to continuously renew our product offering.

Product design for our signature brand products commences with a hand-drawn sketch, which is then converted into a computer-rendered technical drawing. The technical drawings are then used to define colors, materials and styles. Our creative director approves each technical design before being sent to the manufacturer for prototype creation.

In order to subcontract the production of a large number of SKUs that we market under our own brands, we make use of flexible manufacturing that allows a range of SKUs to be created each year with low incremental cost. This technique allows us to continuously renew our product offering by delivering a fashionable flair at a lower price point than luxury brand eyewear.

External manufacturing

We do not undertake manufacturing of our proprietary and licensed products. Instead, we outsource prototype creation and production, mostly to supplier partners in Asia. Our main sourcing relationship partner, Okia, works with a network of various manufacturing plants. For certain high-end models that we market under our own brands, we contract for their production with certain manufacturers in France in order to obtain the "Made in France" label in compliance with applicable French and EU regulations. This label indicates that the products were entirely made in France or that their last transformation occurred in France.

Logistics

We outsource our logistics functions with our supplier partners through a special plan called "facing fix" which is designed to reduce the level of stock in our networks of stores. We have entered into agreements with certain of our exclusive lens suppliers (notably Essilor and Hoya) with respect to the storage of a buffer of inventory consisting of signature label frames and sunglasses. As a result of this arrangement, Afflelou brand frames and sunglasses purchased by end customers (either as a first product, or a second or third pair as part of the Tchin Tchin commercial offer) are ordered by each franchisee selling such product together with the relevant lenses from such lens suppliers. The lenses and the frame arrive together so that the opticians may mount and fit them in the store.

This allows stores in our network to generally maintain only one display unit of each of our signature brand frames and sunglasses in the store and make multiple sales of such products per day. Stores only order a product from a supplier after the customer has confirmed the order.

For contact lenses, our warehousing and logistical support is performed by another external partner. We sell contact lenses through our central purchasing unit, which also acts as a dedicated ordering, logistics and fulfillment portal (which we refer to as "**Call**"), both to franchisees and end customers through our various online offers. The external partner manages the inventory and then fulfils the order once it has been confirmed.

Finally, for the stock of non-prescription sunglasses that we sell under our own brand, a third-party supplier manages the logistics and fulfillment of orders by franchisees.

Third-party products that are ordered by franchisees and directly-owned stores from any listed suppliers through our central listing unit are delivered directly to the relevant store by such third parties.

Information technology

As of July 31, 2017, we maintain a centralized information technology ("**IT**") infrastructure that serves our headquarters, franchisor activities, and directly-owned store operations and also provides certain IT support and services to franchisees. The main objectives of our internal IT capabilities are to: (i) develop internal standards; (ii) collect information from our store network; (iii) connect points of sale to centralized databases; (iv) operate and supervise our online platforms such as the Afflelou Store, "Club Afflelou" and e-learning portals; and (v) assist in the maintenance of business continuity. IT systems that we manage include accounting and human resources software solutions, network monitoring, central purchasing and central listing and payment systems, communications systems and office equipment. We house our systems on two cloud-based datacenters.

Our IT team works with major in-store optical software providers and has developed a common, customized interface for us and our store network (called "**Entrenous**"). Franchisees are able to choose the in-store software provider of their choice from among our relationship suppliers. In-store software is purchased directly by the relevant franchisee.

The following briefly describes the main software platforms (proprietary, licensed or combination of both) that we consider important to carrying out our activities:

- *Call:* The Call platform is an ordering, logistics and fulfillment portal accessible by directly-owned stores and franchisees that enables them to directly place a global order for lenses and frames with one of two global supply partners (Essilor or Hoya) and receive the fitted eyewear directly from such supplier;

- *Entrenous*: In-house point of sale software interface loaded onto selected third-party point of sale software; and

- *Cimsup*: Licensed platform that provides inventory tracking for directly-owned stores to assist in monitoring the sale of proprietary frames.

We have also implemented a customer relationship management program to increase our understanding of end customers' needs, in order to improve customer service and technical support, and ultimately help franchisees enhance their interactions with end customers.

Employees

As of July 31, 2017, we employed more than 1,400 individuals (all types of work contracts included) in six countries.

Property, plant and equipment

As of July 31, 2017, we carry out our business throughout networks consisting of 1,474 stores, of which 1,290 are operated by franchisees and 184 that are directly operated.

As a result of our main franchisor activity, we do not own any significant tangible assets.

As of July 31, 2017, the fixed tangible assets that we rent consist mainly of:

- administrative buildings used as offices for our administrative and business purposes in the countries in which we operate our business, in particular, France, Spain, Belgium, Luxembourg, Portugal and Switzerland. Our registered office is located at 11, rue d'Argenson, 75008 Paris, France. Alain Afflelou Franchiseur, one of our subsidiaries, rents this as an office through a commercial lease agreement entered into on December 27, 2013 for a term of nine years beginning on January 1, 2014; and

- as of July 31, 2017, 184 stores that we directly operate mainly in France and Spain. For further information concerning our directly-owned stores, see "*—Distribution channels—Store networks*".

Our other fixed tangible assets consist of various equipment and fixtures at our administrative offices (mainly furniture and computer hardware), as well as furnishings and equipment for use in our directly-owned stores, whether they are owned by us (mainly furniture and computer hardware) or rented.

Research and development, patents and licenses

In light of the importance of intellectual property rights in our business, we maintain a policy of vigilantly protecting our main intellectual property rights in particular: (i) frames that we distribute under our own brand names, including the "Afflelou" signature label; (ii) the technologies related to the frames that we distribute under our own brand names; (iii) the lenses that we develop in partnerships with market leaders and then market under our own brand names such as "Égérie" and "Protect"; and (iv) contact lenses that we develop and distribute under our own brand names such as "Éphémère". Our intellectual property policy is based on protecting our brand and domain names. This policy leads to local registrations or reservations or registrations or reservations in all countries in which we would like to protect our rights.

We have put in place a policy to prevent counterfeiting, concentrating particularly on France and Asia. The teams of stylists, as well as those working in our store networks, inform the legal department of any potential counterfeiting. After reviewing each situation on a case-by-case basis, and if the conditions are satisfied, we initiate legal proceedings against the alleged counterfeiter.

Types of intellectual property

Brands and domain names

We maintain a portfolio of more than 900 registered trademarks in the main countries where we carry out business, at the national, European communitary and international level, as the case may be, in order to ensure an adapted and optimal protection of our business. These trademarks mainly include signs and logos incorporating the names "Alain Afflelou", "Afflelou", "Optical Discount", "Optimil" or "Alain Afflelou Acousticien" as well as certain other secondary signs and promotional offerings, such as "Tchin Tchin", "*La Forty d'Afflelou*" ("Forty by Afflelou") or "NextYear".

We successfully filed more than 250 domain names in France and abroad, including "Alain Afflelou", "Afflelou", "Optical Discount", "Optimil", "Tchin Tchin" or "Forty", in various forms and extensions, in order to secure our rights over these names in all the countries in which we carry out business.

Brands and trademarks

We maintain a portfolio of over 20 brands and trademarks registered in France and eight brands and trademarks registered in the main countries in which we carry out business, at the national or international level, as the case may be, in order to ensure an adapted and optimal protection of the frames that we distribute under our own brand "Afflelou".

Patents, licenses, user rights and other intangible fixed assets

License agreements that we issue

We negotiate partnerships with certain worldwide leading producers of ophthalmic lenses to enter into brand license agreements for the production and development, in partnership with us, of products that use the latest technology. Moreover, we design and develop contact lenses that we distribute under our own brands, such as "Éphémère". As such, we have granted licenses to those with whom we develop these products, allowing them to use the technologies that we have developed.

License agreements issued to us

We maintain licenses for the exclusive distribution of "Calvin Klein Jeans" brand frames in France. For more information about the risk related to the cancellation or the non-renewal of these license agreements issued to us, or our inability to enter into new license agreements, see "*Risk factors—Risks related to our supply activities—Our business may be adversely affected by the loss of, or actions taken by, our suppliers and changes to our contractual agreements and license agreements*".

We do not possess any other significant right of use or intellectual property rights from third parties, except for software licenses used for the management of our databases, processing e-mails as well as the operation, development and maintenance of our technological platforms and our information system.

Insurance

We maintain insurance to cover risks associated with the ordinary course of our business, including property and franchisor liability policies that are specific to the industry in which we operate, at levels that we believe are appropriate when taking into account our size and the risks incurred.

Our insurance programs are negotiated and coordinated by our general counsel, who is responsible for identifying our insurable risks, quantifying their potential consequences for us, and designing or structuring adequate insurance programs with the support of leading insurance brokers with international networks. We aim to ensure that we maintain sufficient coverage for all our activities and locations. We have established internal claims procedures for each of our insurance policies in the event we experience a loss. We also periodically review our insurance coverage in light of innovative and new risk transfer solutions offered by the insurance markets in order to ensure that the terms and conditions of our coverage are adequate, to verify that our deductibles and premiums are at reasonable levels and to reflect changes in our risk profile that arise as a result of events such as mergers and acquisitions, new fields of activity and the development of new technologies. We do not operate, rent or own any captive insurance vehicles.

Our main insurance policies, entered into with reputable insurance companies, cover types of exposures including the following:

- general business liability insurance in regards to our headquarters, which covers real estate and property damage, business interruptions and third-party claims;
- fraud insurance, which covers costs related to harm to our brand and reputation;
- franchisor civil liability insurance;
- directors' and officers' civil liability insurance; and
- cyber risk insurance.

Our insurance policies contain exclusions, caps and deductibles that could expose us to unfavorable consequences in the event of a significant event or legal action against it. Moreover, we may be required to indemnify third parties for certain damages that are not covered by our insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under our insurance policies. In addition, the efficacy of our insurance coverage depends on the ongoing viability of our insurers. See also "*Risk factors—Risks related to our general operations—We may incur liabilities that are not covered by insurance*".

Legal and arbitration proceedings

We may be implicated in legal, arbitration, administrative or regulatory proceedings within the normal course of our activities, in particular in relation to our franchisees. We record a provision when there is a sufficient probability that such proceedings will create costs for us or one of our subsidiaries and when the amount of these costs may be reasonably estimated.

As of the date of this Offering Memorandum, we have no knowledge of any governmental, judiciary or arbitral proceedings (including any proceeding of which we are aware that is unresolved or which threatens us), other than those mentioned below, that is likely to have an effect or has had a significant impact during the last twelve months on our financial situation or profitability.

See also "*Risk factors—Risks related to legal and regulatory matters—Risks related to disputes*".

Proceeding concerning alleged antitrust practices as the result of a vertical agreement concerning the price of frames

Alain Afflelou Franchiseur, a direct subsidiary of the Issuer, is involved in an antitrust proceeding initiated by the French Competition Authority (*Autorité de la concurrence*) in relation to certain anticompetitive practices concerning the prices of certain frames, alleged to have occurred during the 2000s among certain manufacturers and distributors, including Alain Afflelou Franchiseur, in violation of Article L. 420-1 of the French Commercial Code and Article 101-1 of the Treaty on the Functioning of the European Union.

In this regard, Alain Afflelou Franchiseur received a notice of complaint from the French Competition Authority in May 2015. Alain Afflelou Franchiseur replied to the notice in July 2015, refuting all allegations of anticompetitive practices.

In July 2016, Alain Afflelou Franchiseur received a reply from the French Competition Authority rejecting all rebuttals presented by Alain Afflelou Franchiseur, but did however reduce the initial period during which the alleged practices occurred, and stated that such practices occurred between February 25, 2005 and December 31, 2009 and set a maximum sanction of approximately €12.5 million. Alain Afflelou Franchiseur responded to the French Competition Authority on October 13, 2016, vigorously contesting all allegations.

Even if Alain Afflelou Franchiseur intends to continue to defend against all of the French Competition Authority's allegations, we cannot exclude the possibility that the French Competition Authority may impose a fine and cannot exclude the possibility that the amount of such fine may be in excess of the above mentioned maximum amount. In light of applicable regulations, information in the French Competition Authority's July 2016 report, the French Competition Authority's past decisions and its instruction dated May 16, 2011 on sanctions, a potential sanction could be in an amount between 0% and 30% of Alain Afflelou Franchiseur's revenue from the sales of products implicated in the proceeding. This amount will then be multiplied by a coefficient based on the alleged duration of the infraction (*i.e.*, according to the French Competition Authority's July 2016 opinion, between February 25, 2005 and December 31, 2009) and, if necessary, increased by up to 50% of the fine for repeat offenses, as Alain Afflelou Franchiseur has been sanctioned in the past by the French Competition Authority. As of the date of this Offering Memorandum, no provision has been set aside in our consolidated accounts for this proceeding.

On February 24, 2017, the French Competition Authority rendered a decision in these antirust proceedings. In this decision, the French Competition Authority referred the matter for further procedural inquiry. We cannot speculate as to what the result of these procedural inquiries will be but note that the agreement in question has not been identified. We expect that the next hearing on this matter will take place in early 2019.

Proceeding between Alain Afflelou Franchiseur and L'Opticien Afflelou and N2DC and N2DCB

In 2006, Alain Afflelou Franchiseur granted franchise agreements to N2DC and N2DCB, involving a total of nine stores located in Paris and the surrounding area. L'Opticien Afflelou granted management contracts to these same companies for seven of the nine stores that they operated.

In 2009, Alain Afflelou Franchiseur and L'Opticien Afflelou informed N2DC and N2DCB that they would be terminating the franchise and management contracts. They then began legal proceedings against these former franchisees requesting a court-ordered termination of the contracts for tortious conduct and complaints and an award for damages from N2DC and N2DCB.

Following a decision on December 17, 2009, the Commercial Court of Paris (*Tribunal de commerce*): (i) ruled that Alain Afflelou Franchiseur and L'Opticien Afflelou wrongly terminated the franchise and management contracts entered into with N2DC and N2DCB, and as such, they must compensate N2DC and N2DCB for the damage suffered; (ii) rejected N2DC and N2DCB's request to terminate the franchise agreements entered into with Alain Afflelou Franchiseur; and (iii) appointed an expert to determine the amount owed in connection with the proceeding.

This judgment was appealed to the Paris Appellate Court which rendered its decision on September 13, 2017. The Paris Appellate Court held that: (i) Alain Afflelou Franchiseur and L'Opticien Afflelou were liable for approximately €1.4 million for wrongful termination of the franchise and management agreements and wrongful termination of commercial relations, and (ii) that N2DC and N2DCB were liable for approximately €2.7 million, excluding interest, for amounts outstanding from the acquisition of business assets (*fonds de commerce*) and settling amounts owed to L'Opticien Afflelou under the franchise and management agreements.

Tax proceeding between Alain Afflelou Franchiseur and the French tax authorities

Alain Afflelou Franchiseur was subject to a tax audit for the period from August 1, 2009 to July 31, 2012. As a result of this audit, the French tax authorities issued a tax reassessment notice mainly reassessing the price at which Alain Afflelou Franchiseur sold on March 30, 2010 its holdings in four companies to FP2A, a company established by former Group executives, claiming that such sale price should have been higher by an amount of €21.1 million in order to be considered having been made at arm's length.

Alain Afflelou Franchiseur is challenging this reassessment. In connection with this proceeding, the national commission of direct taxation and revenue (*Commission nationale des impôts directs et des taxes sur le chiffre d'affaires*) has taken a position in favor of the Alain Afflelou Franchiseur but the French tax administration has not yet notified us whether it intends to abandon or maintain the tax reassessment further to this recommendation. If the tax reassessment is maintained, Alain Afflelou Franchiseur could contest the amounts imposed by the French tax authorities before French administrative courts.

As the French tax consolidated group to which Alain Afflelou Franchiseur belongs shows significant tax losses for the audited financial year, the proceeding should not have any immediate financial consequences for us, but could decrease the amount of our carry-forward tax losses by an amount of €21.1 million.

Proceeding between Alain Afflelou Franchiseur and Mr. Patrice Casas

In 2003, 2005 and 2013, Académie Vision, Groupe Optique Méditerranée and Cathare Optique, each directly or indirectly owned by Mr. Patrice Casas, entered into franchise agreements for the operation of Alain Afflelou optical product banner stores in Béziers and Lezignan Corbières. In 2014, Académie Vision and Cathare Optique entered into franchise agreements to operate Alain Afflelou Acousticien banner hearing aid corners within two of these optical product stores.

The companies, managed by Mr. Patrice Casas, owed debts to Alain Afflelou Franchiseur (for the optical products business) and LSFA (for the hearing aid business) related to late payments of product orders and franchise and advertising royalties.

In June 2016, Alain Afflelou Franchiseur and LSFA requested that Mr. Patrice Casas reimburse the amounts owed.

In July 2016, following these reimbursement requests, Mr. Patrice Casas requested and obtained from the Commercial Court of Béziers (*Tribunal de commerce*) safeguard protection for Académie Vision, Groupe Optique Méditerranée and Cathare Optique. We filed an interpleader action requesting that the safeguard judgment be overturned, claiming that the companies did not meet the requirements for such protection. Pursuant to a decision on September 28, 2016, the Commercial Court rejected all of our interpleader actions concerning Académie Vision, Group Optique Méditerranée and Cathare Optique. We appealed against the Commercial Court's decision.

In July 2016, Alain Afflelou Franchiseur and LSFA filed an emergency proceeding against Académie Vision, Groupe Optique Méditerranée and Cathare Optique for the termination of the franchise agreements, to order the companies to cease operations of the franchises, to remove all distinctive signs of the Alain Afflelou and the Alain Afflelou Acousticien banners, to no longer use our brands, slogans and logos and to order the companies to pay Alain Afflelou Franchiseur and LSFA the unpaid amounts referred to above. In a decision on September 9, 2016, the president of the Commercial Court of Paris ordered Académie Vision, Groupe Optique Méditerranée and Cathare Optique, under penalty of a fine between €800 and €1,000 per day, to cease operation of the franchises, to remove all external and internal Alain Afflelou, Alain Afflelou Acousticien banners, publications and materials and to no longer use our brands, slogans or logos. The president of the Commercial Court also ruled that there were no grounds for an emergency proceeding concerning the above mentioned unpaid sums and rejected our requests.

In July 2016, following threats by Mr. Patrice Casas against Mr. Alain Afflelou, our founder and, and Mr. Frédéric Poux, our CEO, we decided to file suit against Mr. Patrice Casas for attempted blackmail.

In August 2016, Académie Vision filed suit against Alain Afflelou Franchiseur before the Commercial Court of Béziers requesting that an expert be appointed to examine the budget and advertising royalties paid by franchisees to Alain Afflelou Franchiseur. On September 28, 2016, the Commercial Court rejected Académie Vision's request for an expert for lack of sufficient evidence, as the contract between Académie Vision and Alain Afflelou Franchiseur explicitly stated the budget calculation method. On October 6, 2016, Académie Vision appealed the Commercial Court's September 28, 2016 decision. On February 23, 2017, the Montpellier Appellate Court (*Cour d'appel de Montpellier*) dismissed all of Académie Vision's demands.

In December 2016, before the appellate hearing, Mr. Patrice Casas filed a complaint against Alain Afflelou Franchiseur with the Paris prosecutor alleging that Alain Afflelou Franchiseur did not provide its franchisees with relevant invoices and embezzled funds from its franchisees. In September 2017, at the request of the Paris prosecutor, we participated in a set of interrogatories regarding this matter, during which we provided our view of the facts. This criminal proceeding is still pending.

Proceeding between Alain Afflelou and Brodheim

In July 2015, we acquired a minority interest in Optivisão in order to develop our presence in Portugal. Recently, certain shareholders sold their holdings to a Portuguese company, Brodheim, which now owns 59.4% of Optivisão. We have challenged the validity of this sale as we were not given the opportunity to exercise our pre-emptive shareholder rights under the bylaws of Optivisão. In connection with this proceeding, we have established an escrow account in Portugal with the value of the shares in question which will allow us to purchase the relevant shares should we prevail in the proceeding. While the procedure remains ongoing, we have begun negotiations with Brodheim in order to reach a potential settlement with a view to reaching an amicable solution, which could also include a sale of our stake in Optivisão.

Regulation

We are subject to a wide variety of laws, regulations and industry standards in the jurisdictions in which we operate. The following provides a brief description of the main laws and regulations that govern our activities and personnel in our two main markets, France and Spain. References and discussions to directives, laws, regulations and other administrative and regulatory documents are entirely qualified by the full text of such directives, laws, regulations and other administrative and regulatory documents themselves.

This section describes the regulations applicable to the optical and hearing aid retail industry in our two main markets, France and Spain.

France

Our primary business is providing services and support to our franchisees. In our capacity as franchisor, we are subject to certain laws and regulations governing our business and relationships with our franchisees. In addition, in our capacity as operator of our directly-owned stores, we are subject to regulation as a retailer and distributor of optical and hearing aid products. In France, the optical and hearing aid product markets are highly regulated, as optical and hearing aid products are considered to be healthcare products. A particularity of the optical and hearing aid retail market in France is the historical existence of a system that provides for patient reimbursement through both the public health insurance system and complementary health insurance providers. The regulations applicable to the industry have recently undergone, and may continue to undergo in the future, changes, particularly in respect of the complementary health insurance reimbursement system.

Regulations governing franchise operations in France

In France, the protection and the legal status of franchisees is provided by the *Loi Doubin* (Law no. 89-1008 of December 31, 1989) (the "**Loi Doubin**"), pursuant to which franchisees are considered to be independent entrepreneurs. The *Loi Doubin* also provides certain protections to franchisees in the context of the entering into of a franchise agreement and franchisors are subject to regulations preventing undue interference of a franchisor in franchisees' business operations, as well as requiring that franchisors provide certain information to franchisees and potential franchisees. For example, franchisors are required to provide potential franchisees, or current franchisees contemplating the opening of a new store, with certain information concerning the franchisor at least 20 days prior to entering into a franchise agreement. Such pre-contractual information ("*Document d'Information Précontractuel*" or "**DIP**") should address the franchisor's performance, network, industry, local market and the terms of the franchise agreement. *Ordonnance no. 2016-131* dated February 10, 2016 reforming general contract law and proof of obligations came into force on October 1, 2016. This ordinance introduced new provisions to French law certain of which are likely to have an impact on the franchise contracts and the DIP that we enter into with our franchisees. Although, as of the date of this Offering Memorandum, we have examined, with the assistance of legal counsel, the potential impact of this reform on our franchise contracts, we do not anticipate that there will be a significant impact.

Law no. 2016-1088 dated August 8, 2016 relating to labor, the modernization of labor relations and securing careers (the "**Labor Law**"), definitively adopted on July 21, 2016 and promulgated on August 8, 2016, introduced new dispositions related to collective bargaining in French law. Article 64 of the Labor Law requires the establishment of a personnel representative body in each franchise network consisting of more than 300 employees (as is the case for us), for when the franchisor makes decisions that will affect the volume or structure of its networks' workforce, the duration of work or employment conditions and the work of its franchisees' employees. This committee will consist of an employee representative, a representative of each franchisee and a representative of the franchisor. Our operational methods exclude any management of our franchisees' employees, and we make no decisions that are likely to affect the workforce volume or the structure, the duration of work or employment conditions of our franchisees' employees. As such, we do not expect that we will be subject to the provisions of Article 64 of law no. 2016-1088 dated August 8, 2016 or that we will have to establish a personnel representative body.

Regulations governing the optical product and hearing aid market in France

Access to the optician and audio prosthetist professions

Opticians are licensed professionals who are able to perform eye tests, advise on the selection of corrective lenses and dispense such products for the purposes of vision correction. To qualify as an optician in France, students must obtain a certificate in optical studies (*Brevet de Technicien Supérieur Opticien Lunetier*, or "**BTS**"). To qualify as an audio prosthetist in France, students must obtain a specific audio prosthetist diploma from the state (*Diplôme d'État d'audioprothésiste*).

Sales of optical and hearing aid products

The French Public Health Code (*Code de la santé publique*) historically provided that commercial establishments whose primary purpose is to sell optical products may only be supervised or managed by qualified opticians. However, in 2014, the *Loi Hamon* or *La Loi relative à la consummation* (Consumer Affairs Law no. 2014-344 dated March 17, 2014) amended the French Public Health Code (see Art. L. 4362-9) such that it is no longer be necessary for managers of an optical retail store to be qualified opticians. Nevertheless, optical retail stores must still employ at least one qualified optician during business hours, who will be responsible for the sale and delivery of corrective lenses and contact lenses. The *Loi Hamon* also authorized the sale of optical products over the Internet in France (per Decree no. 2015-1223, as described below) and requires that ophthalmologists systematically specify on their prescriptions the interpupillary distance, which is one of the key details needed to correctly fit a pair of glasses. The development of Internet sales of optical products may be facilitated as customers use this information to order their optical products from the Internet. Similar to the regulations limiting the sale of optical products, the French Public Health Code provides that only audio prosthetists may sell hearing aids (See Articles L. 4361-1 *et seq.*).

Beginning on January 1, 2018, retailers of optical and hearing aid products must provide consumers with additional price and product information. The French minister of the economy published a decision on April 28, 2017 that requires all optical and hearing aid product retailers to clearly indicate in their stores that customers will receive a free estimate before any purchase and must display the prices for products and services within the store. These same requirements will apply to online retailers. The estimate must comply with a standard form annexed to the ministry's decision. All estimates must be maintained for at least one year after they have been provided to a customer. In addition, retailers will be required to inform their clients of certain information concerning optical and hearing aid products such as the country of origin if they are manufactured outside of the European Union.

Data protection

We are notably required to inform and request authorization from the national regulatory body (*Commission Nationale Informatique et Libertés*) to use and store certain personal customer data, under Act no. 78-17 of January 6, 1978 on information technology, data files and civil liberties, as modified and its implementing decree dated October 20, 2005. In the ordinary course of business, opticians and audio prosthetists in our networks receive and store confidential, personal and sensitive data, such as medical, social security and health insurance information with respect to customers, and are therefore subject to privacy and security regulations with respect to the use and disclosure of protected health and personal information.

In December 2015, the EU approved the EU General Data Protection Regulation ("**GDPR**") with respect to data protection and retention. The GDPR enhanced existing legal requirements through several new rules and includes stiff penalties for organizations that fail to comply. The GDPR will be directly applicable in all member states commencing in 2018. In addition, following the adoption of the GDPR, the EU Commission published on January 11, 2017, a proposal for an e-privacy regulation, replacing today's e-privacy directive that regulates privacy related issues in the electronic communications sector. The adoption of this proposal is not expected before June 2018.

Prescription system

A medical prescription is required to purchase corrective lenses and contact lenses in France. The French Public Health Code provides that any doctor is entitled to practice all diagnostic procedures for both prevention and treatment. In practice, ophthalmologists ordinarily prescribe corrective lenses and contact lenses. Previously, a prescription from an ophthalmologist was valid for three years (unless provided otherwise by the ophthalmologist). Decree no. 2016-1381 dated October 12, 2016 regarding the conditions for issuing corrective lenses and contact lenses and the regulations governing the exercise of the profession of dispensing optician, issued by the French Ministry of Social Affairs and Health, introduced a number of changes mainly concerning the conditions for issuing optical products. Pursuant to this decree, a prescription from an ophthalmologist is generally valid for five years (unless provided otherwise by the ophthalmologist), with some exceptions for a patients in certain age groups. Unless expressly stated otherwise by the prescribing doctor, the optician may adapt the medical prescription on renewal following a refraction test. In the event of loss or breakage of corrective lenses and in the case of an emergency, the optician may issue corrective lenses without a medical prescription. A medical prescription is also required to purchase hearing aids in France. Ordinarily, ear, nose and throat specialists are allowed to prescribe hearing aids. Currently, a prescription for hearing aids is valid for one year.

France is currently experiencing a shortage of ophthalmologists and the 2015 *Loi de Santé* (Law no. 2016-41 dated January 26, 2016 to modernize our health system) is an effort by the French government to address this shortage by allocating certain responsibilities to opticians, in particular, when renewing a prescription, allowing opticians to modify the original prescription, unless the doctor objects (See Art. L. 4362-10 of the French Public Health Code).

Regulations governing the French complementary health insurance system

In France, the public health system and private health insurers ("*Organismes Complémentaires d'Assurance Maladie*" or "**OCAMs**") complement each other to provide reimbursement for a significant portion of optical and hearing aid expenses. The French complementary health insurance system generally allows third-party payment (*tiers payant*), which was implemented to facilitate and encourage access to healthcare. Through this scheme, reimbursement of medical expenses is paid directly by the public health system or OCAMs to healthcare providers.

The public health system ordinarily pays a small portion of optical and hearing aid product costs, with the remainder paid by OCAMs. For example, the public health system covers approximately 5% of optical product costs, compared to approximately 65% reimbursed by OCAMs. Nonetheless, the public health system plays a significant role in the optical and hearing aid product markets, as reimbursement by OCAMs is generally conditional upon reimbursement by the public health system. Over 95% of the French population are covered by complementary health insurance policies with OCAMs.

Today, most of the OCAM contracts that are subscribed in France are considered "responsible" contracts and as such, they are entitled to preferential tax treatment. For a contract to be deemed "responsible" it must comply with a number of criteria, including a subscription fee that does not vary depending on the health condition of the subscriber. Additionally, as of April 1, 2015, in accordance with Decree no. 2014-1374 relating to the content of the complementary health insurance policies benefiting from tax and social aids, the imposition of minimum and maximum thresholds on reimbursements of optical products became a criterion required for an OCAM contract to be qualified as responsible. The maximum threshold for qualifying as "responsible" has been set at €850 for a pair of glasses. In general, the maximum price for a pair of glasses with unifocal lenses is €470 and €850 for a pair of glasses with multifocal lenses (including a maximum of €150 per frame irrespective of the type of lenses used). Moreover, the French government has established a "Price Observatory" which monitors and may adjust these thresholds in the future. Additionally, pursuant to Decree no. 2014-1374, the maximum renewal frequency, initially one year, has been changed to two years (other than for children or in case of a change in prescription).

Care networks are third-party platforms organized by insurers that act as intermediaries between OCAMs and healthcare professionals, including opticians and audio prosthetists. Opticians that join a care network agree to certain rules imposed by the care network, including maximum prices for the products they sell or quality certifications. Furthermore, customers purchasing optical products from a store that has joined a care network are able to benefit from third-party payment (*e.g.*, payment directly by the OCAMs).

Care networks may be either "open" or "closed", as regards membership by opticians. Open care networks generally have lower entry requirements than closed care networks, as the number of opticians within an open care network is not limited, only subject to certain conditions and opticians may apply at any time to be admitted to an open care network. In open care networks, moderate price rebates negotiated with the opticians are generally estimated at approximately 20% off catalogue prices. Policyholders who choose to go to an "agreed" optician in the network benefit from slightly lower prices with no obligations attached. Closed care networks have a *numerus clausus*, *i.e.*, they set their own target in terms of number of opticians (balancing the need to cover the territory against the necessity to direct customers to a particular optician within the network), beyond which the network will no longer accommodate any new opticians even if they meet the criteria of the network. In practice, this type of network is created for a period of two to four years, which is renewable through a tender process. Opticians may only apply before a certain deadline, or period of application. Closed care networks are more restrictive than open care networks: tighter rules are imposed on opticians, particularly on the type of products offered to customers and discounts that may be granted (usually between 35% and 40% off catalogue prices for corrective lenses).

OCAMs may implement differentiated reimbursement levels, depending on whether a policyholder goes to an optician that has joined the relevant care network or an optician that is outside the care network. OCAMs may provide a lower level of reimbursement to policyholders who purchase optical products from opticians that are outside the care network and a higher level of reimbursement to policyholders who purchase optical products from opticians that have joined the OCAM's care network. Differentiated reimbursement levels are allowed in all care networks, but in practice, they are only implemented in certain closed care networks. As a result of lower prices and in some cases, differentiated pricing, OCAM's policyholders will be incentivized to go to the particular optical store within the policyholder's area, that has joined the care network.

In France, individuals with annual incomes below certain thresholds may benefit from governmental aid to access complementary health insurance (*Aide à la Complémentaire Santé* or "**ACS**"). In 2013, the passage of the *Accord National Interprofessionnel* (the "**ANI**"), provided that all employers in France must provide private health insurance to their employees as of January 1, 2016. ACS recipients must choose one complementary insurance program among eleven on offer, pursuant to the 2014 Law on the Financing of the Social Security System. Recipients are entitled to a reduction on their annual healthcare premium.

Spain

Spanish law does not regulate optical or hearing aid retail stores specifically, but rather they are considered to be health establishments and, accordingly, they are subject to a broad range of national and autonomous regional regulations regarding establishment, operation, registration, personnel and working practices, as well as regulations affecting the products sold in such stores. The general framework currently set out by national legislation has been further developed by regional legislation, which has established different technical and healthcare requirements for optical retail stores for the several autonomous regions, in order to guarantee the protection of optical health by implementing a quality assurance system. The quality assurance system is a broad concept under Spanish law that refers to those aspects affecting the quality of all activities undertaken in optical retail stores.

Regulations governing franchise operations in Spain

In Spain, the legal framework that applies to franchise operations is Law 7/1996 of January 15, 1996 on the legal framework for retail trade, developed by Royal Decree 201/2010 of 26 February 2010. Pursuant to this decree, the franchise agreement must include the following elements: (i) rights to use a trademark or trade name by the franchisee; (ii) a uniform presentation of the points of sale; (iii) transfer of know-how from the franchisor to the franchisee; and (iv) technical or commercial assistance services to be provided by the franchisor to the franchisee. Additionally, Royal Decree 201/2010 of 26 February 2010 on commercial activities of franchising and communication of data to the Franchisor Registry, establishes that all franchisors operating in more than one autonomous region of Spain must register as such with the dedicated national registry of franchisors. Within a period of 20 days prior to signing a franchise agreement, the franchisor must provide the prospective franchisee certain pre-contractual information.

Regulations governing the Spanish optical and hearing aid products market

Access to the optometrist-optician and audio prosthetist professions

In Spain, optometrist-opticians are holders of optical-optometry degrees and are thus considered health professionals able to diagnose, treat (without the use of prescriptions) and advise on the prevention of visual deficiencies.

Sales of optical and hearing aid products

Optical and hearing aid retail is regulated by Ministerial Decree 179/2010 of November 23, 2010 of the Ministry of Health. The decree establishes the technical and professional requirements for optical and hearing aid product stores to obtain certification and also contains the regulatory provisions governing this certification.

Pursuant to Spanish law, the owner of an optical or hearing aid retail store is required, among other things, to hold relevant administrative authorizations for the opening and operation of the premises. Autonomous regions are permitted to grant such administrative authorizations, which will be granted if the applicant meets the personal and technical conditions required for the appropriate development of the activity. Such authorization must be renewed periodically, generally every five years. The owner or the legal representative of the optical retail store has to apply with the relevant authorities for the renewal at least six months before the end of the validity of the authorization. In order to alter and relocate optical or hearing aid retail stores, the submission of an application to the relevant regional authorities is required. In addition, any store closing needs to be communicated to the relevant authorities.

Optical stores must be managed by an optical-optometrist and hearing aid stores must be managed by a hearing aid professional, who will serve as the technical director and whose presence and performance throughout the opening hours is required. The technical director and other members of staff must wear a badge on their clothing identifying their name and professional category. For optical stores, the technical director is required to be registered with the National Association of Optician-Optometrists and hold a bachelor's degree in optometry or any other official degree recognized by law for the operation of optical retail stores. For hearing aid stores, the technical director is required to be a graduate of a degree in audio-prosthetics, audiology or have a degree in optometry plus have completed certain training and experience requirements in audio-prosthetics. The technical director of an optical store cannot work in more than one healthcare premise, whereas the technical director of a hearing aid store may, in certain autonomous regions, be permitted to work in more than one healthcare premise. Any changes or replacements of the technical director must be reported to the relevant administrative authority and may only be replaced by another professional with similar qualifications.

Facilities used as optical or hearing aid retail stores are required to be physically separated from any activity that differs from the activity of a healthcare facility and shall include the following areas: (i) a general public area; (ii) for optical stores, an optometric area for optometric functions; an assembly area; and a product storage area; and (iii) for hearing aid stores, a dedicated consultation space separate from the rest of the store or a soundproofed audiometry cabin in order to carry out such hearing exams. Optical retail stores shall have certain minimum equipment which may vary depending on whether edging of frames is carried out in conjunction with other stores.

Prescription system

In Spain, optometrist-opticians may prescribe optical products. Only ear, nose and throat specialists are authorized to prescribe hearing aid products and diagnose diseases but audio prosthetists can adapt hearing aid products for customers. All optical retail stores must maintain and properly complete an optical prescription registry book that may be replaced by a computerized registration system provided that, every month, the results are recorded on paper. The personal data contained in the registry is subject to the protection guarantees set forth by Spanish data protection law, and handled with the same consideration as personal data relating to health. Registry entries will be supervised and signed by the technical director and made available to the health authorities for a period of five years.

Penalty regime

Spanish law provides a specific penalty regime in case of non-compliance, either by action or omission, of the requirements and obligations set forth in relation to healthcare premises. Non-observance of the requirements may lead to fines, which may reach five times the value of the goods or services involved in the breach, as well as to the temporary closure of the premises or the termination of the provision of the relevant services until the problem is resolved.

Spanish VAT rate applicable to optical products

The reduced VAT rate of 10% currently applies to the sale of corrective lenses and contact lenses, frames and care solutions as well as hearing aid products. The standard VAT rate of 21% applies to the sale of sunglasses, cosmetic contact lenses, cases, and cords and chains.

Reimbursement of optical and hearing aid products in Spain

Except for the entities covered by the regime of mutual insurance of public servants (*funcionarios*), the Spanish public health system generally does not cover expenditures in respect of optical or hearing aid products, except in certain exceptional and rare instances. Private health insurance companies may offer individual or collective vision care policies to cover expenses on optical and hearing aid products.

Optical or hearing aid expenses may be paid in full directly by the insurance company to the optical center, in case the services or products are purchased in an optical center with which the insurance company has entered into an agreement. In case the services or products are delivered in an optical or hearing aid center which is not affiliated with the insurance company, a percentage (50 to 90%) of the expenses incurred by the policyholder will be reimbursed to the policyholder by the insurance company.

Management

The Parent

The Parent is the principal holding company of the Group and was established on April 20, 2012. It is organized as a *société par actions simplifiée* under the laws of France. The Parent is registered in France under sole identification number 751 095 712 R.C.S. Paris. The Parent's registered office and principal business address is 11, rue d'Argenson 75008 Paris France.

The Parent is managed by a Board of Directors (*Conseil d'Administration*) which, within the limits prescribed by French law, has the power to delegate its general authority to a president (*président*) or certain managing directors (*dircteurs généraux délégués*) which can be natural or legal persons. The president and managing directors provide general management of the Parent, save for such functions and powers reserved by law or the Parent's by-laws (*statuts*) to the Board of Directors or the shareholders, including certain decisions requiring prior shareholders' approval in accordance with the Parent's by-laws.

As of the date of this Offering Memorandum, the Board of Directors has 11 members. Its members are appointed by shareholders of the Parent for a period of six years, renewable at the approval of the shareholders.

The following table sets forth the current members of the Board of Directors of the Parent as of the date of this Offering Memorandum:

Name	Position(s)
LJV Capital, represented by Mr. Frédéric Poux	President, Chairman and Chief Executive Officer
Mr. Didier Pascual	Member, Managing Director and Chief Financial Officer
Mr. Dominik Halstenberg	Member
Mr. Alain Afflelou	Member
Mr. Javier Francisco Ferrán	Member
Mr. Franck Hagège	Member
Mr. Michel Lamboley	Member
Mr. Victor Benazech	Member
Lion / Seneca Lux 2 S.A.	Member
Mr. Simon Brown	Member
Mr. Richard Lewis	Member

Set forth below is certain biographical information relating to the current members of our Board of Directors. Lion / Seneca Lux 2 S.A. is represented by any of Messrs. Halstenberg, Ferrán, Lamboley, Benazech, Brown or Lewis.

Frédéric Poux is the Chairman of the Board of Directors, President of the Parent and Chief Executive Officer of the Group, as the representative of LJV Capital. Mr. Frédéric Poux began his career in the Group's finance department in 1993, before holding different offices notably with the international director, product direction and director of directly-owned stores. Since 2012, Mr. Frédéric Poux has served as the Group's operational director through LJV Capital, a limited liability company (*société à responsabilité limitée*) organized under the laws of France, of which he is the sole shareholder and manager. Mr. Frédéric Poux holds a diploma as a certified public accountant.

Didier Pascual is a member of the Board of Directors, a Managing Director of the Parent and Chief Financial Officer of the Group. Mr. Pascual began his career as a certified accounting professional before joining Gifi in 1991 as administrative and financial director. He then served as vice president of Gifi in 1999, and was subsequently appointed managing director in 2002.

Mr. Pascual joined the Group in 2003 as Managing Director and was appointed to the Parent's management board in 2010 and then served as president of the management board until March 2012. In addition to his current role as Managing Director of the Parent, Mr. Pascual is currently Chief Financial Officer of the Group. Mr. Didier Pascual holds a masters' degree in accounting and finance from the *Université des Sciences Sociales de Toulouse* and is a certified public accountant.

Dominik Halstenberg is a partner of Lion Capital LLP, and serves as a member of the Board of Directors of the Parent. Prior to joining Lion Capital LLP in 2005, Mr. Halstenberg was employed by DLJ Merchant Banking in London. Prior to this, he worked with McKinsey & Company in Boston and Goldman Sachs in New York, where he served in the Communications, Media and Entertainment Group. Mr. Halstenberg received his B.A. and M.A. from Yale University and his MBA from Harvard University.

Alain Afflelou is a member of the Board of Directors of the Parent. Mr. Afflelou is the Group's founder. He established the Group in 1972 in Bouscat, in the Bordeaux region of France, where he opened the Group's first sales point under the name Optica. Mr. Afflelou holds a diploma from the *École Supérieure d'Optométrie* in Paris.

Javier Ferrán is a member of the Board of Directors of the Parent. Mr. Ferrán began his career in 1979 at Lloyds Bank in Spain and then in the United States. In 1985, he joined Martini & Rossi as managing director for Portugal, and subsequently was appointed managing director for the United Kingdom. In 1994, following the acquisition of Martini & Rossi by Bacardi Limited, he became the group's president for Europe, the Middle East and Africa, and in 2003, the chief executive officer of Bacardi limited. In 2005, Mr. Ferrán joined Lion Capital where he is currently a partner and a member of the investment committee. Mr. Ferrán is a non-executive director of Associated British Foods Limited, Coca-Cola European Partners Limited, and Chairman of the Board of Diageo Plc. Mr. Ferrán holds a management diploma and an MBA from ESADE (Barcelona), a bachelors in economics from the University of Barcelona and an MSc in Computer Information Systems from the University of Miami.

Franck Hagège is a member of the Board of Directors of the Parent. Mr. Hagège began his career at AT Kearney in 1998 as a general management consultant, working on strategical and operational projects for investment funds and multinationals. In 2004, he joined Apax Partners as a member of the retail and consumer products team and was made managing partner in 2015. Mr. Hagège is a graduate of HEC Paris.

Michel Lamboley member of the Board of Directors of the Parent. Mr. Lamboley is currently serving as the executive vice president and chief financial officer of the Keolis Group. Prior to joining Keolis in 2004, Mr. Lamboley was deputy chief financial officer and financial manager of the Jean-Claude Decaux Group. Mr. Lamboley is a chartered accountant.

Victor Benazech is a member of the Board of Directors of the Parent. He currently serves as a principal of Lion Capital LLP. Prior to joining Lion Capital LLP, Victor worked for private equity firm the Rhône Group in London. Before this, he was employed by Merrill Lynch in London where he served in their private equity group, as well as in the corporate finance team. Victor received his Master in Finance from the *Institut d'Etudes Politiques* (Sciences Po) in Paris.

Simon Brown is a member of the Board of Directors of the Parent. He currently serves as chief operating officer at Lion Capital LLP, a position he has held since 2015. Prior to joining Lion Capital LLP, Mr. Brown served as chief operating officer and chief financial officer of private equity firms Equistone and Cognetas. He has also served as chief operating officer of Lord Rothschild's family office and finance director of law firm Lawrence Graham. He is a graduate of the University of Exeter and a member of the Institute of Chartered Accountants.

Richard Lewis is a member of the Board of Directors of the Parent. He currently serves as head of compliance at Lion Capital LLP, a position he has held since 2013. Prior to joining Lion Capital LLP, Mr. Lewis was deputy head of company secretariat at Fidelity Worldwide Investment, reporting to the head of continental European legal services of international investment. Earlier in his career, he served with J.P. Morgan Fleming Asset Management Limited and Legal & General Investment Management Limited in various legal, company secretary and compliance capacities. Mr. Lewis is a graduate of Liverpool University.

The Issuer

The Issuer is an intermediate holding company of the Group and was established on April 4, 2012. It is organized as a *société par actions simplifiée* under the laws of France. The Issuer is registered in France under sole identification number 488 863 358 R.C.S. Paris. The Issuer's registered office and principal business address is 11, rue d'Argenson 75008 Paris France.

The Issuer is managed by a president (*président*) who can be a natural or legal person. The president provides general management of the Issuer, save for such functions and powers reserved by law or the Issuer's by-laws (*statuts*) to the shareholders.

As of the date of this Offering Memorandum, the president of the Issuer is LSF2.

Senior management

The following sets forth certain members of the senior management of the Group (other than those discussed under "—*The Parent*".)

Name	Position
Mr. Laurent Afflelou	Director, Development (France)
Mr. André Verneyre	Director, Finance
Mr. Laurent Duquesne	Director, Controlling
Mr. Frédéric Franceschi	Director, Legal
Mr. Lionel Afflelou	Director, Trading
Mr. Marc Adamowicz	Director, Digital
Mr. Gilles Meridjen	Co-Director, Optical Discount
Mr. Stéphane Laloum	Co-Director, Optical Discount
Mr. Olivier Henry	Director, Directly-Owned Stores
Ms. Eva Ivars	Director, Spain Network
Mr. Cédric Hélias	Director, France Network

Set forth below is certain biographical information relating to the members of our senior management as of the date of this Offering Memorandum.

Laurent Afflelou is the Director of Development for France. Mr. Afflelou joined the Group in 1997 and was the Director of Development for Belgium. Mr. Afflelou holds a degree in business law from the University of Paris-Sorbonne.

André Verneyre is the Financial Director. Prior to joining the Group, Mr. Verneyre held various positions in Corporate Banking and Equity Capital Markets at LCL Crédit Lyonnais. Mr. Verneyre graduated with a Finance degree from the University of Lyon.

Laurent Duquesne is the Director of Controlling. Prior to joining the Group, Mr. Duquesne spent five years as Management Accountant at OMS Manutention, a leading French company in forklift solutions. Mr. Duquesne graduated in Audit and Accounting from the Universities of Paris and Bordeaux.

Frédéric Franceschi is the Legal Director of the Group. He joined the Group in 2004 and previously served as legal director at Gifi. He holds a law degree from the University of Paris (Panthéon-Sorbonne).

Lionel Afflelou is the Director of Trading. Mr. Afflelou joined the Group in 1997 and held various positions, including as director of our directly-owned stores from 2000 to 2004. Mr.

Afflelou is a qualified optician and received his degree from the *Institut Supérieur d'Optique* in Paris.

Marc Adamowicz is the Director of Digital. He joined the Group upon the acquisition of Happyview.fr, which he founded in 2009. Prior to this, he presided over the development of Happyview.fr, including its purchase of Malentille.com in 2012 and its sale to the M6 Group in 2013. He was previously the marketing director of Krys.

Gilles Meridjen is the Co-Director of Optical Discount. He joined the Group upon the acquisition of Optical Discount in 2015, which he co-founded with Stéphane Laloum in 1995. Mr. Meridjen is a qualified optician.

Stéphane Laloum is the Co-Director of Optical Discount. He joined the Group upon the acquisition of Optical Discount in 2015, which he co-founded with Gilles Meridjen in 1995. Mr. Laloum is a qualified optician.

Olivier Henry is the Director of the Group's directly-owned store network. Prior to joining the Group in 2015, he was director of operations for Générale d'Optique (part of GrandVision). He holds a master's degree from Paris-Dauphine University.

Eva Ivars is the Director of the Spanish Network. Prior to joining the Group in 2005, Ms. Ivars worked as accounts manager at Publicis Advertising Iberia and before that at Grey Advertising, Spain. Ms. Ivars completed a bachelor's and master's degree in marketing, advertising and public relations from the Complutense University of Madrid.

Cédric Hélias is the Director of the French Network. Before joining the Group in October 2013, Mr. Hélias worked as Retail Director and prior to this, as franchise and customer director with Phone House France. Mr. Hélias also held various positions with Shell's French operations, including as international loyalty project manager.

Principal shareholders and related party transactions

Principal shareholders

The beneficial ownership of the share capital of the Parent is currently as follows (in each case, through one or more holding entities):

- Lion Capital, together with minority co-investors: approximately 38.5%;
- Apax France, together with minority co-investors: approximately 13.7%;
- Caisse de dépôt et placement du Québec ("**CDPQ**"), together with minority co-investors: approximately 29.2%;
- Mr. Alain Afflelou and his family: approximately 13.4%; and
- Group management: approximately 5.1%.

Lion Capital is a consumer-focused investor passionate about driving growth through strong brands. The firm seeks to make investments in mid and large-sized, consumer and retail businesses in Europe and North America. Lion Capital's senior leadership brings over 160 years of collective experience to the firm's activities and has been responsible for the investment of approximately €6 billion of equity capital in 36 consumer businesses. Past and present investments in consumer and retail companies include: (i) Picard, the market leader in frozen products in France, with a network of more than 1,000 stores, purchased in 2010; (ii) AllSaints, a trendy clothing retailer that sells its products online and through a network of 220 stores and concessions throughout the world, purchased in 2011; (iii) Jimmy Choo, a high-end shoe and handbag brand for women, purchased in 2004 and resold in 2007; (iv) Orangina Schweppes, a European leader of non-alcoholic beverages, with a presence in more than 80 countries throughout the world and a portfolio of 20 brands, purchased in 2006 and resold in 2009; and (v) Materne, one of the European leaders of compotes and jams, purchased in 2004 and resold in 2006.

Established in 1965, Caisse de Dépôt et Placement du Québec ("**CDPQ**") is an institutional investor that mainly manages fund assets from Quebec retirement funds and public and private insurance. As of December 31, 2016, its net assets total CAD $286 billion. CDPQ is one of the leading institutional investment managers in Canada. CDPQ invests in financial markets through private placements in infrastructure or real estate worldwide.

Apax Partners is one of the leading private equity firms in Europe's francophone countries. With more than 40 years of experience, Apax Partners remains with companies to establish them as leaders in their sector. The funds managed and advised by Apax Partners total more than €3 billion. These funds invest in small and medium companies or middle market companies experiencing significant growth, in four areas of specialization: distribution and consumer goods (along with Alain Afflelou: Europe Snacks, Royer Group and Thom Europe), technology, media and telecommunications (Altran, Cabovisão-ONI, Gfi Informatique, Melita and Vocalcom), Health (Amplitude Surgical and Unilabs) and Company and Financial Services (INSEEC Group and SK FireSafety).

Related party transactions

From time to time in the ordinary course of our business activities, we enter into agreements with certain related parties, certain of which are described below. For further information, see note 6.7.1 to our consolidated financial statements included elsewhere in this Offering Memorandum.

Tax consolidation agreement

The Parent and LSF2 are party to a tax consolidation agreement with the Issuer and its subsidiaries pursuant to which consolidated taxes are filed and payments in respect of tax are made by the Issuer and its subsidiaries to the Parent for the taxes attributable to such companies' results of operations. The Parent is liable for the tax group's obligations on a consolidated basis, including corporate tax, social contributions and the annual flat-rate tax (*imposition forfaitaire annuelle*). See "*Description of certain other indebtedness—Intercompany Tax Group Receivable*".

Description of certain other indebtedness

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following respective summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

New revolving credit facility

Overview and structure

The Issuer, the Subsidiary Guarantors, J.P. Morgan Limited, UniCredit Bank AG, London Branch, Credit Agricole Corporate and Investment Bank and BNP Paribas, as arrangers (the "**Arrangers**"), Crédit Agricole Corporate and Investment Bank, as agent (the "**Facility Agent**") and U.S. Bank Trustees Limited, as security agent (the "**Security Agent**"), among others, will enter into a new €30.0 million super senior revolving credit facility agreement dated on or about the Issue Date (the "**New Revolving Credit Facility Agreement**").

The new revolving credit facility to be made available under the New Revolving Credit Facility Agreement (the "**New Revolving Credit Facility**") may be utilized by any current or future borrower under the New Revolving Credit Facility Agreement in euro, U.S. Dollars, sterling or any other readily available currency approved by the Facility Agent by the drawing of cash advances or the issue of letters of credit and ancillary facilities. The New Revolving Credit Facility may be applied towards the financing or refinancing of any permitted acquisition, permitted reorganization, capital expenditure or the working capital and general corporate purposes of the Restricted Group (being the Issuer and its restricted subsidiaries).

In addition, the Issuer may elect to request additional commitments under the New Revolving Credit Facility Agreement (the "**Additional Increase**"). The total amount of such indebtedness that may be incurred by way of Additional Increase shall not exceed €20.0 million, subject to certain conditions (thereby increasing the total commitments to up to €50.0 million (in aggregate)). The Issuer and the lenders may agree to certain terms in relation to the Additional Increase, including the margin (subject to parameters as set out in the New Revolving Credit Facility Agreement). Each Subsidiary Guarantor unconditionally guarantees the obligations of the borrowers and each other guarantor under the New Revolving Credit Facility Agreement subject to certain limitations set out therein.

The New Revolving Credit Facility may be utilized from the Issue Date until the date falling one month prior to the maturity date of the New Revolving Credit Facility.

Interest and fees

Loans under the New Revolving Credit Facility Agreement will bear interest at rates per annum equal to EURIBOR or, for loans denominated in U.S. Dollars or sterling, LIBOR (provided that EURIBOR and LIBOR shall never be less than zero), plus an initial margin of 3.00% per annum, which may be reduced by reference to Total Leverage (as defined in the New Revolving Credit Facility Agreement). The margin on any loans under an Additional Increase will be agreed between the Issuer and the relevant lenders (subject to the parameters as set out in the New Revolving Credit Facility Agreement).

Default interest is calculated as an additional 1% per annum on the overdue amount.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the New Revolving Credit Facility from the Issue Date to the end of the availability period for the New Revolving Credit Facility at a rate of 30% of the applicable margin for the New Revolving Credit Facility. The commitment fee is payable quarterly in arrears, on the last day of availability of the New Revolving Credit Facility and on the date the New Revolving Credit Facility is cancelled in full or on the date on which the cancellation is effective. The commitment fee in respect of any Additional Increase shall be agreed between the Issuer and the relevant lenders (subject to the parameters as set out in the New Revolving Credit Facility Agreement).

The Issuer is also required to pay customary agency fees to the Facility Agent and the Security Agent and an arrangement fee to the Arrangers in connection with the New Revolving Credit Facility.

Repayments

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the New Revolving Credit Facility will be repaid on the maturity date which is the date falling 54 months after the Issue Date. Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be reborrowed during the availability period of the facility, subject to certain conditions.

Voluntary and mandatory prepayments

Subject to certain conditions, the borrowers may voluntarily prepay their utilizations or permanently cancel all or part of the available commitments under the New Revolving Credit Facility (subject to *de minimis* amounts) by giving five business days' prior written notice to the Agent. Amounts prepaid or repaid may (subject to the terms of the New Revolving Credit Facility Agreement) be re-borrowed.

In addition to any voluntary prepayments, the New Revolving Credit Facility Agreement requires mandatory prepayment in full or in part in certain circumstances, and if applicable, cancellation, including (subject to certain conditions):

(1) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the New Revolving Credit Facility;

(2) following the occurrence of a "Change of Control" which is not a "Specified Change of Control" (each, as defined in the New Revolving Credit Facility Agreement); and

(3) upon a sale of all or substantially all of the assets of the Restricted Group, whether in a single transaction or a series of related transactions, whereupon the New Revolving Credit Facility will be cancelled and all amounts outstanding under the New Revolving Credit Facility Agreement will become immediately due and payable.

Guarantees

The Subsidiary Guarantors and four additional subsidiaries of AAF (3AB Optique Expansion, organized in France, Alain Afflelou International S.A., organized in Luxembourg, Alain Afflelou España, organized in Spain, and Alain Afflelou Optico S.A., organized in Spain) will provide a senior guarantee of all amounts payable to the finance parties under the New Revolving Credit Facility Agreement, subject to limitations imposed by applicable law and certain of the Agreed Security Principles.

The New Revolving Credit Facility Agreement requires that (subject to the Agreed Security Principles) certain subsidiaries of the Issuer together with each member of the Restricted Group that is or becomes a Material Company (which definition includes, among other things, any member of the Restricted Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement) or total assets representing 5% or more of the gross assets of the Restricted Group) following the Issue Date, holding companies of Material Companies which are members of the Restricted Group and any member of the Restricted Group that is or becomes a guarantor in respect of the Notes or certain other senior secured debt will be required to become a guarantor under the New Revolving Credit Facility Agreement within the time period specified therein.

Furthermore, the Issuer shall ensure that at all times the Guarantors (as defined in the New Revolving Credit Facility Agreement) represent not less than 80% of each of the Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement) or the gross assets of the Restricted Group (subject to certain exceptions).

The New Revolving Credit Facility Agreement will contain customary guarantee limitation provisions for French, Luxembourg and Spanish guarantors and, in particular, will provide that the guarantee of any French Guarantor under the New Revolving Credit Facility Agreement (i) will be subject to certain limitations arising under or imposed by French law (including those that relate to financial assistance, corporate purpose or benefit, capital maintenance or similar laws) and (ii) shall apply only insofar as it (A) guarantees the payment obligations under the Finance Documents of its direct or indirect Subsidiaries which are or become Borrowers (as defined in the New Revolving Credit Facility Agreement) from time to time under the New Revolving Credit Facility Agreement and incurred by those Subsidiaries as Borrowers (if they are not French Obligors) or as Borrowers and/or Guarantors (if they are French Obligors) and (B) guarantees the payment obligations of each other Obligor which is not its direct or indirect Subsidiary, provided that in such case the quantum of such guarantee obligations shall be limited.

Security

The New Revolving Credit Facility is secured by the same collateral as the Notes; however, holders of the Notes will receive proceeds from enforcement of such collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and certain hedging obligations, have been repaid in full. The New Revolving Credit Facility is also secured by certain assets of various subsidiaries of the Issuer, subject to the Agreed Security Principles.

Representations and warranties

The New Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, insolvency, no filing or stamp taxes, no default, no misleading information, financial statements, no litigations, no breach of laws, compliance with environmental laws, taxation, security and indebtedness, ranking, good title to assets, shares, intellectual property, group structure charts, U.S. margin regulations, center of main interests, pensions, holding companies and sanctions.

Covenants

The New Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) that are set forth in the Indenture. In addition, the New Revolving Credit Facility Agreement contains a financial covenant (see "—*Financial covenant*").

The New Revolving Credit Facility Agreement also contains a ''notes purchase condition'' covenant. Subject to certain exceptions set out in the New Revolving Credit Facility Agreement, the Issuer may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the New Revolving Credit Facility Agreement from time to time) prior to its scheduled maturity date in a manner which involves the payment of cash consideration to a person which is not a member of the Restricted Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Notes as at the Issue Date.

The New Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to maintenance of guarantor and security coverage, further assurances, maintenance of authorizations, compliance with laws and sanctions, taxation, change of business, restrictions on holdings companies, preservation of assets, acquisitions, *pari passu* ranking, insurance, pensions, access, intellectual property, unrestricted subsidiaries and center of main interests.

The New Revolving Credit Facility contains an information covenant under which, among other things, the Issuer is required to deliver to the Facility Agent annual financial statements, quarterly financial statements, compliance certificates and an annual budget.

Financial covenant

The New Revolving Credit Facility Agreement requires the Issuer to maintain a minimum EBITDA (as defined in the New Revolving Credit Facility Agreement) of €45 million if, at 5 p.m. Paris time on the last day of the relevant measurement period, the aggregate amount of all outstanding utilizations under the New Revolving Credit Facility, any ancillary facility outstanding, and any amounts outstanding under letters of credit, exceed €5,000,000.

The Issuer is permitted to prevent or cure breaches of the minimum EBITDA (as defined in the New Revolving Credit Facility Agreement) covenant by amongst other things applying any cure amount (being amounts received by the Issuer in cash pursuant to any new equity or permitted shareholder loan) in prepayment of the New Revolving Credit Facility such that the aggregate amount of all outstanding utilizations under the New Revolving Credit Facility, any ancillary facility outstandings, and any amounts outstanding under letters of credit are at most €5,000,000. No more than three cure amounts may be taken into account during the term of the New Revolving Credit Facility and not in consecutive quarters.

Events of default

In addition, the New Revolving Credit Facility contains, amongst others, the following events of default (subject in certain cases to customary grace periods, materiality thresholds and exceptions):

- non-payment;
- breach of the financial covenant (subject to equity cure rights);
- inaccuracy of a representation or statement when made;
- cross-default on financial indebtedness (subject to a €5,000,000 threshold);
- occurrence of an event of default in relation to the Notes;
- insolvency and insolvency proceedings consistent with equivalent provisions in the Indenture;
- cessation of business;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the New Revolving Credit Facility;
- breach of the terms of the New Intercreditor Agreement by any member of the Restricted Group a borrower, a Guarantor or a provider of security;
- audit qualifications;
- expropriation;
- repudiation and rescission of agreements;

- litigation; or
- an event or circumstance occurs which has a material adverse effect on the Issuer's and the Guarantors' ability to perform their payment obligations under the New Revolving Credit Facility and the Notes (or, in each case, any refinancing thereof).

Governing law

The New Revolving Credit Facility is governed by and construed in accordance with English law although the covenants and certain events of default, which are included in the New Revolving Credit Facility and largely replicate those contained in the Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the New Revolving Credit Facility is governed by English law).

New Intercreditor Agreement

In connection with entering into the New Revolving Credit Facility and the Indenture, the Issuer, LSF2, the Parent, the Subsidiary Guarantors, the other guarantors under the New Revolving Credit Facility and certain other subsidiaries of the Issuer and certain other entities will enter into the New Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the New Revolving Credit Facility (the "**Revolving Lenders**"); (ii) any persons that accede to the New Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "**Hedging Agreements**" and any persons that accede to the New Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the "**Hedge Counterparties**"); any cash management bank in respect of cash management liabilities which are permitted under the Super Senior Debt Documents and the Senior Secured Notes Documents to be secured by the Transaction Security (each as defined below) (the "**Cash Management Provider**"); (iv) the Trustee, on its own behalf and on behalf of the holders of the Senior Secured Notes (the "**Senior Secured Noteholders**"); (v) certain intra-group creditors and debtors; and (vi) certain direct or indirect shareholders of the Issuer in respect of certain debt that the Issuer has incurred or may incur in the future (including any subordinated shareholder loans).

In this description:

- "**3ABOD**" or the "**Issuer**" means 3AB Optique Développement;
- "**Debt Documents**" means each of:
  - the New Intercreditor Agreement;
  - at the option of the Issuer, any master agreement, confirmation, schedule, spot or forward delivery foreign exchange contract or other agreement entered into by a Debtor and a Hedge Counterparty for the purposes of hedging any interest rate, foreign exchange or other exposures;
  - the Cash Management Arrangements;
  - the Super Senior Debt Documents and any other agreement pursuant to which loans or other forms of credit are made available or notes or other debt securities are issued with the same priority and payment and security ranking as the Super Senior Debt Creditor Liabilities;
  - the Senior Secured Notes Indenture and any other indenture, agreement, document or instrument pursuant to which the Senior Secured Notes are issued (or any guarantees are given) in accordance with the New Intercreditor Agreement, any Transaction Security or guarantees for the benefit of the Senior Secured Notes Liabilities and the New Intercreditor Agreement;
  - the Pari Passu Debt Documents;
  - the Second Lien Debt Documents;

- the Senior Debt Documents;
- the Transaction Security Documents and any other document entered into at any time by any of the Debtors creating any guarantee, indemnity, security or other assurance against financial loss in favor of any of the Secured Parties as security for any of the secured obligations and any security granted by a member of the Group to the Secured Parties under any covenant for further assurance in any of such documents (collectively, the "**Security Documents**"); and
- any agreement evidencing the terms of the Intra-Group Liabilities, LSF2 Liabilities or Subordinated Liabilities,

(each capitalized term as defined below) and any other document designated as such by the Security Agent and the Issuer;

- "**Group**" refers to the Issuer and its restricted subsidiaries from time to time;
- "**Investment Instruments**" refers to shares of any class, warrants, loans, bonds or other equity or debt instruments (including preferred equity certificates and convertible preferred equity certificates) issued by an entity;
- "**LSF2**" means Lion/Seneca France 2;
- "**LSL1**" means Lion/Seneca Lux 1 S.à r.l.;
- "**LSL2**" means Lion/Seneca Lux 2 S.A.;
- "**Parent**" means Afflelou, the indirect parent of the Issuer and a *société par actions simplifiée* incorporated under the laws of France; and
- the Issuer, the Parent, LSF2 and any person which becomes a party to the New Intercreditor Agreement as a Debtor is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**".

The New Intercreditor Agreement will set forth:

(a) the relative ranking of certain indebtedness of the Debtors;

(b) the relative ranking of certain security granted by the Debtors;

(c) when payments can be made in respect of certain indebtedness of the Debtors;

(d) when enforcement actions can be taken in respect of that indebtedness;

(e) the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;

(f) turnover provisions; and

(g) when security and guarantees will be (i) released to permit a sale or disposal of, or foreclosure in respect of, any assets subject to transaction security (such assets, the "Collateral," such security, the "**Transaction Security**" and the documents creating or evidencing such security the "**Transaction Security Documents**")).

The New Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors (that is not subordinated in right of payment to any Super Senior Liabilities or Senior Secured Notes Liabilities (each as defined below)) in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents, the Second Lien Documents and the Super Senior Debt Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of super senior creditors as provided for in the New Intercreditor Agreement (such indebtedness being the "**Super Senior Debt**", the creditors in respect of such indebtedness being the "**Super Senior**

Debt Creditors", the liabilities of the Debtors in respect of such indebtedness being the "**Super Senior Debt Liabilities**" and the documents under which such Super Senior Debt is incurred being the "**Super Senior Debt Documents**").

The New Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors (that is subordinated in right of payment to any Super Senior Liabilities or Senior Secured Notes Liabilities (each as defined below)) in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents, the Second Lien Documents and the Super Senior Debt Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of second lien creditors as provided for in the New Intercreditor Agreement (such indebtedness being the "**Second Lien Debt**", the creditors in respect of such indebtedness being the "**Second Lien Debt**", the liabilities of the Debtors in respect of such indebtedness being the "**Second Lien Debt Liabilities**" and the documents under which such Second Lien Debt is incurred being the "**Second Lien Debt Documents**").

The New Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents, the Second Lien Documents and the Super Senior Debt Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of *pari passu* creditors as provided for in the New Intercreditor Agreement (such indebtedness being the "**Senior Debt**", the creditors in respect of such indebtedness being the "**Senior Debt Creditors**", the liabilities of the Debtors in respect of such indebtedness being the "**Senior Debt Liabilities**" and the documents under which such Second Lien Debt is incurred being the "**Senior Debt Documents**").

Unless expressly stated otherwise in the New Intercreditor Agreement, in the event of a conflict between the terms of the New Revolving Credit Facility Agreement or any other Super Senior Debt Document, the Senior Secured Notes Indenture, any other indenture under which senior secured notes are issued, the Pari Passu Debt Documents, the Second Lien Debt Documents or the Senior Debt Documents, the provisions of the New Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any Debtor or member of the Group contravening any applicable law or regulation, or present a material risk of liability for any Debtor or member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties).

By purchasing a Note, holders of the Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the New Intercreditor Agreement.

The following description is a summary of certain provisions contained in the New Intercreditor Agreement. It does not restate the New Intercreditor Agreement and you are advised to read that document in its entirety because it, and not the discussion that follows, defines certain rights of the holders of the Senior Secured Notes.

Ranking and priority

The New Intercreditor Agreement will provide that (i) the liabilities of the Debtors under or with respect to the New Revolving Credit Facility Agreement and any other Super Senior Debt (the "**Super Senior Debt Liabilities**" and the finance documents relating to such liabilities the "**Super Senior Debt Documents**"), (ii) the Hedging Agreements (the "**Hedging Liabilities**", *provided* that, where such Hedging Liabilities relate to (a) the hedging of any floating interest rate exposure associated with the Super Senior Debt, the Senior Secured Notes or any other senior secured notes, any Pari Passu Debt, Second Lien Debt or Senior Debt and (b) up to €5,000,000 in aggregate of (x) non-speculative operational hedging and (y) foreign exchange hedging associated with the Super Senior Debt, the Senior Secured Notes or any other senior secured notes, any Pari Passu Debt, Super Senior Debt, such liabilities are "**Priority Hedging Liabilities**" and, together with the Super Senior Debt, "**Super Senior Liabilities**" for the purposes of the New Intercreditor Agreement, and all other Hedging Liabilities are "Non Priority Hedging Liabilities" for the purposes of the New Intercreditor Agreement), (iii) the liabilities of the Issuer and the Debtors in respect of the Senior Secured Notes and any other senior secured notes (the "**Senior Secured Notes Liabilities**" and the finance documents relating to such liabilities "**Senior Secured Notes Finance Documents**"), (iv) the Pari Passu Debt Liabilities (together with the Senior Secured Notes Liabilities and the Non Priority Hedging Liabilities, the "**Senior Secured Liabilities**"), (v) the Second Lien Debt liabilities, and (vi) the Senior Debt Liabilities (vi) the liabilities of the Debtors under guarantees (the "**Senior Debt Guarantees**") in respect of the Senior Debt (the "**Senior Debt Guarantee Liabilities**"), and (vii) certain other unsecured liabilities will rank in right and priority of payment in the following order:

- (in respect of liabilities owed by the Debtors to the Primary Creditors (as defined below): first, the Super Senior Debt Liabilities, the Priority Hedging Liabilities, the Non Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities, the liabilities owed to the Security Agent, the Trustee Amounts (as defined below), the Pari Passu Debt Representative Amounts (as defined below) and the Second Lien Debt Representative Amounts (as defined below) and the Senior Debt Representative Amounts (as defined below) *pari passu* and without any preference between them; second the Second Lien Debt Liabilities; and third the Senior Debt Guarantee Liabilities *pari passu* between themselves and without any preference between them; and

- (in respect of liabilities owed by the Senior Debtor to the Primary Creditors): first, *pari passu* and without any preference between each of the Super Senior Debt Liabilities, the Priority Hedging Liabilities, the Non Priority Hedging Liabilities, the Senior Secured Notes Liabilities (including the Trustee Amounts), the Pari Passu Debt Liabilities and the Senior Debt Liabilities (including the Senior Debt Representative Amounts); and second the Second Lien Debt Liabilities.

The Transaction Security (to the extent it is expressed to secure the relevant liabilities) will rank and secure the following liabilities in the following order:

- first, the liabilities owed to the Security Agent, the liabilities owed to each trustee (a "**Trustee**") in respect of Senior Secured Notes or any other senior secured notes (the "**Trustee Amounts**"), the liabilities owed to each creditor representative (a "**Pari Passu Debt Representative**") in respect of Pari Passu Debt (the "**Pari Passu Debt Representative Amounts**"), the liabilities owed to each creditor representative (a "**Second Lien Creditor Representative**") in respect of Second Lien Debt (the "**Second Lien Debt Creditor Representative Amounts**") and the liabilities owed to each trustee or agent (a "**Senior Notes Trustee**") in respect of Senior Debt or any other senior notes (the "**Senior Debt Representative Amounts**"), the Super Senior Debt Creditor Liabilities, the Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities and the Non Priority Hedging Liabilities *pari passu* and without any preference between them;

- second the Second Lien Debt Liabilities; and

- third (to the extent only of the Senior Debt Shared Security (as defined below)), the Senior Debt Liabilities (other than the Senior Debt Representative Amounts),

and that in any event (irrespective of the manner in which such Transaction Security is constituted) all proceeds of the Transaction Security shall be applied as described under "—*Application of proceeds*" below.

In this section:

- any liabilities (but excluding LSF2 Liabilities (as defined below) and any liabilities which are Senior Debt Liabilities (as defined below) or owed in respect of Secured Debt) owed by any member of the Group to LSL1, LSL2, the Parent, LSF2 and each person who has become a party to the New Intercreditor Agreement as a subordinated creditor (the "**Subordinated Creditors**") under any loan (other than certain proceeds loans) or any Investment Instrument or which are indebtedness or which are declared dividends or any other distribution (and including, for the avoidance of doubt, (i) any Recourse Rights which have not been assigned to the Secured Parties (as defined below) in accordance with the New Intercreditor Agreement and (ii) any other rights, actions or claims such Subordinated Creditor may have as a result of enforcement of security, or payment under the guarantee, it has granted) together with any of the following matters relating to or arising in respect of those liabilities and obligations:

(a) any refinancing (other than a refinancing in the ordinary course and not by reason of financial difficulties), novation, deferral or extension;

(b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;

(c) any claim for damages or restitution; and

(d) any claim as a result of any recovery by any member of the Group of a payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings are referred to as (to the extent owed to any Subordinated Creditor) "**Subordinated Liabilities**";

- any liabilities owed by any member of the Group which is a Debtor to any other member of the Group which is a creditor in respect of indebtedness of that first member of the Group and which is or becomes a party to the New Intercreditor Agreement as an intra-group lender (the "**Intra-Group Lenders**"), are referred to as "**Intra-Group Liabilities**"; and

- any liabilities owed to LSF2 by any member of the Group (including but not limited to those owed by the Issuer to LSF2 under any proceeds loan) are referred to as "**LSF2 Liabilities**".

Under the New Intercreditor Agreement, all proceeds from enforcement of the Collateral and certain other recoveries will be applied as provided below under "*—Application of proceeds*" below.

New money and refinancing

The New Intercreditor Agreement contemplates that, to the extent permitted by, and subject to compliance with the requirements of, the New Intercreditor Agreement and the other Debt Documents:

- the Super Senior Debt Creditors may increase any Super Senior Debt and make further advances under the Super Senior Debt Documents to members of the Group and each such advance or increased amount will be deemed to be made under the terms of the relevant Super Senior Debt Documents;

- the Issuer may issue senior secured notes in addition to the Senior Secured Notes (whether under the Senior Secured Notes Indenture or an additional indenture issuing senior secured notes);

- the Issuer or any holding company of the Issuer may incur Pari Passu Debt under a Pari Passu Debt Document;
- the Issuer or any holding company of the Issuer may incur Second Lien Debt under a Second Lien Debt Document;
- the Senior Debtor may incur Senior Debt under a Senior Debt Document; and
- any of the above liabilities may with the consent of the Issuer be refinanced or replaced in whole or in part,

and that any such additional, increased or refinanced liabilities shall rank and be secured under the New Intercreditor Agreement on a super senior basis, senior secured basis or (as applicable) senior basis as provided for under the New Intercreditor Agreement.

The creditors in respect of Super Senior Debt Liabilities, Hedging Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities Second Lien Debt Liabilities and Senior Debt Liabilities (together the "**Secured Parties**") agree that if any Transaction Security over any asset under the applicable Transaction Security Documents is amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released to ensure that the additional, increased or refinanced liabilities described above (the "**Additional Secured Liabilities**") can be secured with the ranking contemplated as set out under "*—Ranking and priority*" above, then the Security Agent is authorized to effect such amendment extension, renewal, restatement, supplement, modification, replacement or release the applicable Transaction Security Documents *provided* that:

- if an event of default under a Super Senior Debt Document (that is not to be refinanced or replaced in whole) is continuing at that time the requisite consent under the Super Senior Debt Document is obtained;
- immediately upon such release of Transaction Security, new Transaction Security shall be provided in favor of the providers of such Additional Secured Liabilities or secured refinancing liabilities and the existing Secured Creditors on terms substantially the same as the terms of the Transaction Security Documents released and subject to the same ranking as set out under "*—Ranking and priority*" above; and
- contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of security of at least equivalent ranking over the same assets) which has the effect of releasing the relevant Transaction Security, the Issuer delivers to the Security Agent either (A) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Security Agent confirming the solvency of the person granting such Transaction Security after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or release and retaking; (B) a certificate from the board of directors or chief financial officer of the relevant person, which certificate confirms the solvency of the person granting such Transaction Security after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or release and retaking; or (C) an opinion of counsel, in form and substance reasonably satisfactory to the Security Agent (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, the Transaction Security created under the Transaction Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or released and retaken is valid and perfected Transaction Security not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Transaction Security was not otherwise

subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

Notwithstanding anything to the contrary in the New Intercreditor Agreement, no Secured Party shall be required to release any Transaction Security under the Transaction Security Documents where the release described above may result in such Secured Party incurring any hardening period risk in respect of any such Transaction Security if and to the extent that the relevant Additional Secured Liabilities can be secured by lower ranking security in favor of the Secured Parties with the ranking described under "*—Ranking and priority*" above by virtue of the provisions of the New Intercreditor Agreement.

Permitted payments

The New Intercreditor Agreement will permit, inter alia, payments to be made by the Debtors or relevant issuer under the Super Senior Debt Documents, the Hedging Agreements, the Cash Management Arrangements, the Senior Secured Notes Indenture, the Pari Passu Debt Documents, the Second Lien Debt Documents and the Senior Debt Documents, in each case in accordance with the terms of the document creating or evidencing such liabilities, but subject to:

(a) in the case of payments in respect of the Senior Secured Notes and Pari Passu Debt, compliance with certain conditions related to a Notes Purchase (as defined below) pursuant to which prepayments may not be made if either:

(i) the aggregate principal amount of all Senior Secured Notes, Replacement Debt and any other debt with a scheduled maturity date 12 months or more from the date on which it was incurred (other than debt under the Super Senior Debt Documents) (together, the "**Relevant Debt**") which is subject to repayment, prepayment, purchase, redemption, defeasance (or other retirement for value), or is otherwise directly or indirectly acquired (each a "**Notes Purchase**") since the Issue Date (the "**Closing Date**") (for the avoidance of doubt, excluding fees, make-whole payments or other redemption premia) does not exceed 50 per cent. of the aggregate principal amount of the Senior Secured Notes as at the Closing Date (without double counting any refinancing or other replacement of any Senior Secured Notes Liabilities in whole or in part ("**Senior Secured Notes Liabilities Refinancing**") used to refinance or replace Relevant Debt); or

(ii) (to the extent the aggregate principal amount of all Relevant Debt which is the subject of Notes Purchases made since the Closing Date (for the avoidance of doubt, excluding fees, make–whole payments or other redemption premia) exceeds 50 per cent. of the aggregate principal amount of the Senior Secured Notes as at the Closing Date (without double counting any Senior Secured Notes Liabilities Refinancing used to refinance or replace Relevant Debt) (the "**Notes Purchase Excess**"), commitments under the New Revolving Credit Facility are cancelled (and, if applicable, amounts outstanding under the New Revolving Credit Facility are prepaid) *pro rata* to the reduction of Senior Secured Notes Liabilities by the Notes Purchase Excess;

(b) in the case of payments in respect of Hedging Liabilities, the conditions described under "*—Permitted Hedging Liabilities Payments*" below;

(c) in the case of payments in respect of liabilities in respect of any Cash Management Arrangements which are permitted under the Super Senior Documents and the Senior Secured Documents to be secured by the Transaction Security (the "**Cash Management Liabilities**"), the conditions described under "*—Permitted Cash Management Payments*" below;

(d) in the case of payments in respect of the Senior Debt, the conditions described under "*—Permitted Senior Debt Payments*" below.

After the occurrence of an Acceleration Event (as defined below) no Debtor nor any member of the Group may make a payment in respect of Super Senior Debt Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities, Second Lien Debt Liabilities or Cash Management Liabilities except from recoveries distributed in accordance with the payment waterfall described in "*—Application of proceeds*" below. No payment may be made by a Debtor in respect of Hedging Liabilities after an Acceleration Event has occurred except from recoveries distributed in accordance with the payment waterfall described in "*—Application of proceeds*" below.

The New Intercreditor Agreement also permits payments to be made from time to time to Intra-Group Lenders owed any Intra-Group Liabilities ("**Intra-Group Liabilities Payments**") if at the time of payment no acceleration event has occurred in respect of the Super Senior Debt Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities the Second Lien Debt Liabilities or the Senior Debt Liabilities (an "**Acceleration Event**"). The New Intercreditor Agreement permits Intra-Group Liabilities Payments if an Acceleration Event has occurred and is continuing and the Security Agent (acting on the instructions of the Instructing Group (as defined below)) has delivered written notice to the Issuer stating that no payments may be made in respect of the Intra-Group Liabilities, in each case: (i) prior to the date on which the Super Senior Debt Liabilities, Senior Secured Liabilities, Second Lien Debt Liabilities and Senior Debt Liabilities are discharged in cash (the "**Final Discharge Date**"), with the consent of (1) the Super Senior Debt Representative, the Trustee, and the Pari Passu Debt Representative(s), (2) (if, at that time, the Security Agent is obliged to give effect to instructions from a majority of Second Lien Debt Creditors (the "**Second Lien Debt Required Holders**") as to the manner of enforcement of the Transaction Security as described under "*—Manner of enforcement of transaction security*" below, the Second Lien Debt Required Holders or (3) (if, at that time, the Security Agent is obliged to give effect to instructions from a majority of Senior Debt Creditors (the "**Senior Debt Required Holders**" as to the manner of enforcement of the Transaction Security, the Senior Debt Required Holders; (ii) after the discharge date (the "**Secured Debt Discharge Date**") in respect of the Super Senior Debt Liabilities and Senior Secured Liabilities but prior to the discharge date in respect of the Second Lien Debt Liabilities (the "**Second Lien Discharge Date**"), with the consent of the relevant Second Lien Debt Representative; (iii) after the Second Lien Discharge Date but prior to the discharge date in respect of the Senior Debt Liabilities (the "**Senior Debt Discharge Date**"), with the consent of the Senior Debt Representative; or (iv) if that payment is made solely to facilitate payment of the Super Senior Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities, Senior Secured Debt Representative Amounts, Senior Debt Trustee Amounts or Senior Debt Liabilities (in each case to the extent permitted by the New Intercreditor Agreement to be paid).

Payments may be made by the Debtors and members of the Group in respect of LSF2 Liabilities if: (i) prior to the discharge date in respect of the Super Senior Debt Liabilities (the "**Super Senior Discharge Date**"), the payment is not prohibited by the Super Senior Debt Documents or the requisite majority of the Super Senior Creditors (the "**Majority Super Senior Required Holders**") consent to that payment being made; and (ii) prior to the Senior Secured Discharge Date, the payment is not prohibited by the Senior Secured Notes Indenture or the *Pari Passu* Debt Documents or the relevant Debt Representative(s) consent to the payment being made; and (ii) prior to the Second Lien Debt Discharge Date, the payment is not prohibited by the Second Lien Debt Document or the Second Lien Debt Representative(s) consent to the payment being made.

Payments may be made in respect of Subordinated Liabilities if: (i) the payment is permitted or not prohibited by the Super Senior Debt Documents, the Senior Secured Notes Indenture, the *Pari Passu* Debt Documents, the Second Lien Debt Documents and the Senior Debt Documents, in each case prior to the relevant discharge date; (ii) prior to the Secured Debt Discharge Date, to the extent the relevant Senior Secured Documents or Super Senior Debt Documents prohibit such payment the Super Senior Creditors, the Trustee and the relevant Pari Passu Debt Representative(s) consent to such payment being made; or (iii) on or after the Secured Debt

Discharge Date but prior to the Second Lien Discharge Date, the prior consent of the relevant Senior Lien Debt Representative is obtained to the extent the relevant Second Lien Debt Documents prohibit such payment. (iv) on or after the Second Lien Discharge Date, the prior consent of the relevant Senior Debt Representative(s) is obtained to the extent the relevant Senior Debt Documents prohibit such payment.

Permitted hedging liabilities payments

Subject to the conditions described below (and unless an Acceleration Event has occurred), the Debtors may make payments to any Hedge Counterparty in respect of the Hedging Liabilities then due to that Hedge Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement (i) if the payment is a scheduled payment arising under the relevant Hedging Agreement (or another ordinary course payment under a Hedging Agreement, including any payment in relation to fees, costs and expenses); (ii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of certain provisions relating to non-credit related close-outs under the Hedging Agreements including, *inter alia*, in relation to withholding tax, payments in the contractual currency, judgments and expenses; (iii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of a credit related close-out or a permitted automatic early termination under the Hedging Agreement which arises as a result of an event relating to a Debtor and where no event of default under the Super Senior Debt Documents, the Senior Secured Notes Finance Documents or the Pari Passu Debt Documents is continuing at the time of, or would result from, that payment; (iv) where the relevant payment relates to a close-out or termination arising as a result of a bankruptcy event of default or force majeure termination event with respect to the relevant Hedge Counterparty and where no event of default under the Super Senior Debt Documents, the Senior Secured Notes Finance Documents or the Pari Passu Debt Documents is continuing at the time of, or would result from, that payment; (v) with the consent of the Super Senior Required Holders and Majority Senior Secured Creditors (as defined below); (vi) if the payment is a payment pursuant to the provision regulating order of the application of proceeds described under "*—Application of proceeds*"; or (vii) if the payment arises directly or indirectly as a result of any close-out, termination or other similar or equivalent action by a member of the Group (provided that the Group will remain in compliance with any minimum hedging requirements under any of the Debt Documents).

Permitted cash management payments

Prior to the Secured Debt Discharge Date, the Debtors may make payments to any cash management bank which is a party to the New Intercreditor Agreement in respect of any Cash Management Liabilities (the "**Cash Management Provider**") in respect of the Cash Management Liabilities then due to that Cash Management Provider under any Cash Management Arrangement, provided that at any time when there are Super Senior Debt Liabilities, Senior Secured Notes Liabilities or any Pari Passu Debt Liabilities outstanding, following the occurrence of an Acceleration Event, no Debtor may make a payment in respect of Cash Management Liabilities except from recoveries distributed in accordance with the payment waterfall described in "*—Application of proceeds*" below, unless such payment is from any distribution or dividend out of any Debtor's unsecured assets (*pro rata* to each unsecured creditor's claim) made by a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer appointed in respect of any Debtor or any of its assets.

Permitted senior debt payments

LSF2 or any holding company of LSF2 which issues or borrows Senior Debt (the "**Senior Debtor**") or any Debtors who are members of the Group may:

(a) prior to the Secured Debt Discharge Date and the Second Lien Debt Discharge Date, make payments directly or indirectly to the Senior Debt Creditors in respect of the Senior Debt Liabilities then due in accordance with the Senior Debt Finance Documents:

(i) if:

(A) the payment is of:

(1) any of the principal amount of the Senior Debt Liabilities which is either (1) not prohibited from being paid by the Super Senior Debt Documents (if the date of discharge of the Super Senior Debt Liabilities (the "**Super Senior Discharge Date**") has not occurred), the Senior Secured Notes Indenture or other indenture pursuant to which the Senior Secured Notes or any other senior secured notes are outstanding (if the date of discharge of the Senior Secured Notes Liabilities (the "**Senior Secured Notes Discharge Date**") has not occurred) or the Pari Passu Debt Documents pursuant to which Pari Passu Debt is outstanding (if the date of discharge of the Pari Passu Debt Liabilities (the "**Pari Passu Debt Discharge Date**") has not occurred or the Second Lien Debt Documents pursuant to which Second Lien Debt is outstanding (if the date of discharge of the Second Lien Debt Liabilities (the "**Second Lien Discharge Date**") has not occurred) or (2) paid on or after the final maturity date of the Senior Debt Liabilities; or

(2) any other amount (including, without limitation, cash pay interest, default interest, fees and additional amounts) which is not an amount of principal or capitalized interest and any corresponding amount under any relevant proceeds loan,

(B) no Senior Debt Payment Stop Notice (as defined below) is outstanding; and

(C) no payment default has occurred and is continuing (**I**) under the Super Senior Debt Documents or Priority Hedging Liabilities or (**II**) in excess of certain applicable thresholds, under the Senior Secured Notes Finance Documents or Pari Passu Debt Documents or Second Lien Debt Documents (a "**Secured Debt Payment Default**"); or

(ii) if the Super Senior Debt Representative(s), the Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) give prior consent to that payment being made to the extent the relevant Debt Documents prohibits such payment from being made; or

(iii) if the payment is of a Senior Debt Representative Amount; or

(iv) if the payment is by the Senior Debtor of any of its obligations under the Senior Debt and such payment is not financed directly or indirectly by a payment to the Senior Debtor from a member of the Group which was prohibited (at the time it was made to the Senior Debtor) by the Super Senior Debt Documents (if the Super Senior Discharge Date has not occurred), the Senior Secured Notes Indenture(s) pursuant to which any Senior Secured Notes are outstanding (if the Senior Secured Discharge Date has not occurred) or the Pari Passu Debt Documents (if the Pari Passu Debt Discharge Date has not occurred) or the Second Lien Debt Documents (if the Second Lien Debt Discharge Date); or

(v) if the payment is of certain administrative costs relating to the Senior Debtor and costs relating to the protection, preservation or enforcement of the Transaction Security; or

(vi) if the payment is of costs, commissions, taxes (including gross up amounts), consent fees and original issuance discount and upfront fees and expenses incurred in respect of (or reasonably incidental to) the Senior Debt Finance Documents (including in relation to any reporting or listing requirements under the Senior Debt Finance Documents); or

(vii) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Debt in compliance with the New Intercreditor Agreement; and

(b) on or after the latter of the Secured Debt Discharge Date and the Second Lien Discharge Date, make any payments to or with respect to the Senior Debt Creditors in respect of the Senior Debt Liabilities in accordance with the Senior Debt Finance Documents (including, for the avoidance of doubt, payment of principal).

Permitted second lien debt payments

The Second Lien Debtors or any Debtors who are members of the Group may:

(a) prior to the Secured Debt Discharge Date, make payments directly or indirectly to the Second Lien Creditors in respect of the Second Lien Liabilities then due in accordance with the Second Lien Debt Documents:

(i) if:

(A) the payment is of:

(1) any of the principal amount of the Second Lien Debt Liabilities which is either (1) not prohibited from being paid by the Super Senior Debt Documents (if the date of discharge of the Super Senior Debt Liabilities (the "**Super Senior Discharge Date**") has not occurred), the Senior Secured Notes Indenture or other indenture pursuant to which the Senior Secured Notes or any other senior secured notes are outstanding (if the date of discharge of the Senior Secured Notes Liabilities (the "**Senior Secured Notes Discharge Date**") has not occurred) or the Pari Passu Debt Documents pursuant to which Pari Passu Debt is outstanding (if the date of discharge of the Pari Passu Debt Liabilities (the "**Pari Passu Debt Discharge Date**") has not occurred or (2) paid on or after the final maturity date of the Second Lien Debt Liabilities; or

(2) any other amount (including, without limitation, cash pay interest, default interest, fees and additional amounts) which is not an amount of principal or capitalized interest and any corresponding amount under any relevant proceeds loan,

(B) no Second Lien Debt Payment Stop Notice (as defined below) is outstanding; and

(C) no payment default has occurred and is continuing (I) under the Super Senior Debt Documents or Priority Hedging Liabilities or (II) in excess of certain applicable thresholds, under the Senior Secured Notes Finance Documents or Pari Passu Debt Documents or Second Lien Debt Documents (a "**Secured Debt Payment Default**"); or

(ii) if the Super Senior Debt Representative(s), the Trustee and the Pari Passu Debt Representative(s) give prior consent to that payment being made to the extent the relevant Debt Documents prohibits such payment from being made; or

(iii) if the payment is of a Second Lien Debt Representative Amount; or

(iv) if the payment is by the Second Lien Debtor of any of its obligations under the Second Lien Debt and such payment is not financed directly or indirectly by a payment to the Second Lien Debtor from a member of the Group which was prohibited (at the time it was made to the Second Lien Debtor) by the Super Senior Debt Documents (if the Super Senior Discharge Date has not occurred), the Senior Secured Notes Indenture(s) pursuant to which any Senior Secured Notes are outstanding (if the Senior Secured Discharge Date has not occurred) or the Pari Passu Debt Documents (if the Pari Passu Debt Discharge Date has not occurred); or

(v) if the payment is of costs relating to the protection, preservation or enforcement of the Transaction Security; or

(vi) if the payment is of costs, commissions, taxes (including gross up amounts), consent fees and original issuance discount and upfront fees and expenses incurred in respect of (or reasonably incidental to) the Second Lien Debt Documents (including in relation to any reporting or listing requirements under the Second Lien Debt Documents); or

(vii) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Second Lien Debt in compliance with the New Intercreditor Agreement; and

(b) on or after the Secured Debt Discharge Date, make any payments to or with respect to the Second Lien Debt Creditors in respect of the Second Lien Debt Liabilities in accordance with the Second Lien Debt Documents (including, for the avoidance of doubt, payment of principal).

Issue of senior debt payment stop notice

(a) Until the latter of the Secured Debt Discharge Date and the Second Lien Discharge Date, except with the prior consent of the Super Senior Debt Representative(s) (if the Super Senior Discharge Date has not occurred), the Trustee (if the relevant Senior Secured Discharge Date has not occurred) and the Pari Passu Debt Representative(s) (if the relevant Pari Passu Debt Discharge Date has not occurred) and the Second Lien Debt Representative(s) (if the relevant Second Lien Debt Discharge Date has not occurred) and subject to the provisions of the New Intercreditor Agreement which deal with the effects of an insolvency event, the Issuer shall not make (and shall procure that no other member of the Group shall make), and no Senior Debt Creditor may receive from the Issuer or any other member of the Group, any payment in respect of the Senior Debt which would otherwise be permitted as referred to above (a "**Permitted Senior Debt Payment**") (other than any referred to in (a)(ii) of "*—Permitted senior debt payments*" above and any Senior Debt Representative Amounts) if:

(i) a Secured Debt Payment Default or a Second Lien Debt Payment Default is continuing; or

(ii) an event of default under any document or instrument creating or evidencing the Secured Debt other than the Hedging Liabilities (a "Secured Debt Event of Default") (other than a Secured Debt Payment Default) or an event of default under any Second Lien Debt Document (a "**Second Lien Debt Event of Default**") (other than a Second Lien Debt Payment Default) is continuing, from the date which is one business day after the date on which the Super Senior Debt Representative(s), the Trustee, any Pari Passu Debt Representative or any Second Lien Debt Representative (as the case may be) delivers a notice (a "**Senior Debt Payment Stop Notice**") specifying the event or circumstance in relation to that Secured Debt Event of Default or Second Lien Debt Event of Default to the Senior Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Notes Trustee(s), the Senior Debt Representative(s), the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) (in each case, as applicable) until the earliest of:

(A) the first business day falling 179 days after delivery of that Senior Debt Payment Stop Notice;

(B) in relation to payments of Senior Debt Liabilities, if a Senior Debt Standstill Period (as defined below) is in effect at any time after delivery of that Senior Debt Payment Stop Notice, the date on which that Senior Debt Standstill Period expires;

(C) the date on which the relevant Secured Debt Event of Default or Second Lien Debt Event of Default has been remedied or waived or, if the relevant Super Senior Debt Creditor Liabilities, Senior Secured Debt Liabilities or Second Lien Debt Liabilities have been accelerated, such acceleration has been rescinded, in accordance with the relevant Debt Documents (as applicable);

(D) the date on which each Super Senior Debt Representative, Trustee, Pari Passu Debt Representative and Second Lien Debt Representative which delivered the relevant Senior Debt Payment Stop Notice delivers a notice to the Senior Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Secured Debt Representative(s), the Senior Debt Representative(s), the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) (in each case, as applicable) cancelling the Senior Debt Payment Stop Notice;

(E) the Secured Debt Discharge Date; and

(F) the date on which the Security Agent or a Senior Debt Representative takes enforcement action permitted under the New Intercreditor Agreement against a member of the Group.

(b) Unless the Senior Debt Representative(s) waive this requirement:

(i) a new Senior Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Debt Payment Stop Notice; and

(ii) (no Senior Debt Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 45 days after the date each

Super Senior Debt Representative, the Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative received notice of that Secured Debt Event of Default or Second Lien Event of Default.

(c) The Super Senior Debt Representative(s), the Trustee, the Pari Passu Debt Representative(s) or the Second Lien Debt Representative(s) may only serve one Senior Debt Payment Stop Notice with respect to the same event or set of circumstances. Subject as described in paragraph (b) above, this shall not affect the right of Super Senior Debt Representative(s), the Trustee, the Pari Passu Debt Representative(s) or the Second Lien Debt Representative(s) to issue a Senior Debt Payment Stop Notice in respect of any other event or set of circumstances.

(d) No Senior Debt Payment Stop Notice may be served by a Super Senior Debt Representative, a Senior Secured Debt Trustee, a Pari Passu Debt Representative or a Second Lien Debt Representative in respect of a Secured Debt Event of Default or a Second Lien Event of Default which had been notified to the Super Senior Debt Representative(s), the Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s), as relevant, at the time at which an earlier Senior Debt Payment Stop Notice was issued.

(e) For the avoidance of doubt, the provisions in the New Intercreditor Agreement relating to a Senior Debt Payment Stop Notice:

(i) acts as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;

(ii) will not prevent the accrual or capitalization of interest (including default interest) in accordance with the Senior Debt Finance Documents;

(iii) will not prevent the payment of any Senior Debt Representative Amounts and certain administrative costs relating to the Issuer; and

(iv) will not prevent the payment of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence.

Issue of second lien debt payment stop notice

(a) Until the Secured Debt Discharge Date, except with the prior consent of the Super Senior Debt Representative(s) (if the Super Senior Discharge Date has not occurred), the Trustee (if the relevant Senior Secured Discharge Date has not occurred) and the Pari Passu Debt Representative(s) (if the relevant Pari Passu Debt Discharge Date has not occurred) and subject to the provisions of the New Intercreditor Agreement which deal with the effects of an insolvency event, the Issuer shall not make (and shall procure that no other member of the Group shall make), and no Second Lien Creditor may receive from the Issuer or any other member of the Group, any payment in respect of the Second Lien Debt which would otherwise be permitted as referred to above (a "**Permitted Second Lien Debt Payment**") (other than any referred to in (a)(ii) of "*—Permitted second lien debt payments*" above and any Second Lien Representative Amounts) if:

(i) a Secured Debt Payment Default is continuing; or

(ii) an event of default under any document or instrument creating or evidencing the Secured Debt other than the Hedging Liabilities (a "**Secured Debt Event of Default**") (other than a Secured Debt Payment Default) is continuing, from the date which is one business day after the date on which the Super Senior Debt Representative(s), the Trustee or any Pari Passu Debt Representative (as the case may be) delivers a notice (a "**Senior Debt Payment Stop Notice**") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Senior Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Notes Trustee(s), the Senior Debt Representative(s) and the Pari Passu Debt Representative(s) (in each case, as applicable) until the earliest of:

(A) the first business day falling 179 days after delivery of that Second Lien Debt Payment Stop Notice;

(B) in relation to payments of Second Lien Debt Liabilities, if a Second Lien Debt Standstill Period (as defined below) is in effect at any time after delivery of that Second Lien Debt Payment Stop Notice, the date on which that Second Lien Debt Standstill Period expires;

(C) the date on which the relevant Second Lien Debt Event of Default has been remedied or waived or, if the relevant Super Senior Debt Creditor Liabilities or Senior Secured Debt Liabilities have been accelerated, such acceleration has been rescinded, in accordance with the relevant Super Senior Debt Documents or the relevant Senior Secured Finance Documents (as applicable);

(D) the date on which each Super Senior Debt Representative, Trustee and Pari Passu Debt Representative which delivered the relevant Second Lien Debt Payment Stop Notice delivers a notice to the Second Lien Debtor, the Security Agent, the Super Senior Debt Representative(s), the Senior Secured Debt Representative(s), the Senior Debt Representative(s) and the Pari Passu Debt Representative(s) (in each case, as applicable) cancelling the Second Lien Debt Payment Stop Notice;

(E) the Secured Debt Discharge Date; and

(F) the date on which the Security Agent or a Senior Debt Representative takes enforcement action permitted under the New Intercreditor Agreement against a member of the Group.

(b) Unless the Second Lien Debt Representative(s) waive this requirement:

(i) a new Second Lien Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Debt Payment Stop Notice; and

(ii) (no Second Lien Debt Payment Stop Notice may be delivered in reliance on a Second Lien Debt Event of Default more than 45 days after the date each Super Senior Debt Representative, the Trustee and each Pari Passu Debt Representative received notice of that Secured Debt Event of Default.

(c) The Super Senior Debt Representative(s), the Trustee and the Pari Passu Debt Representative(s) may only serve one Second Lien Debt Payment Stop Notice with respect to the same event or set of circumstances. Subject as described in paragraph (b) above, this shall not affect the right of Super Senior Debt Representative(s), the Trustee or the Pari Passu Debt Representative(s) to issue a Second Lien Debt Payment Stop Notice in respect of any other event or set of circumstances.

(d) No Second Lien Debt Payment Stop Notice may be served by a Super Senior Debt Representative, a Senior Secured Debt Trustee or a Pari Passu Debt in respect of a Second Lien Event of Default which had been notified to the Super Senior Debt

Representative(s), the Trustees and the Pari Passu Debt Representative(s), as relevant, at the time at which an earlier Second Lien Debt Payment Stop Notice was issued.

(e) For the avoidance of doubt, the provisions in the New Intercreditor Agreement relating to a Second Lien Payment Stop Notice:

(i) acts as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;

(ii) will not prevent the accrual or capitalization of interest (including default interest) in accordance with the Second Lien Debt Finance Documents;

(iii) will not prevent the payment of any Second Lien Debt Representative Amounts; and

(iv) will not prevent the payment of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence.

Cure of payment stop: senior debt creditors

If:

(a) at any time following the issue of a Senior Debt Payment Stop Notice or the occurrence of a Secured Debt Payment Default, that Senior Debt Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Secured Debt Payment Default ceases to be continuing; and

(b) the relevant Debtor then promptly pays to the Senior Debt Creditors an amount equal to any payments which had accrued under the Senior Debt Finance Documents and which would have been Permitted Senior Debt Payments but for that Senior Debt Payment Stop Notice or Secured Debt Payment Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Debt Creditors.

Cure of payment stop: second lien debt creditors

If:

(a) at any time following the issue of a Second Lien Debt Payment Stop Notice or the occurrence of a Second Lien Debt Payment Default, that Second Lien Debt Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Second Lien Debt Payment Default ceases to be continuing; and

(b) the relevant Debtor then promptly pays to the Second Lien Debt Creditors an amount equal to any payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Debt Payments but for that Second Lien Debt Payment Stop Notice or Second Lien Debt Payment Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Second Lien Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors.

Restrictions on enforcement by senior debt finance parties

Until the Secured Debt Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Senior Debt Finance Party shall direct the Security Agent to enforce or otherwise (to the extent applicable), require the enforcement of, any Transaction Security Documents; and

(b) no Senior Debt Finance Party shall take or require the taking of any Enforcement Action in relation to the Senior Debt Guarantee Liabilities,

except as described under "*—Permitted Senior Debt and Senior Debt Security Documents Enforcement*" and under "*—Enforcement on behalf of the senior debt finance parties"* below.

Restrictions on enforcement by senior lien debt finance parties

Until the Secured Debt Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Second Lien Debt Finance Party shall direct the Security Agent to enforce or otherwise (to the extent applicable), require the enforcement of, any Transaction Security Documents; and

(b) no Second Lien Debt Finance Party shall take or require the taking of any Enforcement Action in relation to the Second Lien Debt Liabilities,

except as described under "*—Permitted Second Lien Debt and Second Lien Security Documents enforcement*" and under "*—Enforcement on behalf of the second lien debt finance parties"* below.

Restrictions on enforcement by cash management providers

Cash Management Providers shall not be entitled to take any Enforcement Action unless:

(a) at the same time as, or prior to, that action, Enforcement Action has been taken in respect of the Secured Creditor Liabilities, in which case the Cash Management Providers may take the same Enforcement Action as has been taken in respect of those other Secured Creditor Liabilities;

(b) that Enforcement Action is taken in respect of cash collateral which has been provided in accordance with any Cash Management Arrangement;

(c) at the same time as or prior to that action, the consent of the Super Senior Debt Required Holders and the Secured Notes Trustee to that Enforcement Action is obtained; or

(d) an insolvency event has occurred in relation to any Debtor, in which case each Cash Management Provider shall be entitled (if it has not already done so) to exercise any right it may otherwise have in respect of such Debtor to (i) accelerate any of such Debtor's Cash Management Liabilities or declare them prematurely due and payable on demand, (ii) make a demand under any guarantee, indemnity or other assurance against loss given by such Debtor in respect of any Cash Management Liabilities, (iii) exercise any right of set-off or take or receive any payment in respect of any Cash Management Liabilities of such Debtor or (iv) claim and prove in the liquidation of such Debtor for the Cash Management Liabilities owing to it.

Permitted senior debt and senior debt security documents enforcement

Except as provided under "*—Enforcement on behalf of senior debt finance parties*" below, the restrictions described under "*—Restrictions on enforcement by senior debt finance parties*" above will not apply in respect of the Senior Debt Liabilities or (ii) the security granted by each of the Parent and LSF2 in favor of the Security Agent with respect to, as applicable, bank accounts and intra-group receivables held by them and Investment Instruments issued by them, in each case, under the Transaction Security Documents (the "**Senior Debt Shared Security**") (if any) which guarantee and/or secure Senior Debt Liabilities as permitted by the New Intercreditor Agreement, if:

(a) an event of default (a "**Senior Debt Event of Default**") under the Senior Debt Finance Documents is continuing (the "**Relevant Senior Debt Default**");

(b) the Super Senior Debt Representative(s), the Trustee, the Pari Passu Debt Representative(s) and the Second Lien Debt Representative(s) have received a written notice of the Relevant Senior Debt Default specifying the event or circumstance in relation to the Relevant Senior Debt Default from the relevant Senior Debt Representative(s);

(c) a Senior Debt Standstill Period (as defined below) has elapsed; and

(d) the Relevant Senior Debt Default is continuing at the end of the relevant Senior Debt Standstill Period.

Promptly upon becoming aware of a Senior Debt Event of Default, the relevant Debt Representative may by notice (a "**Senior Debt Enforcement Notice**") in writing notify each Super Senior Debt Representative, the Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative of the existence of such Senior Debt Event of Default.

Permitted second lien debt and second lien debt security documents enforcement

Except as provided under "*—Enforcement on behalf of second lien debt finance parties*" below, the restrictions described under "*—Restrictions on enforcement by second lien debt finance parties*" above will not apply in respect of the Second Lien Debt Liabilities if:

(a) an event of default (a "**Second Lien Debt Event of Default**") under the Second Lien Debt Finance Documents is continuing (the "**Relevant Second Lien Debt Default**");

(b) the Super Senior Debt Representative(s), the Trustees and the Pari Passu Debt Representative(s) have received a written notice of the Relevant Second Lien Debt Default specifying the event or circumstance in relation to the Relevant Second Lien Debt Default from the relevant Second Lien Debt Representative(s);

(c) a Second Lien Debt Standstill Period (as defined below) has elapsed; and

(d) the Relevant Second Lien Debt Default is continuing at the end of the relevant Second Lien Debt Standstill Period.

Promptly upon becoming aware of a Second Lien Debt Event of Default, the relevant Debt Representative may by notice (a "**Second Lien Debt Enforcement Notice**") in writing notify each Super Senior Debt Representative, the Trustee and each Pari Passu Debt Representative of the existence of such Second Lien Debt Event of Default.

Senior debt standstill period

In relation to a Relevant Senior Debt Default, a Senior Debt Standstill Period shall mean the period beginning on the date (the "**Senior Debt Standstill Start Date**") the relevant Senior Debt Representative serves a Senior Debt Enforcement Notice on the each Super Senior Debt

Representative, the Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative in respect of such Relevant Senior Debt Default and ending on the earliest to occur of:

(a) the first business day falling 179 days after the Senior Debt Standstill Start Date (the "**Senior Debt Standstill Period**");

(b) the date the Secured Creditors take any enforcement action in relation to a particular Debtor or member of the Group that is a guarantor of any Senior Debt or Senior Debt Liabilities (a "**Senior Debt Guarantor**") or as, applicable, the Senior Debtor, provided, however, that:

(i) if a Senior Debt Standstill Period ends as described in this section, the Senior Debt Finance Parties may only take the same enforcement action in relation to the Senior Debt Guarantor as the enforcement action taken by the Secured Creditors against such Senior Debt Guarantor and not against any other member of the Group; and

(ii) (enforcement action for these purposes does not include action taken to preserve or protect any security as opposed to realize it;

(c) the date of an insolvency event (other than as a result of any action taken by any Senior Debt Finance Party) in relation to a particular Senior Debt Guarantor (or, as applicable, the Senior Debtor) against whom enforcement action is to be taken;

(d) the expiry of any other Senior Debt Standstill Period outstanding at the date such first mentioned Senior Debt Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(e) the date on which each Super Senior Debt Representative, each Super Senior Debt Representative, the Trustee, each Pari Passu Debt Representative and each Second Lien Debt Representative give their consent to the termination of the relevant Senior Debt Standstill Period; and

(f) a failure to pay the principal amount outstanding on the Senior Debt at the final stated maturity of the Senior Debt.

The Senior Debt Finance Parties may take enforcement action as described under "*—Permitted senior debt and senior debt security documents enforcement*" above in relation to a Relevant Senior Debt Default even if, at the end of any relevant Senior Debt Standstill Period or at any later time, a further Senior Debt Standstill Period has begun as a result of any other Senior Debt Event of Default.

Second lien debt standstill period

In relation to a Relevant Second Lien Debt Default, a Second Lien Debt Standstill Period shall mean the period beginning on the date (the "**Second Lien Debt Standstill Start Date**") the relevant Second Lien Debt Representative serves a Second Lien Debt Enforcement Notice on the Super Senior Debt Representative, the Trustee and each Pari Passu Debt Representative in respect of such Relevant Second Lien Debt Default and ending on the earliest to occur of:

(a) the first business day falling 179 days after the Second Lien Debt Standstill Start Date (the "**Second Lien Debt Standstill Period**");

(b) the date the Secured Creditors take any enforcement action in relation to a particular Debtor or member of the Group that is a guarantor (a "**Guarantor**") or as, applicable, the Second Lien Debtor, provided, however, that:

(c) if a Second Lien Debt Standstill Period ends as described in this section, the Second Lien Debt Finance Parties may only take the same enforcement action in relation to Guarantor (or the Second Lien Debtor) as the enforcement action taken by the Secured Creditors against such Guarantor (or the Second Lien Debtor) and not against any other member of the Group; and

(d) enforcement action for these purposes does not include action taken to preserve or protect any security as opposed to realize it;

(e) the date of an insolvency event (other than as a result of any action taken by any Second Lien Debt Finance Party) in relation to a particular Guarantor (or, as applicable, the Second Lien Debtor) against whom enforcement action is to be taken;

(f) the expiry of any other Second Lien Debt Standstill Period outstanding at the date such first mentioned Second Lien Debt Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);

(g) the date on which each Super Senior Debt Representative, the Trustee and each Pari Passu Debt Representative give their consent to the termination of the relevant Second Lien Debt Standstill Period; and

(h) a failure to pay the principal amount outstanding on the Second Lien Debt at the final stated maturity of the Second Lien Debt.

The Second Lien Debt Finance Parties may take enforcement action as described under "—*Permitted senior debt and senior debt security documents enforcement*" above in relation to a Relevant Second Lien Debt Default even if, at the end of any relevant Second Lien Debt Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Debt Event of Default.

Enforcement on behalf of senior debt finance parties

(1) If the Security Agent has notified the Senior Debt Representative that it is taking steps to enforce security created pursuant to any Security Document over shares of a Senior Debt Guarantor, no Senior Debt Finance Party may take any action described under "—*Permitted senior debt and senior debt security documents enforcement*" above against that Senior Debt Guarantor while the Security Agent (i) has requested instructions of an Instructing Group in relation to the enforcement of that security and the relevant instructions have not been given or (ii) is taking steps to enforce that security in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

(2) If the Senior Debt Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security constituted pursuant to any Security Document in accordance with the provisions of the New Intercreditor Agreement described under this section, such enforcement action must require the realization of the relevant security by way of a sale or disposal conducted in compliance with the provisions of the New Intercreditor Agreement described under *"—Conditions to release—Senior debt protection*" below.

Enforcement on behalf of second lien debt finance parties

(a) If the Security Agent has notified the Second Lien Debt Representative that it is taking steps to enforce security created pursuant to any Security Document over shares of a Guarantor of the Second Lien Liabilities, no Second Lien Debt Finance Party may take any action described under "—*Permitted second lien debt and second lien debt security documents enforcement*" above against that Guarantor while the Security Agent (i) has requested instructions of an Instructing Group in relation to the enforcement of that security and the relevant instructions have not been given or (ii) is taking steps to enforce that security in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

(b) If the Second Lien Debt Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security constituted pursuant to any Security Document in accordance with the provisions of the New Intercreditor Agreement described under this section, such enforcement action must require the realization of the relevant security by way of a sale or disposal conducted in compliance with the provisions of the New Intercreditor Agreement described under *"—Conditions to release—Second lien debt protection*" below.

Manner of enforcement of Transaction Security

(a) The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless instructed otherwise by either the Super Senior Debt Required Holders or the Majority Senior Secured Creditors, whichever at the relevant time is entitled to give instructions in accordance with the terms of the New Intercreditor Agreement as described below (each an "**Instructing Group**" *provided that* (i) if such enforcement is on or after the Secured Debt Discharge Date but before the Second Lien Debt Discharge Date, the Instructing Group shall for these purposes be the Second Lien Debt Required Holders and (i) if such enforcement is on or after the Second Lien Debt Discharge Date but before the Senior Debt Discharge Date, the Instructing Group shall for these purposes be the Senior Debt Required Holders.

(b) Subject to the Transaction Security having become enforceable in accordance with its terms:

(c) subject to the enforcement decision requirements described below, an Instructing Group may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit provided that the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below); or

(d) to the extent permitted to enforce or to require the enforcement of the Senior Debt Shared Security prior to the Senior Debt Discharge Date as described under "*—Permitted senior debt and senior debt security documents enforcement*" above and except as provided below, the Senior Debt Trustee(s) (acting on the instruction of the Senior Debt Required Holders) may give instructions to the Security Agent as to the enforcement of the Senior Debt Shared Security as they see fit.

(e) Prior to the latter of the Secured Debt Discharge Date and the Second Lien Debt Discharge Date:

(i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(ii) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the Senior Debt Shared Security which the Senior Debt Representative(s) (acting on the instructions of the Majority Senior Debt Creditors) are then entitled to give to the Security Agent as described under "*—Permitted senior debt and senior debt security documents enforcement*".

(a) Notwithstanding the above, if at any time the Senior Debt Representative(s) are then entitled to give the Security Agent instructions to enforce the Senior Debt Shared Security pursuant to paragraph (c) above and the Senior Debt Representative(s) either gives such instruction or indicates any intention to give such instruction, then:

(i) the Instructing Group may give instructions to the Security Agent to enforce the Senior Debt Shared Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Debt Representative(s) as described under "*—Permitted senior debt and senior debt security documents enforcement*" above; and

(ii) if the Instructing Group gives any instructions to enforce any Transaction Security over shares in a holding company of any member of the Group whose shares are subject to Transaction Security with respect to which any such enforcement instructions by a Senior Note(s) Trustee have been given, the Security Agent may not act on such enforcement instructions from any Senior Debt Representative(s) unless instructed to do so by the Instructing Group.

(b) No Secured Party shall have any independent power to enforce, or to have recourse to any Transaction Security or to exercise any rights or powers arising under the Transaction Security Documents except through the Security Agent.

If the Transaction Security is being enforced as described above, the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as an Instructing Group (or, in the circumstances described in paragraph (c) above and subject to paragraph (d) above, the Senior Debt Representatives(s) shall instruct or, in the absence of any such instructions, as the Security Agent sees fit, in each case, so far as is consistent with the Security Enforcement Principles. For the avoidance of doubt, in the absence of instructions from the Instructing Group, the Security Agent will not be required to take any action.

Enforcement decisions with respect to enforcement of transaction security

(a) Prior to the Final Discharge Date and subject to the provisions of the New Intercreditor Agreement described under (c) and (d) below, before the giving of any instructions to the Security Agent to enforce the Transaction Security as described under "*—Manner of enforcement of transaction security*" above (and before either the Majority Super Senior Creditors or the Super Senior Debt Required Holders shall be considered the Instructing Group), a Representative for each of the Senior Secured Creditors shall deliver a copy of its proposed enforcement instructions to the other representatives and the Security Agent (including instructions not to enforce) (the "**Proposed Enforcement Instructions**"). The Security Agent shall as soon as reasonably practicable notify each of the representatives of the Super Senior Creditors and the Senior Secured Creditors upon receipt of such Proposed Enforcement Instructions.

(b) Prior to the Secured Debt Discharge Date and subject to paragraphs (c), (d) and (e) below, if the Security Agent has received any Proposed Enforcement Instruction, it shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Majority Senior Secured Creditors (and the Majority Senior Secured Creditors shall be the Instructing Group for the purposes as described under "*—Manner of enforcement of* *transaction security*" above and in each case, acting through their respective representative), provided that such instructions are consistent with the Security Enforcement Principles and failure to give instructions will be deemed to be an instruction not to take enforcement steps.

(c) In the event that:

(i) from the date that is three (3) months after the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered to the Security Agent, the Security Agent (acting on the instructions of the Majority Senior Secured Creditors) has not commenced the enforcement action or either (i) the method of enforcement of Transaction Security as determined by the Instructing Group or (ii) the appointment of a financial advisor by the Instructing Group to assist in such determination ("**Relevant Enforcement Action**") of the Transaction Security; or

(ii) the Super Senior Liabilities have not been fully discharged in cash within six (6) months of the date the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) were delivered to the Security Agent,

then (with effect from the date of the earlier to occur of such events), the Super Senior Debt Required Holders shall become the Instructing Group for the purposes as described under "—*Manner of enforcement of transaction security*" above.

(d) If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, a representative acting on behalf of the Super Senior Debt Required Holders or the Majority Senior Secured Creditors, may at any time provide immediate instructions as to enforcement to the Security Agent notwithstanding any instructions given pursuant to paragraph (b) or (c) above, if the Super Senior Debt Required Holders or the Majority Senior Secured Creditors determine in good faith (and notify the representatives of the other Super Senior Creditors and the Senior Secured Notes Creditors and the Pari Passu Creditors and the Security Agent) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:

(i) the Security Agent's ability to enforce the Transaction Security; or

(ii) the realization proceeds of any enforcement of the Transaction Security,

and the Security Agent shall act only with respect to the relevant asset or Debtor that is the subject of the determination set out in paragraphs (d)(i) or (d)(ii) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with the Security Enforcement Principles).

(e) If at any time an insolvency event has occurred with respect to any Debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Super Senior Debt Required Holders or the Majority Senior Secured Creditors), the Security Agent shall act, to the extent the Super Senior Debt Required Holders have provided such instructions, in accordance with the instructions received from such Super Senior Debt Required Holders, provided that in the event the Security Agent has previously received Proposed Enforcement Instructions from the representative for the Majority Senior Secured Creditors and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the representative for the Majority Senior Secured Creditors until such time as the representatives for the Super Senior Debt Required Holders issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the representative for the Majority Senior Secured Creditors.

(f) Other than where paragraph (d) or (e) above applies, if, prior to the Super Senior Discharge Date, the Super Senior Debt Required Holders or the Majority Senior Secured Creditors (in each case acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the Security Enforcement Principles, the representatives for the Super Senior Creditors, the Pari Passu Debt Representatives or the Trustee shall give notice to the representatives for the other Super Senior Creditors, and the Pari Passu Debt Representatives and the Trustee (as appropriate) after which the representatives for the other Super Senior Creditors, the Pari Passu Debt Representatives and the Trustee shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant representatives may agree) with a view to agreeing the manner of enforcement provided that such representatives shall not be obliged to consult under this paragraph (f) more than once in relation to each enforcement action.

(g) After the Super Senior Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Majority Senior Secured Creditors.

Limitation on enforcement of subordinated liabilities

Creditors in respect of the Subordinated Liabilities will not be permitted to take any enforcement action in respect of such liabilities prior to the Final Discharge Date (other than certain specific enforcement action relating to payment of the Subordinated Liabilities which at the time of such enforcement action would be permitted as described under "—*Permitted payments*" above unless, at such time, the Super Senior Creditors, the Senior Secured Creditors, the Second Lien Creditors and the Senior Debt Creditors (the "**Primary Creditors**") are or the Security Agent is taking any enforcement action required by the Instructing Group or following an Acceleration Event) save that, after the occurrence of an insolvency event in relation to a member of the Group or any Debtor, the Subordinated Creditors may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of such Subordinated Creditors in accordance with the terms of the New Intercreditor Agreement), exercise any right it may otherwise have against that member of the Group or any Debtor to:

(a) accelerate any of that entity's Subordinated Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that entity in respect of any Subordinated Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Subordinated Liabilities of that entity; or

(d) claim and prove in the liquidation of that entity for the Subordinated Liabilities owing to it.

Limitation on enforcement of LSF2 liabilities

LSF2 will not be permitted to take any enforcement action in respect of any of the LSF2 Liabilities at any time prior to the Final Discharge Date, except for any enforcement action that is an acceleration of any liabilities, a declaration that any liability is payable on demand or a demand in relation to any liability that is payable on demand or an exercise of rights of set-off, in each case in respect of any payment in respect of the LSF2 Liabilities which at the time of such enforcement action would be permitted by the provisions of the New Intercreditor Agreement as described under "*—Permitted payments*" above unless, at such time, the Primary Creditors are or the Security Agent is taking any enforcement action required by the Instructing Group or following an Acceleration Event; provided that such restriction shall not limit the terms of, and shall be without prejudice to the rights of the Senior Debt Finance Parties described under "*—Restrictions on enforcement by senior debt finance parties*" and "*—Permitted senior debt and senior debt security documents enforcement*" above. In addition, after the occurrence of an insolvency event in relation to the Issuer or any other member of the Group, LSF2 may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of LSF2 in accordance with the New Intercreditor Agreement) exercise any right it may otherwise have against the Issuer or any other member of the Group to:

(a) accelerate any of the Issuer's or any other member of the Group's LSF2 Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by the Issuer or any other member of the Group in respect of any LSF2 Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any LSF2 Liabilities of the Issuer or any other member of the Group; or

(d) claim and prove in the liquidation of the Issuer or any other member of the Group for the LSF2 Liabilities owing to it,

provided that the limitations described above under "*—Limitation on enforcement of LSF2 liabilities*" shall not limit the terms of, and shall be without prejudice to the rights of the Senior Debt Finance Parties to enforce the Senior Debt Liabilities in accordance with the New Intercreditor Agreement provisions described under "*—Restrictions on enforcement by senior debt finance parties*" and "*—Permitted senior debt and senior debt security documents enforcement*".

Limitation on enforcement of intra-group liabilities

The Intra-Group Lenders will not be permitted to take any enforcement action in respect of the Intra-Group Liabilities at any time prior to the Final Discharge Date (other than certain specific enforcement action relating to payment of the Intra-Group Liabilities which at the time of such enforcement action would be permitted as described under "*—Permitted payments*" above) unless, at such time, an Instructing Group is taking enforcement action or following an Acceleration Event, save that, after the occurrence of an insolvency event in relation to any member of the Group, each Intra-Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender in accordance with the New Intercreditor Agreement) exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that member of the Group's Intra-Group Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra-Group Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Intra-Group Liabilities of that member of the Group; or

(d) claim and prove in the liquidation of that member of the Group for the Intra-Group Liabilities owing to it.

Security enforcement principles

The New Intercreditor Agreement shall provide for enforcement instructions in relation to the Transaction Security to be consistent with the following security enforcement principles (the "**Security Enforcement Principles**"):

(a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the objective of maximizing the recovery of the Secured Parties, to the extent consistent with (i) a prompt and expeditious enforcement of the Transaction Security (to the extent reasonably possible) and (ii) the rights and obligations of the Security Agent under the terms of the New Intercreditor Agreement and under applicable law (the "Security Enforcement Objective");

(b) the Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Majority Senior Secured Creditors, the Senior Secured Noteholders, the holders of each tranche of Pari Passu Debt and the Security Agent;

(c) except in the case of a Foreclosure, the Transaction Security will be enforced and other action as to enforcement will be taken such that either:

  (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the payment waterfall described in "*—Application of proceeds*" below; or

(d) (except in the case of any enforcement which is instructed by the Majority Super Senior Creditors) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the payment waterfall described in "*—Application of proceeds*" below, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);

(e) any Exit Disposal (as defined below) may only be effected upon the instructions of an Instructing Group and in accordance with these Security Enforcement Principles as if such Exit Disposal was an enforcement of Transaction Security;

(f) the enforcement action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the New Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) or Exit Disposal pursuant to enforcement will be determined by the Instructing Group *provided* that it is consistent with the Security Enforcement Objective;

(g) on (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent in other currencies) or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall if requested by the Majority Super Senior Creditors or the Majority Senior Secured Creditors, and at the expense of the Issuer, (to the extent that financial advisers have not adopted a general policy of not providing such opinions) appoint a financial adviser to opine:

  (i) that the consideration received for any disposal is fair from a financial point of view taking into account all relevant circumstances;

  (ii) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize the recovery of any such enforcement action; and

(iii) that such sale is otherwise in accordance with the Security Enforcement Objective,

(the "**Financial Adviser's Opinion**") *provided* that, if the Security Agent is unable to obtain an opinion from a financial adviser covering the matters set out under (ii) and (iii) above (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Security Enforcement Principles to obtain such opinion), then an opinion covering paragraph (i) above shall be sufficient to constitute a Financial Adviser's Opinion for the purposes of the Security Enforcement Principles;

(a) the Security Agent shall be under no obligation to appoint a financial adviser or to seek the advice of a financial adviser, unless expressly required to do so by these Security Enforcement Principles or any other provision of the New Intercreditor Agreement. Prior to making any appointment of a financial adviser, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;

(b) the Financial Adviser's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;

(c) in the absence of written notice from a creditor or group of creditors that are not part of the relevant Instructing Group that such creditor(s) object to any enforcement of the Transaction Security on the grounds that such enforcement action does not aim to achieve the Security Enforcement Objective, the Security Agent is entitled to assume that such enforcement of the Transaction Security is in accordance with the Security Enforcement Objective;

(d) if the Security Agent is unable to obtain a Financial Adviser's Opinion after attempting to do so (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Security Enforcement Principles to obtain such opinion) because such opinions are not generally available in the market in such circumstances it shall notify the Revolving Agent and each representative in respect of the Senior Secured Notes Liabilities or Pari Passu Debt and may proceed to enforce the Transaction Security without needing to demonstrate (by way of a Financial Adviser's Opinion or otherwise) that such enforcement is aiming to achieve the Security Enforcement Objective; and

(e) if enforcement of any Transaction Security is conducted by way of a public auction or other competitive sales process specified in the New Intercreditor Agreement, no financial adviser shall be required to be appointed, and no Financial Adviser's Opinion shall be required, in relation to such enforcement *provided* that the Security Agent shall be entitled (but not obliged) to appoint a financial adviser to provide such advice as the Security Agent deems appropriate in relation to such enforcement by way of public auction or other competitive sale process in accordance with the New Intercreditor Agreement.

Exercise of voting rights

After the occurrence of an insolvency event in respect of any Debtor, prior to the Final Discharge Date, each Intra-Group Lender and each Subordinated Creditor (collectively, the "**Subordinated Parties**") irrevocably authorizes the Security Agent to exercise, to the extent permitted by law, all powers of convening meetings, voting and representation in relation to that Debtor in respect of the Intra Group Liabilities and the Subordinated Liabilities and each relevant Subordinated Party will provide all forms of proxy and representation requested by the Security Agent for such purpose.

Payment of a soulte

"**Foreclosed Asset**" means (i) any Collateral foreclosed by Secured Parties following a Foreclosure, (ii) (where such Collateral includes shares in any company) any asset of such company(ies) or any subsidiary(ies) thereof, (iii) any asset of the type referred to in (i) or (ii) transferred to any Secured Parties SPV and/or (iv) any share of any Secured Parties SPV having acquired assets of the type referred to in (i) or (ii) above (including in the context of the enforcement of a Transaction Security Document by way of sale).

"**Foreclosed Assets Holders**" means the Secured Parties (or their affiliates) in their capacity as holders (directly or indirectly through a Secured Parties SPV) of Foreclosed Assets.

"**Foreclosure**" means the enforcement of any Transaction Security as a result of which the relevant Foreclosed Assets are owned either by Secured Parties (or any representative on their behalf) or a Secured Parties SPV following (a) an appropriation (including pursuant to a *pacte commissoire* or a private appropriation) by, judicial foreclosure in favor of, or attribution to, Secured Parties (or any representative on their behalf) or a Secured Parties SPV, or (b) a disposal to a Secured Parties SPV (including a disposal made in the context of the enforcement of a Transaction Security Document by way of sale), in each case, in accordance with the relevant Transaction Security Documents.

"**Foreclosure Date**" the first date on which a Foreclosure occurs.

"**Secured Parties SPV**" means a special purpose limited liability vehicle acquiring or holding Investment Instruments or Collateral pursuant to a Foreclosure and whose share capital is held (directly or indirectly) by the Secured Parties or any affiliate(s) of any Secured Parties and which becomes party to the New Intercreditor Agreement as a Secured Parties SPV.

If following any Foreclosure a Soulte is owed by the Secured Parties to any Debtor, that Debtor agrees that such Soulte shall only become due and payable by the Secured Parties:

(a) where such Soulte arises in connection with the enforcement of any Transaction Security Document governed by French law, on the earlier of;

  (i) the date which is 12 months after the date on which such Foreclosure occurs; and

  (ii) the Final Discharge Date; or

(b) where such Soulte arises in connection with the enforcement of any Transaction Security Document governed by Luxembourg law, at the time, and solely to the extent, payable pursuant to the tenth ranking item in the order of priority of the payment waterfall described in "—*Application of proceeds*" below.

(c) Any payment of the Soulte under paragraph (a) above to any Debtor which shall occur prior to the Final Discharge Date shall be paid to a bank account of the relevant Debtor held with the Security Agent and pledged in a manner satisfactory to the Security Agent acting on behalf of the Secured Parties in favor of the Secured Parties as security for the secured obligations to be applied in the order of priority of the payment waterfall described in "—*Application of proceeds*" below. This pledge agreement shall include an irrevocable instruction from the relevant Debtor to make from such pledged bank accounts any payment required to be fulfilled under the New Intercreditor Agreement or any other Debt Document.

Enforcement procedures with respect to the senior debt shared security

The Security Agent may require all Secured Creditors and all Second Lien Creditors to participate in the Foreclosure of any Senior Debt Shared Security, provided that any Soulte in connection with such Foreclosure shall only be payable by (i) Super Senior Creditors if the Super Senior Required Holders constitute the Instructing Group requesting such Foreclosure, (ii) the Secured Creditors if the Majority Senior Secured Creditors constitute the Instructing Group requesting such Foreclosure, or (iii) the Second Lien Creditors if the Second Lien Required Holders constitute the Instructing Group requesting such Foreclosure.

In case several different classes of Secured Creditors and/or Second Lien Creditors participate in a Foreclosure in respect of any Senior Debt Shared Security, and if the relevant Collateral under Senior Debt Shared Security may not be held on trust by the Security Agent for the benefit of the Secured Creditors and/or Second Lien Creditors, such Collateral under Senior Debt Shared Security shall be attributed (on the basis of the value determined in accordance with the relevant Transaction Security Document) first to the Super Senior Creditors, then to the Senior Secured Creditors, then to the Second Lien Creditors and then to the Senior Debt Creditors, in each case, on a *pari passu* basis and accordance with the waterfall provisions of the New Intercreditor Agreement as if such Collateral under Senior Debt Shared Security had been cash.

Senior debt call option

The Security Agent may after the occurrence of an enforcement action referred to in sub-paragraph (i) below (and acting on the instructions of the relevant Instructing Group which instructed it in respect of that enforcement action), by giving not less than five days' notice to the Senior Debt Representative (the "**Senior Debt Call Option Exercise Notice**"), require an assignment to it (or to a nominee or nominees) by each Senior Debt Creditor of all of the rights, benefits and obligations of each Senior Debt Creditors in respect of the Senior Debt Liabilities (the "**Senior Debt Call Option**") if:

(a) the Security Agent has initiated (or simultaneously with the service of the Senior Debt Call Option Exercise Notice initiates) enforcement action with respect to any Transaction Security over Investment Instruments in the Senior Debt Issuer or any of its holding companies; and

(b) the Senior Debt Call Option is exercised vis-à-vis each Senior Debt Creditor simultaneously, it being acknowledged by each Senior Debt Creditor that the effectiveness or ineffectiveness of any exercise of the Senior Debt Call Option vis-à-vis any other Senior Debt Creditors shall have no effect whatsoever on its rights and obligations under the relevant provisions of the New Intercreditor Agreement.

The aggregate consideration (the "**Senior Debt Liabilities Deferred Consideration**") for the assignment of the Senior Debt Liabilities under the Senior Debt Call Option shall be equal to the amount of the Senior Debt Liabilities from time to time but shall be payable only to the extent and when there are enough proceeds to be applied by the Security Agent to pay such Senior Debt Liabilities Deferred Consideration in accordance with the order of priority and the waterfall provisions described under "*—Application of proceeds*" below.

The Senior Debt Liabilities which are subject to the Senior Debt Call Option may be assigned and/or transferred by the Security Agent in the context of an Exit Disposal or to facilitate such Exit Disposal.

Following the date upon which an assignment of Senior Debt Liabilities occurs pursuant to the Senior Debt Call Option (the "**Senior Debt Liabilities Assignment Date**"), the Senior Debt Representative shall act solely upon the instructions of the Security Agent in relation to any matter in respect of the Senior Debt Liabilities.

After the Senior Debt Liabilities Assignment Date, the Senior Debt Creditors who sold their Senior Debt further to the exercise of the Senior Debt Call Option (the "**Senior Debt Sellers**") shall remain entitled to receive all financial statements to be provided by members of the Group to the Senior Debt Representative in the relevant Senior Debt Documents (as currently in force as at the date the Senior Debt Call Option is exercised) as if they were still Senior Debt Creditors.

On and from the Senior Debt Liabilities Assignment Date (or the date of any release or transfer of Senior Debt Liabilities pursuant to paragraph "*—Distressed disposal*" below) in connection with a Foreclosure) to the date falling 179 days thereafter (and provided that, at such time, no Exit Disposal has been completed or commenced) each Senior Debt Representative acting as agent of the relevant Senior Debt Sellers according to the same rules *mutatis mutandis* as those governing such Senior Debt Representative pursuant to the relevant Senior Debt Documents (each, a "**Senior Debt Sellers Agent**") may request the Security Agent to appoint, at the cost of the Senior Debt Sellers Agent, a financial adviser to provide a valuation (including an enterprise valuation of the members of the Group forming part of the Collateral under the Senior Debt Shared Security) in relation to the immediate recovery value of the Senior Debt Liabilities assuming an immediate sale for cash of the Collateral under the Senior Debt Shared Security and taking into consideration the waterfall provisions described under "*—Application of proceeds*" below (the "**Senior Debt Recovery Value**"). Such valuation shall promptly be notified by the financial adviser to the Security Agent and the Senior Debt Sellers Agent. Within two months of such notification, and if such valuation demonstrates that the Senior Debt Recovery Value exceeds the value of all the payments and distributions that would be required under the first eight paragraphs of the payment waterfall described under "*—Application of proceeds*" below, the Senior Debt Sellers Agent shall have the right to request the Security Agent promptly to commence an Exit Disposal in respect of the Collateral under the Senior Debt Shared Security which shall be conducted in compliance with the provisions of the New Intercreditor Agreement described under "*—Conditions to release—Senior debt protection*" below. There shall be no obligation to complete such Exit Disposal unless all the payments and distributions referred to in the first eight paragraphs of the payment waterfall described under "*—Application of proceeds*" below will be made in cash and in full upon such Exit Disposal being completed.

Exit disposal

The taking of any steps towards making an Exit Disposal shall be treated as the enforcement of a Transaction Security for all purposes under the New Intercreditor Agreement where "**Exit Disposal**" means, following a Foreclosure of certain Foreclosed Assets, a sale, disposal or transfer of: (a) such Foreclosed Assets, (b) any Investment Instrument issued by a Secured Parties SPV holding such Foreclosed Assets or (c) if the Foreclosed Assets consist of shares of any member of the Group, any assets held by such member of the Group or any subsidiary of it, in each case, to a person or persons which is not a member of the Group or a Secured Parties SPV.

Turnover

The New Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, subject to certain exceptions, any Primary Creditor or Subordinated Party (each a "**Creditor**") or Secured Parties SPV receives or recovers (in the case of a Super Senior Creditor or Senior Secured Creditor only in respect of the fourth paragraph below):

- any payment or distribution of, or on account of or in relation to, any liability owed by a member of the Group under the Debt Documents which is not a permitted payment under the New Intercreditor Agreement as described under "*—Permitted payments*" above or made in accordance with the order of priority described under "*—Application of proceeds*" below;

- (except with respect to certain discharges by way of set-off occurring after an insolvency event in relation to a member of the Group following which a Subordinated Party benefitting from such set-off is required to pay to the Security Agent an amount equal to the amount set off for application of such amount in accordance with the order of priority described under "*—Application of proceeds*" below), any amount by way of set-off in respect of any liability owed by a member of the Group under the Debt Documents which does not give effect to a permitted payment under the New Intercreditor Agreement as described under "*—Permitted payments*" above;

- notwithstanding the immediately preceding two paragraphs, except with respect to certain discharges by way of set-off described in the immediately preceding paragraph), (i) on account of or in relation to any liability owed by a member of the Group under the Debt Documents after the occurrence of an Acceleration Event which is continuing (x) if prior to the Secured Debt Discharge Date, any of the Super Senior Debt Representative (acting on the instructions of the Super Senior Debt Required Holders), the Trustee (acting on behalf of the Senior Secured Noteholders), a Pari Passu Debt Representative (acting on the instructions of the Pari Passu Debt Required Holders) or a Second Lien Debt Representative (acting on behalf of the Second Lien Debt Required Holders), declaring by written notice to the Security Agent, each other creditor representative and the Issuer that a "Distress Event" has occurred or (y) if on or after the Secured Debt Discharge Date, any Senior Debt Representative (acting on behalf of the Senior Debt Required Holders) declaring by written notice to the Security Agent, each other creditor representative and the Issuer that a "Distress Event" has occurred (each, a "**Distress Event**") or as a result of litigation or other proceedings against a Debtor (other than after the occurrence of an insolvency event in respect of such Debtor), or (ii) by way of set-off in respect of any liability of a member of the Group under the Debt Documents after the occurrence of a Distress Event;

- the proceeds of any enforcement of any Transaction Security, the proceeds of any Distressed Disposal, any Exit Disposal, any Cash Proceeds or the proceeds of any Assigned Recourse Rights (as defined below), in each case except in accordance with the order of priority described under "—*Application of proceeds*" below; or

- (except with respect to certain discharges by way of set-off described in the second paragraph of this section) any distribution in cash or in kind or payment of, or on account of or in relation to, any liability owed by a member of the Group under the Debt Documents which is not in accordance with the order of priority described in "—*Application of proceeds*" below and which is made as a result of, or after, the occurrence of an insolvency event in respect of such Debtor,

then that Creditor (or Secured Parties SPV as the case may be):

- in relation to receipts or recoveries not received or recovered by way of set-off, must hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the New Intercreditor Agreement; and

- in relation to receipts and recoveries received or recovered by way of set off, must promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the New Intercreditor Agreement.

"**Cash Proceeds**" means (a) all amounts or distributions received in cash by the Foreclosed Assets Holders (as defined below) in respect of certain Collateral (or assets of companies the shares of which constitute Collateral) foreclosed on by the Secured Parties (as defined below) ("**Foreclosed Assets**") or Investment Instruments issued by a Secured Parties SPV (as defined below) (including dividends, interest, repayment of principal or share capital and amounts received in connection with a liquidation or a winding-up of the issuer of the Foreclosed Assets or in connection with a liquidation or a winding-up of a Secured Parties SPV) and (b) all proceeds received in cash by Foreclosed Assets Holders as a result of an Exit Disposal (as defined below), in each case before deducting any liabilities for taxes incurred and required to be paid by Foreclosed Assets Holders in connection with those distributions but, in the case of either a sale of Foreclosed Assets by a Secured Parties SPV or a sale of shares in any entity which is a subsidiary of any Debtor whose Investment Instruments are the object of a Foreclosure or the Secured Parties SPV, after deducting any taxes payable by the seller.

Deferral of subrogation rights

If any liabilities owed by a member of the Group under the Debt Documents to the Secured Creditors ("**Secured Creditor Liabilities**") or any liabilities owed by the Issuer and the Debtors to the Second Lien Creditors under the Second Lien Debt Documents (but excluding any Hedging Liabilities) ("**Second Lien Liabilities**") are wholly or partly paid out of any proceeds received in respect of or on account of the Senior Debt Liabilities owing to one or more Senior Debt Creditors, those Senior Debt Creditors or, as the case may be, Second Lien Creditors will to that extent be subrogated to the Secured Creditor Liabilities so paid (and all securities and guarantees for those Secured Creditor Liabilities).

To the extent that a Senior Debt Creditor (a "**Subrogated Creditor**") is entitled to exercise rights of subrogation, each other Creditor (subject in each case to it being indemnified, secured and/or prefunded to its satisfaction against any resulting costs, expenses and liabilities) will give such assistance to enable such rights so to be exercised as such Subrogated Creditor may reasonably request.

No Creditor, Subordinated Party or Debtor will exercise any rights which it may have by reason of the performance by it of its obligations under the Debt Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor which ranks ahead of it in accordance with the priorities set out in the New Intercreditor Agreement as described above under "—*Ranking and priority*") until such time as all of the liabilities owing by a member of the Group under the Debt Documents to each prior ranking Creditor (or, in the case of any Debtor prior to the Final Discharge Date, owing to each Creditor) have been irrevocably paid in full.

No Subordinated Creditor will exercise any rights which it may have to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor until such time as all of the liabilities owing by a member of the Group under the Debt Documents to each Creditor (other than a Subordinated Creditor) have been irrevocably paid in full.

Assignment of recourse rights

"**Recourse Rights**" means any and all rights (including accessory rights such as security interests), actions and claims that any member of the Group, any guarantor or any Debtor which has granted any Transaction Security or a guarantee in order to secure or guarantee all or part of the secured obligations may have against any other person (whether a Debtor or not), in each case as a result of an enforcement action of any Transaction Security, enforcement of that guarantee or otherwise as a result of the payment of such secured obligations in lieu of such other person, and including any right to be repaid by, to receive any amount from or to be indemnified by, that other person (whether prior to or after enforcement), any right of recourse by way of subrogation, *recours subrogatoire, recours personnel*, contribution or any other similar right, action or claim under any applicable law, whether such right arise by law, contract or otherwise.

Each member of the Group and each Debtor irrevocably and unconditionally assigns under the New Intercreditor Agreement to the Security Agent acting in its name, all Recourse Rights which it has or may have in the future (the Recourse Rights so assigned being herein referred to as the "**Assigned Recourse Rights**" and Assigned Recourse Rights and the amount thereof at any time being herein referred to as the "**Amount of Assigned Recourse Rights**").

The consideration (the "**Assigned Recourse Rights Deferred Consideration**") for the assignment of the Assigned Recourse Rights shall be equal to the Amount of Assigned Recourse Rights but shall be payable only to the extent and when there are enough cash proceeds to be applied by the Security Agent to pay such Assigned Recourse Rights Deferred Consideration in accordance with the waterfall provisions of the New Intercreditor Agreement as described under "—*Application of proceeds*" below.

Application of proceeds

Subject to certain exceptions as set out therein, the New Intercreditor Agreement will provide that all amounts from time to time received or recovered by the Security Agent (acting on the instructions of an Instructing Group) in connection with the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu of enforcement of Transaction Security and all amounts received by the Security Agent from another Creditor pursuant to the turnover provisions described under "—*Turnover*" above will be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the New Intercreditor Agreement) in the following order of priority:

- first, in payment or distribution to:

  (a) the Security Agent, any receiver or any delegate for application towards the discharge of any sums owing to any of them from any party to the New Intercreditor Agreement; and then

  (b) each Super Senior Debt Representative on its own behalf for application towards the discharge of the Super Senior Debt Representative liabilities (in accordance with the terms of the Super Senior Debt Documents);

  (c) the Trustee on its own behalf for application towards the discharge of the Trustee Amounts (in accordance with the Senior Secured Notes Finance Documents);

  (d) each Pari Passu Debt Representative on its own behalf for application towards the discharge of Pari Passu Debt Representative Amounts (in accordance with the Pari Passu Debt Documents);

  (e) each Second Lien Debt Representative on its own behalf for application towards the discharge of the Second Lien Debt Representative Amounts (in accordance with the Second Lien Debt Documents); and

  (f) each Senior Debt Representative on its own behalf for application towards the discharge of the Senior Debt Representative Amounts (in accordance with the Senior Debt Finance Documents),

on a *pro rata* basis and ranking *pari passu* between (a), (b), (c), (d), (e) and (f), and in the case of (b), (c), (d), (e) and (f) above, including any such amounts arising in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the New Intercreditor Agreement;

- second, in payment or distribution to the Secured Parties or the Second Lien Creditors of all costs and expenses incurred by any of them in connection with any realization or enforcement of the Transaction Security, in each case taken in accordance with the terms of the New Intercreditor Agreement;

- third, (if the Foreclosure Date has occurred) in payment or distribution to the Foreclosed Asset Holders of their tax liabilities (if any) (in each case on a pro rata and pari passu basis amongst themselves);

- fourth, (if the Foreclosure Date has occurred), in payment or distribution to the Foreclosed Asset Holders which have paid all or part of any Soulte in connection with the enforcement of any Security Document in an amount equal to the amount of Soulte paid by them and not previously recovered (in each case on a pro rata and pari passu basis amongst themselves);

- fifth, (subject to the relevant provisions contained in the New Intercreditor Agreement dealing with new financings after the Foreclosure Date), in payment or distribution, or repayment of all costs, expenses, interest and principal amounts due to the relevant creditors under any new financings after the Foreclosure Date (if any) (in each case on a *pro rata* and *pari passu* basis amongst themselves);

- sixth, in payment or distribution to:

  (a) each Super Senior Debt Representative on behalf of the arrangers under the Super Senior Debt Documents (the "**Arrangers**") and the Super Senior Debt Creditors; and

  (b) the Hedge Counterparties,

for application towards:

(i) the liabilities of the Arrangers and the Super Senior Debt Liabilities (in accordance with the terms of the Super Senior Debt Documents); and

(ii) the Priority Hedging Liabilities,

(other than amounts discharged pursuant to the fourth ranking item in this order of priority) on a *pro rata* basis and *pari passu* between paragraphs (i) and (ii) above;

- seventh, in payment or distribution to:

  (a) the Trustee on behalf of the Senior Secured Noteholders or, if there is no Trustee acting on behalf of any relevant Senior Secured Noteholders, such Senior Secured Noteholders;

  (b) each Pari Passu Debt Representative on behalf of Pari Passu Creditors or, if there is no Pari Passu Debt Representative acting on behalf of any relevant Pari Passu Creditors, such Pari Passu Creditors;

  (c) the Hedge Counterparties; and

  (d) the Cash Management Providers,

for application towards:

(i) the Senior Secured Notes Liabilities owed to the Senior Secured Noteholders (in accordance with the terms of the Senior Secured Notes Finance Documents);

(ii) the Pari Passu Debt Liabilities owed to the Pari Passu Creditors (in accordance with the terms of the Pari Passu Debt Documents);

(iii) the Cash Management Liabilities; and

(iv) the Non Priority Hedging Liabilities,

(other than amounts discharged pursuant to the fourth ranking item in this order of priority) on a *pro rata* basis and *pari passu* between paragraphs (i) to (iv) above;

- eighth, in payment to each Second Lien Debt Representative on behalf of the Second Lien Creditors (in accordance with the terms of the Second Lien Debt Documents);

- ninth, to the extent paid out of enforcement proceeds resulting from the enforcement of Senior Debt Shared Security, the Senior Debt Guarantees or proceeds from an Exit Disposal in relation with assets which were previously subject to the Senior Debt Shared

Charged Property, in payment or distribution to each Senior Debt Representative on behalf of the Senior Creditors or, if there is no Senior Debt Representative acting on behalf of any relevant Senior Creditors, such Senior Creditors for application towards the discharge of the Senior Debt Liabilities owed to the Senior Creditors;

- tenth (if the Foreclosure Date has occurred), *pro rata* and *pari passu* amongst themselves:

  (a) to any Debtor, guarantor or Subordinated Creditor to which a Soulte has been paid or remains payable, in payment or distribution in an amount equal to such Soulte (and to the extent such Soulte has been already paid by any Secured Parties to such Debtor, guarantor or Subordinated Creditor, only to the extent that such Debtor, guarantor or Subordinated Creditor has turned such Soulte over to the Security Agent in accordance with the turnover provisions described under "—*Turnover*" above); and

  (b) to any Debtor, guarantor or Subordinated Creditor, in payment or distribution of the Assigned Recourse Rights Deferred Consideration; and

- eleventh, the balance, if any, in payment or distribution to the relevant Debtor which is a subsidiary thereof or, if the Foreclosure Date has occurred, in payment or distribution to the Foreclosed Asset Holders (*pro rata* to each Foreclosed Asset Holder's holding of Foreclosed Assets).

"**Soulte**" means, in relation to any enforcement action occurring by way of Foreclosure, the amount by which the value of the Collateral so appropriated or foreclosed as a result of such Foreclosure (as determined in accordance with the relevant Transaction Security Document) exceeds the amount of the secured obligations secured under the corresponding Transaction Security Document immediately prior to such Foreclosure occurring (which, for the avoidance of doubt, shall not include any Assigned Recourse Rights (as defined below) arising from or in connection with such Foreclosure).

Release of the guarantees and the security

Distressed disposals

The New Intercreditor Agreement provides that in relation to the disposal of an asset of a member of any Debtor which is subject to Transaction Security and which is being effected: at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable; by enforcement, or simultaneous with the enforcement, of the Transaction Security; or after the occurrence of a Distress Event by or on behalf of a Debtor to a person outside of the Group (a "**Distressed Disposal**"), an Exit Disposal or a Foreclosure, the Security Agent is authorized to (i) release the Transaction Security or any other claim (including any Assigned Recourse Rights) over the relevant asset; (ii) if the relevant asset consists of shares in the capital of a Debtor to release that Debtor and any of its subsidiaries from all or any part of its liabilities in its capacity as a guarantor or a borrower (and certain other liabilities) under the Super Senior Debt Documents, the Pari Passu Debt Documents, the Senior Secured Notes Finance Documents, the Second Lien Debt Documents or the Senior Debt Finance Documents and to release any Transaction Security granted by that Debtor or any of its subsidiaries over any of its assets and to release any other claim of the Subordinated Creditor, an Intra-Group Lender or another Debtor or other grantor of Transaction Security over that Debtor's assets or over the assets of any of its subsidiaries; (iii) if the relevant asset consists of shares in the capital of a holding company of a Debtor, to release that holding company and any of its subsidiaries from all or any part of their liabilities in their capacity as a guarantor or a borrower (and certain other liabilities) under the Super Senior Debt Documents, the Pari Passu Debt Documents, the Senior Secured Notes Finance Documents, the Second Lien Debt Documents or the Senior Debt Finance Documents, and to release any Transaction Security granted by that holding company or any of its subsidiaries over any of its assets and to release any other claims of the Subordinated

Creditor, an Intra-Group Lender or another Debtor over the assets of that holding company or any of its subsidiaries; (iv) if the relevant asset consists of shares in the capital of a Debtor or holding company of a Debtor and the Security Agent decides to dispose to another entity all or any part of the liabilities of that first Debtor or holding company or any subsidiaries of that first Debtor or holding company, then the Security Agent shall enter into any relevant documentation provided that, if it is intended that the transferee Debtor should not be a Primary Creditor or secured party, the transferee Debtor shall not be treated as a Primary Creditor or secured party, and if it is intended that the transferee Debtor should be a Primary Creditor or secured party, then all (and not part) of the liabilities owed to Primary Creditors, and all or part of any other liabilities should be disposed; and (v) if the relevant asset consists of shares in the capital of a Debtor or holding company of a Debtor and the Security Agent decides to transfer to another Debtor all or any part of the first Debtor's obligations or any obligations of any subsidiary of that first Debtor in respect of liabilities owed to a Debtor, Intra-Group Liabilities or Subordinated Liabilities, transfer all or part of such obligations on behalf of the person to which they are owed and accept the transfer of those obligations on behalf of the transferee Debtor.

The Security Agent must take reasonable care to obtain a fair market price in the prevailing market conditions and apply the proceeds of such disposal in accordance with "*—Application of proceeds*" above.

Non-distressed disposals

In addition, if (a) a disposal relates to an asset of a Debtor (other than in respect of any assets subject to any Transaction Security granted by any of the Parent and LSF2), (b) subject to certification requirements, that disposal is not prohibited by or permitted under respectively (prior to the Super Senior Debt Discharge Date) the Super Senior Debt Documents, (prior to the Senior Secured Notes Discharge Date) the Senior Secured Notes Finance Documents or the Trustee authorizes that release, (prior to the Pari Passu Debt Discharge Date) the Pari Passu Debt Documents, (prior to the Second Lien Debt Discharge Date) the Second Lien Debt Documents and (prior to the Senior Debt Discharge Date) the Senior Debt Finance Documents or the Senior Debt Representative(s) authorizes that release and (c) that disposal is not a Distressed Disposal, the Security Agent is irrevocably authorized and obliged, at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any other party to the New Intercreditor Agreement, (i) to release (or procure that any other relevant person releases) the Transaction Security or any other claim (relating to a Debt Document) over that asset, (ii) where that asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim (relating to a Debt Document) over that Debtor's assets, and, to the extent that they are at such time being disposed of, the assets of any subsidiary of that Debtor and, to the extent that they are at such time being disposed of, the subsidiaries of that Debtor and their respective assets, and (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that the Security Agent (acting reasonably) considers to be necessary or desirable.

Notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the New Intercreditor Agreement or any Debt Financing Agreement (a "**Permitted Transaction**"). The Security Agent (on behalf of itself and the Secured Parties) will (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any party to the New Intercreditor Agreement) that it shall (at the request and cost of the relevant Debtor or the Issuer) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Issuer in order to complete, implement or facilitate a Permitted Transaction.

Conditions to release—senior debt protection

If before the Senior Debt Discharge Date:

(a) a Distressed Disposal is being effected such that the senior subordinated guarantees in respect of the Senior Debt and/or Senior Debt Shared Security will be released as described under "—*Distressed disposals*" above;

(b) an Exit Disposal in respect of assets which were Collateral under Senior Debt Shared Security, which were subject to Transaction Security over Investment Instruments in the Senior Debtor or any of its holding companies or which were owned by a Senior Debt Guarantor is being effected after the Senior Debt Guarantees and Senior Debt Shared Security have been released as described under "—*Distressed disposals*" above following a Foreclosure,

it is a further condition to any such release or disposal that either (1) the relevant Senior Debt Representative has approved the release and/or the disposal or (2) where such shares or assets are sold or disposed of:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash);

(ii) all claims of the Primary Creditors against any member of the Group and any subsidiary of that member of the Group whose shares that are owned by a Debtor are pledged in favor of the Primary Creditors are sold or disposed of pursuant to such Distressed Disposal or such Exit Disposal, are unconditionally released and discharged concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale *provided* that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(A) the Instructing Group determines acting reasonably and in good faith that the Secured Creditors (taken as a whole) will recover more than if such claim was released or discharged; and

(B) the representative(s) in respect of the Instructing Group serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(iii) such sale or disposal is made:

(A) pursuant to a public auction or other competitive sale process specified in the New Intercreditor Agreement; or

(B) where a financial adviser confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

Amendment

Subject to certain exceptions, usual disenfranchisement provisions and customary "snooze you lose" provisions (under which creditors may lose their right to vote if they delay doing so), the New Intercreditor Agreement provides that it may only be amended with the consent of the Issuer, the Super Senior Debt Required Holders, the requisite majority of Pari Passu Creditors, the

Second Lien Debt Required Holders, the Trustee, each Senior Debt Representative and the Security Agent unless (i) such amendments are made to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature or as otherwise prescribed by the relevant Debt Documents, which amendments may be made by the Issuer and the Security Agent or (ii) such amendments are made to meet the requirements of any person proposing to act as a creditor representative which are customary for persons acting in such capacity and would not have a material adverse effect on the other parties to the New Intercreditor Agreement, which amendments may be made by the Issuer and the Security Agent. No amendment or waiver of the New Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the New Intercreditor Agreement without their prior consent other than, in the case of a Primary Creditor, in a way which affects or would affect Primary Creditors of that party's class generally or, in the case of a Debtor, to the extent consented to by the Issuer.

An amendment or waiver to the New Intercreditor Agreement that relates to, inter alia, certain of the matters described under "*—Manner of enforcement of transaction security*" and "*—Security enforcement principles*" and to the Security Enforcement Principles may be made by the Majority Super Senior Creditors and the Majority Senior Secured Creditors acting through the relevant representative.

The Security Agent may amend the terms of, waive any of the requirements of, or grant consents under, any of the Transaction Security Documents acting on the instructions of each representative of creditors that are secured by the relevant Transaction Security Documents, with the consent of the Issuer, unless provided otherwise under the relevant documents.

Option to purchase: senior secured notes creditors and pari passu creditors

After a Distress Event (and until the date which is the earlier of (i) a Foreclosure occurring in respect of Investment Instruments issued by LSF2 or the Issuer and (ii) a public auction or competitive sale process specified in the New Intercreditor Agreement occurring in respect of Investment Instruments issued by LSF2 or the Issuer), by giving not less than 10 days' prior written notice to the Security Agent, the Senior Secured Noteholders and Pari Passu Creditors will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Super Senior Debt Creditor Liabilities and the Hedging Liabilities constituting Priority Hedging.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the Super Senior Debt Creditor Liabilities and Hedging Liabilities constituting Priority Hedging then outstanding, including certain costs and expenses of the Super Senior Debt Representative and/or the Super Senior Debt Creditors and Hedge Counterparties; after the transfer, no Super Senior Debt Creditor or Hedge Counterparty (in respect of Priority Hedging) will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each Super Senior Debt Creditor and Hedge Counterparty for any actual or alleged obligation to repay or claw back any amount received by such Super Senior Debt Creditor or Hedge Counterparty; the relevant transfer shall be without recourse to, or warranty from, any Super Senior Debt Creditor or Hedge Counterparty, save for certain representations relating to corporate power and authority to effect the transfer as set out in the New Intercreditor Agreement; and the Senior Debt Creditors have not exercised their rights described below in "*—Option to purchase: Senior Debt Creditors*", or, having exercised such rights, have failed to complete the acquisition of the relevant Senior Secured Liabilities and Super Senior Liabilities as described below in "*—Option to purchase: Senior Debt Creditors*".

Option to purchase: senior debt creditors

After a Distress Event (and until the earlier of Foreclosure or a public auction or competitive sale process specified in the New Intercreditor Agreement, in each case in respect of Investment Instruments issued by LSF2 or the Issuer) by giving not less than 10 days' prior written notice to the Security Agent, the Senior Debt Creditors will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Super Senior Debt Creditor Liabilities, the Senior Secured Debt Liabilities, the Pari Passu Debt Liabilities and the Second Lien Debt Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the relevant liabilities then outstanding, including certain costs and expenses of the Super Senior Debt Representative and/or the Super Senior Debt Creditors, Hedge Counterparties, Trustee on behalf of the Senior Secured Notes Creditors, the Pari Passu Debt Representative(s) on behalf of the Pari Passu Creditors and the Second Lien Debt Representative(s) on behalf of the Second Lien Creditors; after the transfer, no Super Senior Debt Creditor, Hedge Counterparty, Senior Secured Notes Creditor, Pari Passu Creditor or Second Lien Creditor will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each relevant transferring Creditor for any actual or alleged obligation to repay or claw back any amount received by such transferring Creditor; and the relevant transfer shall be without recourse to, or warranty from, any transferring Creditor, save for certain representations relating to corporate power and authority to effect the transfer as set out in the New Intercreditor Agreement.

Option to purchase: second lien debt creditors

After a Distress Event (and until the earlier of Foreclosure or a public auction or competitive sale process specified in the New Intercreditor Agreement, in each case in respect of Investment Instruments issued by LSF2 or the Issuer) by giving not less than 10 days' prior written notice to the Security Agent, the Second Lien Debt Representative (on behalf of the Second Lien Debt Creditors) will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Super Senior Debt Creditor Liabilities, the Hedging Liabilities, the Senior Secured Debt Liabilities and the Pari Passu Debt.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the relevant liabilities then outstanding, including certain costs and expenses of the Super Senior Debt Representative and/or the Super Senior Debt Creditors, Hedge Counterparties, Trustee on behalf of the Senior Secured Notes Creditors, and the Pari Passu Debt Representative(s) on behalf of the Pari Passu Creditors; after the transfer, no Super Senior Debt Creditor, Hedge Counterparty, Senior Secured Notes Creditor or Pari Passu Creditor will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each relevant transferring Creditor for any actual or alleged obligation to repay or claw back any amount received by such transferring Creditor; and the relevant transfer shall be without recourse to, or warranty from, any transferring Creditor, save for certain representations relating to corporate power and authority to effect the transfer as set out in the New Intercreditor Agreement.

Other provisions

The New Intercreditor Agreement also includes provisions relating to:

- redistribution of amounts;
- protection and appointment provisions relating to the Trustees and agents;
- guarantees in respect of hedging agreements;
- accession and resignation of parties; and
- parallel debt claims.

Termination

The New Intercreditor Agreement shall terminate on the date the Security Agent is reasonably satisfied that (i) all liabilities owed by a member of the Group under the Debt Documents (other than the Subordinated Liabilities) have been discharged in full in cash or (ii) there are no cash proceeds or recoveries whatsoever which may be turned over to it and applied by it in accordance with the provisions of the New Intercreditor Agreement.

Governing law

The New Intercreditor Agreement is governed by English law.

Shareholder Convertible Bonds

In connection with the acquisition of the Group by the current shareholders in 2012, on July 17, 2012, the Parent issued €203.3 million aggregate principal amount of convertible bonds (the "**Shareholder Convertible Bonds**") to Lion / Seneca Lux 2 S.A. and Mr. Alain Afflelou, which are convertible into common shares and category D preferred shares of the Parent. The Shareholder Convertible Bonds issued to Mr. Afflelou are held by Holding AA-OC S.à r.l. as of the date hereof. The Shareholder Convertible Bonds bear interest at a fixed rate of 14.0% per annum, which is capitalized on July 31 of each year and payable in full on the maturity date, July 17, 2027. As of July 31, 2017, €305.3 million, including principal and accrued and unpaid interest, was outstanding under the Shareholder Convertible Bonds.

On or prior to the Issue Date, approximately €6 million will be indirectly paid by the Issuer to certain managers of the Group in connection with the partial repayment of the Shareholder Convertible Bonds. As a result, following such payment, €299.2 million of Shareholder Convertible Bonds will remain outstanding.

Assignment of accounts receivable

We use Dailly assignments (*cessions Dailly*), which is a simplified form of assignment of receivables under French law, to assign certain accounts receivable to financial institutions in exchange for the extension of cash advances by such financial institutions. Pursuant to such assignments, franchisees make direct payments on the accounts receivable to the financial institution. If the relevant franchisee has not made payment in full on the accounts receivable by the relevant date, we are required to pay the difference between the amount assigned and the amount already paid to the financial institution by such franchisee. In the year ended July 31, 2017, we utilized these lines for a monthly average of approximately €6.0 million. See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Off-balance sheet commitments*".

Guarantee facilities

Alain Afflelou Franchiseur is party to a number of off-balance sheet guarantee framework agreements with financial institutions (the "**Guarantee Facilities**") pursuant to which it has procured financing facilities making term loans available to franchisees guaranteed by Alain Afflelou Franchiseur up to a certain amount (referred to as a "bill"). This arrangement facilitates access to credit for franchisees. We also assist franchisees in collecting and preparing the necessary documentation to obtain the loan, although the relevant financial institution is responsible for credit approval. Depending on the particular arrangement, funds borrowed under the guarantee facilities can be used by our franchisees for working capital or capital expenditure purposes. The guarantees provided thereunder make Alain Afflelou Franchiseur jointly and severally liable for debt incurred by the relevant franchisees, with our total aggregate commitment capped at a certain amount. The guarantee facilities do not oblige the relevant financial institution to approve any loan applications by franchisees. Our most significant guarantee facilities are only available to our franchisees located in metropolitan France and expressly exclude our directly-owned stores. Our guarantee facilities are governed by French law. As of July 31, 2017, securities and bank guarantees granted to banks financing franchisees totaled €18.7 million.

Intercompany Tax Group Receivable

The Issuer and its Restricted Subsidiaries (including Alain Afflelou Franchiseur) may owe from time to time to the Parent or to LSF2 amounts resulting from the execution, delivery, performance and maintenance of any Tax Sharing Agreement (such receivable, an "**Intercompany Tax Group Receivable**"). Payments under Intercompany Tax Group Receivables will be regulated under the Senior Secured Notes Indenture (see "*Description of the Senior Secured Notes—Limitation on intercompany receivables created under Tax Sharing Agreements*"). As of the Issue Date and as adjusted for the transactions to occur on the Issue Date in connection with the Refinancing, the Parent will own an Intercompany Tax Group Receivable on Alain Afflelou Franchiseur of approximately €10.0 million.

Description of the Senior Secured Notes

You will find definitions of certain capitalized terms used in this Description of the Senior Secured Notes under the heading "Certain definitions". For purposes of this Description of the Senior Secured Notes, (i) references to the "Parent" refer only to Afflelou and not to any of its subsidiaries, (ii) references to the "Issuer" refer only to 3AB Optique Développement and not to any of its subsidiaries and (iii) references to "we", "our", "us" or "Group" refer to the Parent, LSF2, the Issuer and the Issuer's Restricted Subsidiaries.

3AB Optique Développement (the "*Issuer*") will issue € million aggregate principal amount of % senior secured notes due 2023 (the "*Fixed Rate Senior Secured Notes*") and € million aggregate principal amount of floating rate senior secured notes due 2023 (the "*Floating Rate Senior Secured Notes*" and, together with the Fixed Rate Senior Secured Notes, the "*Senior Secured Notes*") under an indenture to be dated , 2017 (the "*Senior Secured Notes Indenture*"), among, *inter alios*, itself, Afflelou (the "*Parent*"), LSF2 and certain subsidiaries of the Issuer that Guarantee the Senior Secured Notes (together with the Parent, the "*Senior Secured Notes Guarantors*"), U.S. Bank Trustees Limited, as trustee (the "*Senior Secured Notes Trustee*") and as security agent (the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended. See *"Notice to investors".*

The Senior Secured Notes Indenture will be unlimited in aggregate principal amount, of which €425 million in aggregate principal amount of Senior Secured Notes will be issued in this offering. We may issue an unlimited aggregate principal amount of additional Senior Secured Notes subject to the provisions of the Senior Secured Notes Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*Certain covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*Certain covenants—Limitation on Liens*") and the provisions described below under "*Additional Senior Secured Notes*". Unless the context otherwise requires, in this Description of the Senior Secured Notes, references to the "Senior Secured Notes" include the Senior Secured Notes and any Additional Senior Secured Notes that are actually issued. The terms of the Senior Secured Notes include those set forth in the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will not be qualified under, or incorporate or include any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

Where the Senior Secured Notes Indenture refers to (a) the delivery of an Officer's Certificate, or equivalent, of the Parent, LSF2 or the Issuer, the Parent, LSF2 or the Issuer, as the case may be, may, at its election, satisfy such delivery requirement by the delivery of a certificate, or equivalent, of an Officer of any of the Parent, LSF2 or the Issuer and (b) except as provided under "*—Certain covenants—Limitation on Affiliate Transactions*", the determination of any of (x) the Issuer or an Officer or the Board of Directors thereof, (y) the Parent or an Officer or the Board of Directors thereof or (z) LSF2 or an Officer or the Board of Directors thereof, may be made by, in each case, any of the Issuer or an Officer or the Board of Directors thereof, the Parent or an Officer or the Board of Directors thereof or LSF2 or an Officer or the Board of Directors thereof (in each case, as applicable), at the Issuer's election.

This Description of the Senior Secured Notes is intended to be an overview of the material provisions of the Senior Secured Notes and the Senior Secured Notes Indenture. Since the following description is only a summary, you should refer to the Senior Secured Notes Indenture, the form of Senior Secured Notes and the New Intercreditor Agreement for complete descriptions of the obligations of the Issuer and the Senior Secured Notes Guarantors and your rights because they, and not this summary, define your rights as Holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, form of Senior Secured Notes and the New Intercreditor Agreement are available as set forth under "*Listing and general information*".

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture.

General

The Senior Secured Notes

The Senior Secured Notes will, upon issuance:

- be general senior, secured obligations of the Issuer;
- be guaranteed on a senior basis by the Senior Secured Notes Guarantors, subject to the limitations described in "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*";
- be secured as set forth below under "*—Security*" along with obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future indebtedness; however, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future indebtedness, have been repaid in full;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the obligations under the New Revolving Credit Facility and certain Hedging Obligations;
- be effectively subordinated to any existing and future Indebtedness of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing and future Indebtedness of Subsidiaries of the Issuer that are not Senior Secured Notes Guarantors, including obligations owed to trade creditors and, to the extent drawings are borrowed by such Subsidiaries, obligations under the New Revolving Credit Facility.

The Senior Secured Notes Guarantees

On the Issue Date, the Senior Secured Notes will be Guaranteed by the Parent (such Guarantee, the "*Parent Guarantee*"), LSF2, Alain Afflelou Franchiseur and L'Opticien Afflelou (collectively, the "*Senior Secured Notes Guarantors*").

Each Senior Secured Notes Guarantee of the Senior Secured Notes will, upon issuance:

- be a general senior obligation of such Senior Secured Notes Guarantor;
- be secured as set forth below under "*—Security*" along with obligations under the New Revolving Credit Facility and certain Hedging Obligations; however, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and certain Hedging Obligations, have been repaid in full;
- rank senior in right of payment to any existing and future Indebtedness of such Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such Senior Secured Notes Guarantor's Senior Secured Notes Guarantee;
- rank *pari passu* in right of payment with any existing and future Indebtedness of such Senior Secured Notes Guarantor that is not expressly subordinated in right of payment to such Senior Secured Notes Guarantor's Senior Secured Notes Guarantee, including obligations under the New Revolving Credit Facility and certain Hedging Obligations;

- be effectively subordinated to any existing and future Indebtedness of such Senior Secured Notes Guarantor and its Subsidiaries that is secured by property or assets that do not secure such Senior Secured Notes Guarantor's Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness, including obligations under the New Revolving Credit Facility; and
- be structurally subordinated to any existing and future Indebtedness of Subsidiaries of such Senior Secured Notes Guarantor that are not Senior Secured Notes Guarantors, including the obligations of such Subsidiaries owed to trade creditors and obligations under the New Revolving Credit Facility.

The obligations of the Senior Secured Notes Guarantors will be contractually limited under the Senior Secured Notes Guarantees to reflect limitations under applicable law. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*" and "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*". In particular, the Senior Secured Notes Guarantees of Alain Afflelou Franchiseur and L'Opticien Afflelou, our main operating Subsidiaries, will be limited to the outstanding amounts under the AAF Proceeds Loan up to a maximum amount of approximately €59.7 million and under the LOA Proceeds Loan up to a maximum amount of approximately €24.2 million, respectively. In certain cases, these limitations may apply to the Senior Secured Notes Guarantees, but not the Senior Secured Notes Guarantors' obligations under other debt, including the New Revolving Credit Facility. For the year ended July 31, 2017, the Issuer and the Senior Secured Notes Guarantors generated 41.6% of the Group's revenue, 67.3% of the Group's Adjusted EBITDA and as of July 31, 2017, constituted 83.3% of the Group's assets (in each case gross of intercompany balances and consolidation eliminations).

Pursuant to the New Intercreditor Agreement, after an acceleration event in respect of the Senior Secured Notes, the New Revolving Credit Facility or other debt subject to the New Intercreditor Agreement, neither the Issuer nor the Senior Secured Notes Guarantors may make payments in respect of the Senior Secured Notes or the Senior Secured Notes Guarantees except in connection with the realization or enforcement of the Senior Secured Notes Collateral or a transaction in lieu of such enforcement or all amounts turned over to the Security Agent as described under "*Description of certain other indebtedness—New Intercreditor Agreement*", in which case such payments will be applied in respect of the New Revolving Credit Facility Agreement, certain Hedging Obligations, if any, and certain other future Indebtedness until such obligations are repaid in full prior to the repayment of the Senior Secured Notes. See "*Description of certain other indebtedness—New Intercreditor Agreement*".

Principal and maturity

The Issuer will issue €   million aggregate principal amount of Fixed Rate Senior Secured Notes on the Issue Date. The Fixed Rate Senior Secured Notes will mature on   , 2023. The Fixed Rate Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer will issue €   million aggregate principal amount of Floating Rate Senior Secured Notes on the Issue Date. The Floating Rate Senior Secured Notes will mature on   , 2023. The Floating Rate Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Fixed Rate Senior Secured Notes

Interest on the Fixed Rate Senior Secured Notes will accrue at the rate of   % per annum. Interest on the Fixed Rate Senior Secured Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on each and , commencing on , 2018;
- be payable to the Holder of record of such Fixed Rate Senior Secured Notes on the Business Day immediately preceding the related interest payment date (except for Definitive Registered Notes, if any are issued under the Senior Secured Notes Indenture, which will have a record date of 15 days prior to any interest payment date as further described under "*—Transfer and Exchange*"); and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Floating Rate Senior Secured Notes

Interest on the Floating Rate Senior Secured Notes will accrue at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to three-month EURIBOR (subject to a 0% floor) *plus* %, as determined by the calculation agent (the "*Calculation Agent*"), which shall initially be Elavon Financial Services DAC, UK Branch. Interest on the Floating Rate Senior Secured Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on each , , and , commencing on , 2018; and
- be payable to the Holder of record of such Floating Rate Senior Secured Notes on the Business Day immediately preceding the related interest payment date (except for Definitive Registered Notes, if any are issued under the Senior Secured Notes Indenture, which will have a record date of 15 days prior to any interest payment date as further described under "*—Transfer and Exchange*").

Set forth below is a summary of certain of the provisions from the Senior Secured Notes Indenture relating to the calculation of interest on the Floating Rate Senior Secured Notes.

"*Determination Date*," with respect to an Interest Period means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"*EURIBOR*," with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Bloomberg Page 248 as of 11:00 a.m. London time, on the Determination Date. If Bloomberg 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 Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m. London time, on such Determination Date, to prime banks in the Euro-zone inter-bank market for deposits in a Representative Amount in euros for a three-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 Issuer, 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 three-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. Notwithstanding the foregoing, if for any Interest Period the rate determined based on the procedure specified in this paragraph is less than 0.0%, EURIBOR shall mean 0.0% for purposes of determining the Applicable Rate for such Interest Period.

"*Euro-zone*" means the region comprised of member states of the European Union that have adopted 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 , 2017 and end on and exclude , 2018.

"*Representative Amount*" means the greater of (x) €1,000,000 and (y) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Reuters Page 248*" means the display page so designated by Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. London time on each Determination Date, determine the Applicable Rate 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 Applicable Rate to the principal amount of each outstanding Floating Rate Senior Secured Note, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate 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 Senior Secured Notes be higher than the maximum rate permitted by applicable law; *provided, however,* that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Floating Rate Senior Secured Notes is permitted by any applicable law.

Payments of Interest on the Senior Secured Notes

The rights of Holders of beneficial interests in the Senior Secured Notes to receive the payments of interest on such Senior Secured Notes are subject to applicable procedures of Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*Clearstream*"). If the due date for any payment in respect of any Senior Secured Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of receiving payments on the Senior Secured Notes

Principal, interest and premium, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Senior Secured Notes represented by one or more Global Notes registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents in the

United Kingdom. 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. See "*—Paying Agent and Registrar for the Senior Secured Notes*".

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more Paying Agents for the Senior Secured Notes, including in the United Kingdom. The initial Paying Agent will be Elavon Financial Services DAC, UK Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") with offices in Ireland. The Issuer will also maintain a transfer agent in the United Kingdom. The initial Registrar will be Elavon Financial Services DAC. The initial transfer agent will be Elavon Financial Services DAC, UK Branch. The Registrar and the transfer agent will maintain a register reflecting ownership of Definitive Registered Notes, if issued, outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Upon demand by the Issuer, the Registrar shall (at the expense of the Issuer) send a copy of the register reflecting ownership of Definitive Registered Notes outstanding from time to time maintained by it to the Issuer and the Issuer shall keep such copy of the register at its registered office.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. For so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange 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 Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and exchange

The Senior Secured Notes will be issued in the form of one or more registered notes in global form without interest coupons attached, as follows:

- Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- Senior Secured Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to Persons that have accounts with Euroclear and/or Clearstream or Persons that may hold interests through such participants.

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 "*Transfer restrictions*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "*144A Book-Entry Interests*") may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation

S Global Notes (the "*Regulation S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Senior Secured Notes, ownership of Regulation S Book-Entry Interests will be limited to Persons that have accounts with Euroclear or Clearstream or Persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer restrictions*".

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Senior Secured Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Senior Secured Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured Notes to be redeemed in part;

(3) for a period of 15 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 Disposition Offer.

The Issuer, the Senior Secured Notes Trustee, the Paying Agent, the Calculation Agent, the Security Agent, the Registrar and any transfer agent will be entitled to treat the registered Holder of a Senior Secured Note as the owner of it for all purposes.

To the extent Definitive Registered Notes have been issued, the Issuer will make each interest payment to the Holders of record of such Definitive Registered Notes on the date that is 15 days prior to any such interest payment date.

Additional Senior Secured Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—Limitation on Liens*", the Issuer is permitted to issue additional Fixed Rate Senior Secured Notes ("*Additional Fixed Rate Senior Secured Notes*") and additional Floating Rate Senior Secured Notes ("*Additional Floating Rate Senior Secured Notes*" and, together with any Additional Fixed Rate Senior Secured Notes, "*Additional Senior Secured Notes*"), which shall have the terms set out in an Officer's Certificate supplied to the Senior Secured Notes Trustee. Such Additional Senior Secured Notes will be treated, along with all other series of Senior Secured Notes, as a single class for the purposes of the Senior Secured Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; *provided* that Additional Senior Secured Notes will not be issued with the same CUSIP, ISIN or common code, as applicable, as existing Senior Secured Notes unless such Additional Senior Secured Notes are fungible with the existing Senior Secured Notes for U.S. federal income tax purposes. In the Issuer's sole discretion, the aforementioned Officer's Certificate may include provisions pertaining to the redemption of such Additional Senior Secured Notes, in whole or in part, including, but not limited to, any special mandatory redemption in the event that the release from any escrow into which proceeds of the issuance of such Additional Senior Secured Notes are deposited is conditioned on the consummation of any acquisition, Investment, refinancing or other transaction (such redemption, a "*Special Mandatory Redemption*"). In addition, such Officer's Certificate may include provisions pursuant to which such Additional Senior Secured Notes are issued bearing a temporary CUSIP, ISIN or common code pending the satisfaction of certain conditions, such as the consummation of an acquisition, and such Additional Senior Secured Notes bearing a temporary CUSIP, ISIN or common code may be automatically exchanged for new Additional Senior Secured Notes bearing the same ISIN or common code as the Senior Secured Notes issued on the Issue Date; *provided* that such Additional Senior Secured Notes are fungible with the Senior Secured Notes issued on the relevant issue date for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Senior Secured Notes Indenture and this Description of the Senior Secured Notes, references to "Senior Secured Notes" shall be deemed to include references to the Senior Secured Notes initially issued on the Issue Date as well as any Additional Senior Secured Notes.

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Issuer's direct and indirect Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*—Certain definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Senior Secured Notes Indenture. The Unrestricted Subsidiaries will not Guarantee the Senior Secured Notes.

Senior Secured Notes Guarantees

General

The Senior Secured Notes will be Guaranteed by each Senior Secured Notes Guarantor. These Senior Secured Notes Guarantees will be joint and several obligations of the Senior Secured Notes Guarantors. Each Senior Secured Notes Guarantee is a full and unconditional Guarantee of the Issuer's obligations under the Senior Secured Notes, subject to the contractual limitations discussed below.

The obligations of the Senior Secured Notes Guarantors will be contractually limited under the applicable Senior Secured Notes Guarantees to reflect limitations under applicable law and the Agreed Security Principles with respect to, among other things, maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to the Senior Secured Notes Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*".

Not all of the Issuer's Subsidiaries will Guarantee the Senior Secured Notes. In the event of a bankruptcy, liquidation, winding up or reorganization of any of these non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer.

As the Issuer has limited assets of its own other than its shares in its Subsidiaries, the Issuer is dependent upon its Subsidiaries for cash to service interest, principal and other payments on the Senior Secured Notes. The operations of the Issuer are conducted primarily through its Subsidiaries and therefore the Issuer depends on the cash flow of such Subsidiaries to possess adequate cash to ensure it can meet its obligations under the Senior Secured Notes. The Senior Secured Notes and the Senior Secured Notes Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Guarantor Subsidiaries. Any right of the Issuer or any Senior Secured Notes Guarantor to receive assets of any of its non-Guarantor Subsidiaries upon that non-Guarantor Subsidiary's liquidation, winding up or reorganization (and the consequent right of the holders of the Senior Secured Notes to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Senior Secured Notes Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the Issuer or such Senior Secured Notes Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Guarantor Subsidiary and any Indebtedness of the non-Guarantor Subsidiary senior to that held by the Issuer or such Senior Secured Notes Guarantor. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the non-Guarantor Subsidiaries*".

Subsequent Senior Secured Notes Guarantees

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Senior Secured Notes (an "*Additional Senior Secured Notes Guarantor*") by causing it to execute and deliver to the Senior Secured Notes Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture, pursuant to which such Restricted Subsidiary will become a Senior Secured Notes Guarantor.

Each Additional Senior Secured Notes Guarantor will, jointly and severally with the Senior Secured Notes Guarantors and each other Additional Senior Secured Notes Guarantor, irrevocably Guarantee (each Guarantee, an "*Additional Senior Secured Notes Guarantee*"), as primary obligor and not merely as surety, on a senior 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 Senior Secured Notes Indenture and the Senior Secured Notes, whether for payment of principal of, or interest on or in respect of, the Senior Secured Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Senior Secured Notes Guarantor will be contractually limited under its Additional Senior Secured Notes Guarantee to reflect limitations under applicable law and the Agreed Security Principles, including restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, maintenance of share capital, retention of title claims and similar principles applicable to such Additional Senior Secured Notes Guarantor and its shareholders, directors and general partner. Any Additional Senior Secured Notes Guarantee shall be issued on substantially the same terms as the Senior Secured Notes Guarantees (subject to the foregoing contractual limitations). For purposes of the Senior Secured Notes Indenture and this Description of the Senior Secured Notes, references to the Senior Secured Notes Guarantees include references to any Additional Senior Secured Notes Guarantees and references to the Senior Secured Notes Guarantors include references to any Additional Senior Secured Notes Guarantors.

Releases

Each Senior Secured Notes Guarantee, except for the Parent Guarantee and the Senior Secured Notes Guarantee of LSF2, will be released:

(1) upon a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Senior Secured Notes Guarantor (whether by direct sale or sale of a holding company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "*—Limitation on sales of assets and subsidiary stock*" covenant below and such that the relevant Senior Secured Notes Guarantor no longer remains a Restricted Subsidiary;

(2) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Senior Secured Notes Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "*—Limitation on sales of assets and subsidiary stock*" covenant below;

(3) upon the designation in accordance with the Senior Secured Notes Indenture of such Senior Secured Notes Guarantor as an Unrestricted Subsidiary;

(4) upon defeasance or discharge of the Senior Secured Notes, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*";

(5) in accordance with the provisions of the New Intercreditor Agreement or an Additional Intercreditor Agreement relating to the release of a Senior Secured Notes Guarantee on an enforcement sale or other disposal of such Senior Secured Notes Guarantor;

(6) as described under "*—Amendments and waivers*";

(7) with respect to an Additional Senior Secured Notes Guarantee given under the "*—Additional Senior Secured Notes Guarantees*" covenant below, upon release of the Guarantee that gave rise to the requirement to issue such Additional Senior Secured Notes Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Senior Secured Notes Guarantee is at that time Guaranteed by the relevant Senior Secured Notes Guarantor;

(8) with respect to any Senior Secured Notes Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a Permitted Reorganization or a transaction permitted by the "*—Merger and consolidation—The*

Senior Secured Notes Guarantors" covenant below and the Senior Secured Notes Indenture; or

(9) upon the full and final payment and performance of all obligations of the Issuer and the Senior Secured Notes Guarantors under the Senior Secured Notes Indenture and the Senior Secured Notes.

The Parent Guarantee and the Note Guarantee of LSF2 will be released upon the occurrence of any event described in clauses (4), (5), (6), (8) or (9) above.

The Senior Secured Notes Trustee and the Security Agent (as applicable) shall, subject to receipt of certain documents from the Issuer and/or Senior Secured Notes Guarantors, and subject to the terms of the New Intercreditor Agreement, each take all necessary actions reasonably requested by the Issuer, including the granting of releases or waivers under the New Intercreditor Agreement, to effectuate any release of a Senior Secured Notes Guarantee of a Senior Secured Notes Guarantor in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Secured Notes Trustee without the consent of the Holders or any action on the part of the Senior Secured Notes Trustee. Neither the Senior Secured Notes Trustee nor the Issuer will be required to make a notation on the Senior Secured Notes to reflect any such release, termination or discharge.

Security

General

As of the Issue Date, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured by shared first-ranking security interests over (i) pledges of certain securities accounts relating to all securities issued by or held in LSF2 and the Issuer and shares held in Alain Afflelou Franchiseur and L'Opticien Afflelou; (ii) pledges of certain bank accounts of the Parent, LSF2, the Issuer, Alain Afflelou Franchiseur and L'Opticien Afflelou and (iii) pledges of certain intercompany receivables of the Parent, LSF2, the Issuer, Alain Afflelou Franchiseur and L'Opticien Afflelou (the "*Senior Secured Notes Collateral*"), each on a shared first-ranking basis, along with obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations. However, pursuant to the New Intercreditor Agreement, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and certain Hedging Obligations and, if any, certain other Indebtedness, have been repaid in full.

The liens on the Senior Secured Notes Collateral to secure the Senior Secured Notes and the Senior Secured Notes Guarantees are referred to herein collectively as the "*Security Interest*". Any other property or assets over which Security Interest may in the future be granted to secure obligations under the Senior Secured Notes and the Senior Secured Notes Indenture would also constitute "Senior Secured Notes Collateral".

The Senior Secured Notes Collateral will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to security providers and their shareholders, directors and general partners. For a description of such contractual limitations, see "*Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests*". The grant and control of the security will also be subject to certain Agreed Security Principles. The Agreed Security Principles provide that certain assets will not be pledged (or the Liens not perfected), including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders;

- if there is material incremental cost involved in creating security over all assets of a Senior Secured Notes Guarantor in a particular category of assets, only the material assets in that category will be subject to security;

- if providing such security would require consent of any person, subject to certain obligations to take steps to obtain such consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend to the material detriment of the Issuer or any of the Issuer's Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;

- if providing such security (i) would be prohibited by statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction (after the use of reasonable endeavors to overcome the relevant legal limitation, if possible), (ii) would be outside the applicable pledgor's capacity or conflict with its fiduciary duties, or (iii) could result in any risk or liability for the officers, directors or shareholders;

- if in certain jurisdictions it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets; and

- no perfection action will be required in jurisdictions where a Senior Secured Notes Guarantor is not located but perfection action may be required in the jurisdiction of one Senior Secured Notes Guarantor in relation to security granted by another Senior Secured Notes Guarantor located in a different jurisdiction and (where otherwise consistent with the Agreed Security Principles) in any supranational registries agreed between the Issuer and the Security Agent from time to time.

The Agreed Security Principles with respect to the Senior Secured Notes will be interpreted and applied in good faith by the Issuer.

The Liens securing the Senior Secured Notes and the Senior Secured Notes Guarantees will also secure the obligations of the Issuer and the Senior Secured Notes Guarantors under the New Revolving Credit Facility and, if any, certain Hedging Obligations or certain other future Indebtedness; *provided, however*, that Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the New Revolving Credit Facility and, if any, certain Hedging Obligations or certain other future Indebtedness, have been repaid in full. In addition, subject to certain conditions, including compliance with the "*—Impairment of Security Interest*" covenant below, each of the Issuer and the Senior Secured Notes Guarantors is permitted to pledge the Senior Secured Notes Collateral in connection with future Incurrences of Indebtedness, including any Additional Senior Secured Notes, in each case, permitted under the Senior Secured Notes Indenture and other Indebtedness of members of the Group and on terms consistent with the relative priority in right of payment of such Indebtedness under the Senior Secured Notes Indenture and the New Intercreditor Agreement.

In addition to the release provisions described below, the Security Interest will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Senior Secured Notes as provided in "*—Defeasance*" or *"—Satisfaction and discharge*", in each case in accordance with the terms and conditions of the Senior Secured Notes Indenture.

There can be no assurance that the proceeds from the sale of the Senior Secured Notes Collateral would be sufficient to satisfy the obligations owed to the Holders, and the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes

Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Senior Secured Notes and the disposition of assets comprising the Senior Secured Notes Collateral, subject to the terms of the Senior Secured Notes Indenture. No appraisals of the Senior Secured Notes Collateral have been made in connection with this offering of the Senior Secured Notes. By its nature, some or all of the Senior Secured Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Senior Secured Notes Collateral may not be able to be sold in a short period of time, or at all. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—It may be difficult to realize the value of the Collateral securing the Notes*". In addition, the New Intercreditor Agreement places limitations on the ability of the Security Agent to release the Security Interest, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Senior Secured Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of certain other indebtedness—New Intercreditor Agreement*".

Subject to the terms of the Security Documents and prior to enforcement of any such Senior Secured Notes Collateral, the Issuer and the Senior Secured Notes Guarantors, as the case may be, will have the right to remain in possession and retain exclusive control of the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, to freely operate the Senior Secured Notes Collateral and to collect, invest and dispose of any income therefrom and, in respect of the shares that are part of the Senior Secured Notes Collateral, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing).

The creditors under the New Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Secured Notes Collateral, if any, and the Senior Secured Notes Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent and security agent under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The creditors under the New Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Secured Notes Collateral, if any, and the Senior Secured Notes Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the New Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Further, the Senior Secured Notes Indenture will also provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the New Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). See "*Description of certain other indebtedness—New Intercreditor Agreement*".

Security Documents

Under the Security Documents, the Issuer and the Senior Secured Notes Guarantors will grant security over the Senior Secured Notes Collateral to secure the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and the obligations of the Senior Secured Notes Guarantors under their respective Senior Secured Notes Guarantees and the Senior Secured Notes Indenture. The Security Documents will be entered into by, *inter alios*, the relevant security provider and the Security Agent.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Senior Secured Notes Trustee and the Holders. The Security Agent will also act on behalf of the lenders under the New Revolving Credit Facility and the counterparties under certain Hedging Obligations (who will have the equal and ratable benefit of the same Senior Secured Notes Collateral). The Security Agent will also act on behalf of certain future secured creditors.

The Security Documents provide that the rights with respect to the Senior Secured Notes Collateral must be exercised by the Security Agent or the parties to the Security Documents. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

The Security Agent will agree to any release of the Security Interest created by the Security Documents that is in accordance with the Senior Secured Notes Indenture and the New Intercreditor Agreement without requiring any consent of the Holders. See *"—Release of Liens" and "Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically and under which the Guarantees will be released automatically, without your consent or the consent of the Trustee*". In addition, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien). The Security Agent will commence enforcement action under the Security Documents only in accordance with the terms of the New Intercreditor Agreement. See "*—Enforcement of Security Interest*".

In the event that any of the Parent, the Issuer, or any of the Senior Secured Notes Guarantors enters into insolvency, bankruptcy, dissolution, *gestion controlée*, *liquidation judiciaire*, *faillite déclarée* or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the New Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the New Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws and other limitations on the Guarantees or the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes or security interests in the Collateral*".

Release of Liens

The Issuer and the Senior Secured Notes Guarantors will be entitled, in addition to the circumstances described above, to require the Security Agent to release the Security Interest in respect of the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees under any one or more of the following circumstances:

(1) in the case of Senior Secured Notes Collateral owned by the Issuer or a Restricted Subsidiary of the Issuer, in connection with any sale or disposition of such property or assets to (a) any Person that is not the Issuer or a Restricted Subsidiary either before or after giving effect to such transaction, if such sale or other disposition does not violate the "*—Limitation on sales of assets and subsidiary stock*" covenant below or (b) to the Issuer or any Senior Secured Notes Guarantor; *provided* that such transfer is otherwise in compliance with the Senior Secured Notes Indenture and, in the case of clause (b), immediately following such sale or disposition, a Lien of at least equivalent ranking over the same assets or property exists or is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Secured Notes Trustee for the Holders);

(2) in connection with the release of a Senior Secured Notes Guarantor from its Senior Secured Notes Guarantee pursuant to the terms of the Senior Secured Notes Indenture,

the release of the property and assets, and Capital Stock, of such Senior Secured Notes Guarantor;

(3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*";

(5) in compliance with the provisions of the New Intercreditor Agreement or any Additional Intercreditor Agreement relating to disposals of assets subject to security (see "*Description of certain other indebtedness—New Intercreditor Agreement*");

(6) (i) in accordance with "*—Amendments and waivers*", (ii) in accordance with the "*—Impairment of Security Interest*" covenant below and (iii) in accordance with the second paragraph under the "*—Limitation on Liens*" covenant below so long as immediately after the release there is no other Indebtedness secured by a Lien on the property or assets that was the subject of the Initial Lien that would result in the requirement for the Senior Secured Notes and the Senior Secured Notes Guarantees to be secured equally and ratably with, or prior to, such Lien;

(7) in order to effectuate a Permitted Reorganization or a merger, consolidation, conveyance or transfer conducted in compliance with the "*—Merger and consolidation*" covenant below; *provided* that following such Permitted Reorganization or merger, consolidation, conveyance or transfer, a Lien of at least equivalent ranking over the same assets or property is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Secured Notes Trustee for the Holders) to the extent such assets or property continue to exist as assets or property of the Parent, LSF2, the Issuer or a Restricted Subsidiary of the Issuer;

(8) upon the full and final payment and performance of all obligations of the Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes; or

(9) as otherwise permitted in accordance with the Senior Secured Indenture.

The Security Agent and the Senior Secured Notes Trustee (only if required) will take all necessary action reasonably requested by the Issuer required to effectuate any release of Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the New Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Documents. Each of the releases set forth above shall be permitted to be effected by the Security Agent without the consent of the Holders or any action on the part of the Senior Secured Notes Trustee.

Enforcement of Security Interest

The ability of the Security Agent to enforce any Security Interest is restricted by the terms of the New Intercreditor Agreement by reference to the interests of the lenders under the New Revolving Credit Facility and the counterparties to certain Hedging Obligations. See "*Description of certain other indebtedness—New Intercreditor Agreement*". It may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Senior Secured Notes Collateral in compliance with the Senior Secured Notes Indenture and the New Intercreditor Agreement.

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with the "*—Additional Intercreditor Agreements*" covenant below.

To establish the relative rights of certain creditors of the Issuer and the Senior Secured Notes Guarantors under our financing arrangements, including, without limitation, the Senior Secured Notes, the New Revolving Credit Facility and, if any, certain Hedging Obligations and certain other future Indebtedness, the Issuer and the Senior Secured Notes Guarantors, the agent under the New Revolving Credit Facility, the Senior Secured Notes Trustee and the Security Agent will enter into the New Intercreditor Agreement. See "*Description of certain other indebtedness—New Intercreditor Agreement*". Pursuant to the terms of the New Intercreditor Agreement, any liabilities in respect of obligations under the New Revolving Credit Facility and any Credit Facilities Incurred pursuant to clause (1) of the second paragraph of the "*—Limitation on Indebtedness*" covenant below, any Hedging Obligations Incurred pursuant to clause (6) of the second paragraph of the "*—Limitation on Indebtedness*" covenant below and any liabilities in respect of obligations Incurred pursuant to clause (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant below and permitted to be secured on the Senior Secured Notes Collateral (see "*—Certain definitions—Permitted Collateral Liens*") will receive priority with respect to any proceeds received upon enforcement of any Senior Secured Notes Collateral and certain distressed disposals; *provided*, *however*, that as long as the New Revolving Credit Facility has not been cancelled, discharged or otherwise terminated, the amount of Hedging Obligations permitted to receive such priority will be limited. Any proceeds received upon any enforcement over any Senior Secured Notes Collateral and certain distressed disposals, after all obligations under the New Revolving Credit Facility have been repaid and such Hedging Obligations and other obligations, if any, have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees and any other obligations of the Issuer and the Senior Secured Notes Guarantors permitted to be Incurred and secured by the Senior Secured Notes Collateral on a *pari passu* basis pursuant to the Senior Secured Notes Indenture and the New Intercreditor Agreement.

Optional Redemption

Optional redemption of Fixed Rate Senior Secured Notes

Except as described below and except as described under "*—Redemption for taxation reasons*", the Fixed Rate Senior Secured Notes are not redeemable until , 2020. On and after , 2020, the Issuer may redeem all or, from time to time, part of the Fixed Rate Senior Secured Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, 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 redeemed during the twelve-month period beginning on for the years indicated below:

Year	Redemption Price
2020	%
2021	%
2022 and thereafter	100.000%

Prior to , 2020, the Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of the Fixed Rate Senior Secured Notes (including the aggregate principal amount of any Additional Fixed Rate Senior Secured Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of % of the principal amount thereof, *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, 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); *provided* that:

(1) at least 60% of the original aggregate principal amount of the Fixed Rate Senior Secured Notes (including the aggregate principal amount of any Additional Fixed Rate Senior Secured Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 120 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph 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 the completion of the related Equity Offering.

In addition, prior to , 2020, the Issuer may redeem all or, from time to time, a part of the Fixed Rate Senior Secured Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof *plus* the Fixed Rate Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, 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). Any such redemption and notice may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Optional redemption of Floating Rate Senior Secured Notes

Except as described below and except as described under "*—Redemption for taxation reasons*", the Floating Rate Senior Secured Notes are not redeemable until , 2018. On and after , 2018, the Issuer may redeem all or, from time to time, part of the Floating Rate Senior Secured Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, 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 redeemed during the twelve-month period beginning on for the years indicated below:

Year	Redemption Price
2018	101.000%
2019 and thereafter	100.000%

In addition, prior to , 2018, the Issuer may redeem all or, from time to time, a part of the Floating Rate Senior Secured Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Floating Rate Senior Secured Notes redeemed *plus* the Floating Rate Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, 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).

General

The Issuer may repurchase Senior Secured Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*—Selection and notice*" below.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

If the Issuer effects an optional redemption of the Senior Secured Notes, it will, for so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, as soon as reasonably practicable after the applicable redemption date inform the Irish Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Senior Secured Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes will be subject to redemption by the Issuer.

Sinking fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

Redemption at maturity

On   , 2023, the Issuer will redeem the Senior Secured Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and notice

If less than all the Senior Secured Notes is to be redeemed at any time, the Registrar or the Paying Agent will select Senior Secured Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Secured Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Senior Secured Notes are not so listed or such exchange prescribes no method of selection and the Senior Secured Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection based on a method that most nearly approximates a *pro rata* selection as the Registrar or the Paying Agent (as applicable) deems fair and appropriate; *provided, however*, that no Senior Secured Note of €100,000 in principal amount or less shall be redeemed in part and only Senior Secured Notes in integral multiples of €1,000, will be redeemed. Neither the Senior Secured Notes Trustee, the Paying Agent, nor the Registrar will be liable for any selections made in accordance with this paragraph.

So long as any Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the Holders of the relevant Senior Secured Notes shall to the extent and in the manner permitted by such rules, be posted on the official website of the Irish Stock Exchange (*www.ise.ie*) concurrently with the notice delivered via mail or through Euroclear and Clearstream or as soon as reasonably practicable thereafter and in addition to such release, not less than 10 nor more than 60 days prior to the redemption date, the Issuer shall mail such notice to Holders by first class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange. For Senior Secured Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Senior Secured Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

Redemption for taxation reasons

The Issuer may redeem the Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Senior Secured Notes (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any to, but excluding, the date fixed for redemption (a "*Tax Redemption Dat*e") (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, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, on or after such later date); or

(2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, on or after such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer or any Senior Secured Notes Guarantor is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or such Senior Secured Notes Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and notice*".

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Senior Secured Notes Guarantor would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of such Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Senior Secured Notes Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and that it or the relevant Senior Secured Notes Guarantor would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Senior Secured Notes Trustee to the effect that the Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Senior Secured Notes Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and compliance with the Senior Secured Notes Indenture, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply (a) to any Senior Secured Notes Guarantor only if the payment giving rise to such requirement cannot be made by the Issuer or another Senior Secured Notes Guarantor without the obligation to pay Additional Amounts and (b) *mutatis mutandis* to any successor Person and to any jurisdiction in which any successor Person is incorporated or organized or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Secured Notes or any Senior Secured Notes Guarantee is made by or on behalf of such successor Person and any political subdivision or taxing authority or agency thereof or therein.

Withholding taxes

All payments made by or on behalf of the Issuer or any Senior Secured Notes Guarantor thereto (each, a "*Payor*") on the Senior Secured Notes or any Senior Secured Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by:

(1) any jurisdiction in which a Payor is then incorporated, organized, or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(2) any jurisdiction from or through which any payment on any such Senior Secured Note or Senior Secured Notes Guarantee is made by or on behalf of such Payor (including, without limitation, the jurisdiction of any Paying Agent for the Senior Secured Notes), or any political subdivision or governmental authority thereof or therein having the power to tax (each of clauses (1) and (2), a "*Relevant Taxing Jurisdiction*"),

will at any time be required in respect of any payments made by or on behalf of a Payor under or with respect to any Senior Secured Note or Senior Secured Notes Guarantee, including, without limitation, payments of principal, redemption price, purchase price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holder after such withholding, deduction or imposition (including any such deduction, withholding or imposition in respect of such Additional Amounts), will equal the amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(a) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any actual or deemed present or former connection between the relevant Holder or the beneficial owner of a Senior Secured Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, place of business or place of management in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition or ownership of a Senior Secured Note or the receipt of any payment in respect of, or the enforcement of, the Senior Secured Notes or any Senior Secured Notes Guarantee;

(b) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a written request of any Payor addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request) to comply with any certification, information, documentation or other reporting requirements, which are required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes imposed by the Relevant Taxing Jurisdiction, but only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation;

(c) any Taxes that are required to be paid other than by deduction or withholding from a payment on the Senior Secured Notes or any Senior Secured Notes Guarantee;

(d) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Tax;

(e) any Taxes imposed on a payment on a Senior Secured Note presented for payment (where presentation is permitted or required for payment) to a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Secured Note to another Paying Agent; or

(f) any Taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Code (or any amended or successor version of such sections), the Treasury regulations thereunder, any official interpretations thereof or any similar law or regulations adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(g) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Senior Secured Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30-day period).

In addition, such Additional Amounts shall not be paid with respect to any payment to any Holder who is a fiduciary or a partnership or any person other than the beneficial owner of such Senior Secured Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Senior Secured Notes would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Senior Secured Notes directly.

The Payor or the applicable withholding agent will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will (i) use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment by the Payor of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction or, if notwithstanding such Payor's efforts to obtain such tax receipts, such tax receipts are not obtained, then such other evidence of payment of such Taxes by the Payor as is reasonably satisfactory to the Senior Secured Notes Trustee and (ii) will provide such certified copies or such evidence of payment to the Senior Secured Notes Trustee, within a reasonable time after the date the payment of any

Taxes so deducted or withheld is made. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Senior Secured Notes Trustee by the Holders upon request and will be made available at the offices of the Listing Agent if the Senior Secured Notes are then listed on the Irish Stock Exchange.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or Senior Secured Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Senior Secured Notes Trustee 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 Paying Agent to pay Additional Amounts to Holders or the beneficial owner on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Senior Secured Notes Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever there are mentioned, in any context in any of the Senior Secured Notes Indenture, the Senior Secured Notes Guarantees or this Description of the Senior Secured Notes: (1) the payment of principal, (2) purchase price in connection with a purchase of Senior Secured Notes, (3) interest, or (4) any other amount payable on or with respect to the Senior Secured Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any reasonable expenses related thereto) that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, initial resale, or registration or any payments under or with respect to any Senior Secured Notes, the Senior Secured Notes Indenture, any Senior Secured Notes Guarantee or any other document or instrument in relation thereto, or in any tax jurisdiction on the enforcement of any of the foregoing (other than on a transfer of Senior Secured Notes other than the initial resale by the Initial Purchasers or any payments under or with respect thereto) and the Payor agrees to indemnify the Holders for any such Taxes paid by or on behalf of such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, and any transfer by a Holder or beneficial owner of its Senior Secured Notes, and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to the Payor is incorporated or otherwise considered to be a tax resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Secured Notes or any Senior Secured Notes Guarantee is made by or on behalf of such successor and any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of each Note, *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); *provided, however*, that the Issuer shall not be obliged to repurchase Senior Secured Notes as described under this heading, "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes as described under "*—Optional redemption*" and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes as described under "*—Optional redemption*" and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Senior Secured Notes, by mail or otherwise in accordance with the procedures set forth in the Senior Secured Notes Indenture, with a copy to the Senior Secured Notes Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*") and the record date;

(3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Senior Secured Notes Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Secured Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes so tendered;

(3) deliver or cause to be delivered to the Senior Secured Notes Trustee an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Senior Secured Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail (or cause to be delivered), at the Issuer's expense, to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Secured Notes, and the Senior Secured Notes Trustee will, at the Issuer's expense, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Irish Stock Exchange (*www.ise.ie*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Senior Secured Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Senior Secured Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Secured Notes Indenture by virtue of the conflict.

The Issuer's ability to repurchase Senior Secured Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the New Revolving Credit Facility. In addition, certain events that may constitute a change of control under the New Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Senior Secured Notes Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—We may not have the ability to raise the funds necessary to* *finance an offer to repurchase the Notes upon the occurrence of a Change of Control as required by the Indenture, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*".

In addition, the definitions of "Change of Control" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions of the Senior Secured Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in aggregate principal amount of the Senior Secured Notes.

Certain covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any of its Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Parent for the 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 would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of (x) €50 million and (y) 60.5% of Consolidated EBITDA, *provided,* that any Indebtedness Incurred pursuant to this clause (1) may be refinanced at any time if such refinancing does not exceed the greater of (I) the aggregate principal amount of Indebtedness permitted to be Incurred pursuant to this clause (1) on the date of such refinancing and (II) the aggregate principal amount of the Indebtedness being refinanced at such time (together with an amount necessary to pay accrued and unpaid interest and any fees and expenses, including any premium and defeasance costs, indemnity fees, discounts, premiums and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable in connection with such refinancing);

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture (other than pursuant to this clause (2)); *provided* that, if Indebtedness being Guaranteed is subordinated to or *pari passu* with the Senior Secured Notes or a Senior Secured Notes Guarantee, then the Guarantee must be subordinated

or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed; and

(b) without limiting the "*—Limitation on Liens*" covenant, Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture (other than pursuant to this clause (2));

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

(a) (1) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and (2) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause by the Issuer or such Restricted Subsidiary, as the case may be; and

(b) if the Issuer or a Senior Secured Notes Guarantor is the obligor on such Indebtedness and the obligee is not the Issuer or a Senior Secured Notes Guarantor, such Indebtedness must be (a) unsecured and (b) except in respect of intercompany current liabilities Incurred in the ordinary course of business, if the aggregate principal amount of such Indebtedness of the Issuer or such Senior Secured Notes Guarantor exceeds €2.5 million, to the extent legally permitted expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Secured Notes or the applicable Senior Secured Notes Guarantee, in the case of the Senior Secured Notes Guarantors and such condition shall be deemed to be satisfied if such obligor accedes to the New Intercreditor Agreement as a debtor;

(4) (a) Indebtedness represented by the Senior Secured Notes (other than any Additional Senior Secured Notes) and the Senior Secured Notes Guarantees thereof, (b) any Indebtedness (other than Indebtedness described in clauses (1), (3) and (4)(a) of this paragraph) entered into or outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in sub- clauses (a), (b) and (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness of (x) the Issuer or any of its Restricted Subsidiaries Incurred to finance an acquisition or (y) Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated, amalgamated with or into the Issuer or any of its Restricted Subsidiaries in accordance with the terms of the Senior Secured Notes Indenture; *provided, however*, that after giving effect to such acquisition or merger, consolidation or amalgamation either: (a) the Issuer 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 paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Parent would not be less than it was immediately prior to giving effect to such acquisition or merger, consolidation or amalgamation;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness (*provided* that, in each case, the Indebtedness exists on the date of such purchase, lease, rental, construction, design, installation or improvement or is created within 180 days thereafter), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (x) €15 million and (y) 18.0% of Consolidated EBITDA;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other Guarantees or other similar bonds, instruments or obligations and completion Guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or Guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, Guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 60 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) any cash management, cash pooling or netting or setting off arrangements in the ordinary course of business and (e) Indebtedness representing deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Entity, the Issuer or any of its Subsidiaries in the ordinary course of business or consistent with past practice;

(9) Indebtedness arising from agreements providing for customary Guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness in connection with any such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) take-or-pay obligations, customer deposits and advance payments received in the ordinary course of business consistent with past practice from customers for goods purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business on arm's length commercial terms;

(11) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Issuer or any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and(10) of the second paragraph of the "*—Limitation on Restricted Payments*" covenant below to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (11) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the "*—Limitation on Restricted Payments*" covenant below in reliance thereon;

(12) any Guarantees by the Issuer or any Senior Secured Notes Guarantor of Parent Debt, the net proceeds of which have been lent to the Issuer pursuant to an Issuer Proceeds Loan; *provided* that such Issuer Proceeds Loan has been Incurred in compliance with this covenant other than this clause (12); *provided, further,* that such Guarantees are subordinated to the Senior Secured Notes and the Senior Secured Notes Guarantees, as applicable, pursuant to the New Intercreditor Agreement or an Additional Intercreditor Agreement and that such Issuer Proceeds Loan is pledged to secure the Senior Secured Notes and the Senior Secured Notes Guarantees on a senior basis in accordance with the New Intercreditor Agreement and any Additional Intercreditor Agreement;

(13) Indebtedness of the Issuer or any Restricted Subsidiary consisting of local lines of credit and overdraft facilities in an aggregate amount at any time outstanding not exceeding the greater of (x) €5 million and (y) 6.0% of Consolidated EBITDA in the aggregate outstanding at any one time;

(14) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and

(15) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed the greater of (x) €40 million and (y) 48.0% of Consolidated EBITDA.

For purposes of determining compliance with, and the outstanding amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in

its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that (a) all Indebtedness outstanding under the New Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and may not be reclassified and (b) all Senior Secured Indebtedness Incurred under clause (1) or (7) of the second paragraph of this covenant that is secured by Liens on Senior Secured Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Senior Secured Collateral under the New Intercreditor Agreement or any Additional Intercreditor Agreement pursuant to clause (1) or (7) of the second paragraph may not be reclassified;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greatest of (x) the maximum mandatory redemption, (y) repurchase price (not including, in either case, any redemption or repurchase premium) and (z) the liquidation preference thereof;

(5) when calculating the availability under any basket or ratio under the Senior Secured Notes Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; provided, further, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Senior Secured Notes Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such

provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) for the purposes of determining "Consolidated EBITDA" under clause (1)(y) of the second paragraph of this covenant, (i) *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio of the Parent and (ii) Consolidated EBITDA shall be measured for the most recently ended four full fiscal quarters for which internal financial statements are available.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". The amount of any Indebtedness outstanding as of any date will be: (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS and (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness. For the purposes of determining any particular amount of Indebtedness under this "*—Limitation on Indebtedness*" covenant, obligations with respect to letters of credit, Guarantees or Liens, in each case supporting Indebtedness otherwise included in the determination of such particular amount will not be included.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; or

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or any Restricted Subsidiary of the Issuer on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent Entity of the Issuer, any ManCo or any Holding AA Entity held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the "*—Limitation on Indebtedness*" covenant) or make any cash interest payment or any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(4) make any Restricted Investment in any Person (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the succeeding paragraph), (10), (21)(i)(A) and (21)(ii) of the succeeding paragraph, but excluding all other Restricted Payments permitted by the succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing immediately after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Parent are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit); *plus*

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions); *plus*

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the succeeding paragraph and (y) Excluded Contributions or Parent Debt Contributions; *plus*

(iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Issue Date; *provided,* *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv); *plus*

(v) the amount of the cash and the fair market value of property or assets or 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 or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary;

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v); *further provided* that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset at zero and all references to the Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event; *further provided* that notwithstanding the foregoing, (x) any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or marketable securities received from the Initial Investors in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control, (2) the purpose of the receipt of such Net Cash Proceeds or marketable securities was to reduce the Consolidated Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or marketable securities and (3) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of the Senior Secured Notes Indenture and (y) Excluded Amounts shall be limited to the amount of Net Cash Proceeds or marketable securities necessary to reduce the Consolidated Net Leverage Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of Net Cash Proceeds or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith; *provided* that any determination of the fair market value of such property or assets in excess of €10 million shall be made solely by the Board of Directors of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded

Amounts or a Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph describing this covenant or to be net cash proceeds from an Equity Offering for the purposes of the "Optional Redemption" provisions of the Senior Secured Notes;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the "*—Limitation on Indebtedness*" covenant above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the "*—Limitation on Indebtedness*" covenant above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on sales of assets and subsidiary stock*" below, but only if the Issuer shall have complied with the terms described under "*—Limitation on sales of assets and subsidiary stock*" and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to or substantially concurrently with purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;

(b) 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 (i) if required, if the Issuer shall have complied with the terms described under "*—Change of Control*" and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to or substantially concurrently with purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant or the redemption, repurchase or retirement of Indebtedness if, at the date of any redemption notice, such payment would have complied with the provisions of the Senior Secured Notes Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity, any ManCo or any Holding AA Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent Entity, any ManCo, any Holding AA Entity, or any entity formed for the purpose of investing in Capital Stock of the Issuer to permit any Parent Entity, any ManCo, any Holding AA Entity or such other entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity, any ManCo or any Holding AA Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity, any ManCo or any Holding AA Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €7.5 million, *plus* €2.0 million multiplied by the number of fiscal years that have commenced since the Issue Date, *plus* (2) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity, a ManCo or a Holding AA Entity) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions, Excluded Amounts or Parent Debt Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the "*—Limitation on Indebtedness*" covenant above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent Entity, any ManCo or any Holding AA Entity or other payments by the Issuer or any Restricted Subsidiary to Affiliates in amounts not to exceed (without duplication) the following amounts (rounded up to the next higher hundred thousand euro):

(a) any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Refinancing or (ii) to the extent specified in clauses (2), (3), (5), (7), (11), (12), (13) and (16) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (x) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution, Excluded Amount or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the

Issuer and (y) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.00; *provided, further* that, if such Public Offering was of Capital Stock of a Parent Entity, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Entity;

(11) payments by the Issuer, or loans, advances, dividends or distributions to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);

(13) payment of any Receivables Fees, sales contributions and other transfers of Receivables Assets and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in each case in connection with a Qualified Receivables Financing;

(14) (i) 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; and (ii) the declaration and payment of dividends to any Parent Entity 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 Entity or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by a Parent Entity or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(16) any Restricted Payment made in connection with the Refinancing or used to fund amounts owed to Affiliates in connection with the Refinancing (including dividends to any Parent Entity to permit payment by such Parent Entity of such amounts);

(17) (i) payment under an Issuer Proceeds Loan Incurred in compliance with the "*—Limitation on Indebtedness*" covenant, other than clause (12) of the second paragraph of such covenant, for the purpose of making corresponding interest payments on the applicable Indebtedness Incurred by a Parent Entity, and (ii) (A) payments of cash, dividends, distributions, capital reduction, repayment or repurchase of Subordinated Shareholder Funding, loans, advances or any other Restricted Payment by the Issuer or any of its Restricted Subsidiaries to a Parent Entity for the purposes of making corresponding interest payments on any Parent Debt (whether directly or indirectly through a Parent Entity) and (B) solely to effect the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Parent Debt permitted pursuant to clause (4) of this paragraph; *provided* that, (x) in each case, the Parent Entity applies such

payments substantially concurrently with the receipt of such payments and (y) in the case of (ii), such payments to such Parent Entity may only be made to the extent that the net proceeds of the Parent Debt for which the corresponding payment is to be made have been contributed to the Issuer or any of its Restricted Subsidiaries as a Parent Debt Contribution; *provided, further,* that any payments on Parent Debt pursuant to subclause (ii) may only be made if, at the time such Parent Debt was Incurred by the Parent Entity, the Issuer could have Incurred, or provided a Guarantee for, Indebtedness pursuant to the "*—Limitation on Indebtedness*" covenant in an aggregate amount equal to the amount of Parent Debt on which interest payments are sought to be made pursuant to subclause (ii);

(18) payment to, or loans, advances, dividends or distributions to any Parent Entity, any ManCo or any Holding AA Entity to make payments to, Mr. Alain Afflelou or entities controlled by him under agreements between the Issuer, any of its Restricted Subsidiaries, any Parent Entity, any ManCo or any Holding AA Entity and Mr. Alain Afflelou or entities controlled by him, not to exceed €2 million per fiscal year, and excluding compensation paid to Mr. Alain Afflelou in his capacity as Chairman of the Board of Directors;

(19) non-cash dividends or distributions to LSF2; provided that such non-cash dividends or distributions do not create any obligation of the Issuer or any of its Restricted Subsidiaries that does not meet the provisions of clauses (1) to (5) of the definition of "Subordinated Shareholder Funding"; and *provided further* that any Restricted Payment made to settle any such non-cash dividends or distributions shall be permitted by this covenant other than pursuant to this clause (19);

(20) payments or distributions to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)), pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, that complies with the "*—Merger and consolidation*" covenant; and

(21) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), (i) (A) Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (x) €35 million and (y) 42.5% of Consolidated EBITDA, *plus* (B) €6 million per annum, with any unused amounts in any fiscal year not carried over and (ii) any other Restricted Payment if the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 3.50 to 1.00.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investments," the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including in each case as an Investment pursuant to one or more of the clauses contained in the definition of "Permitted Investments" and may aggregate capacity in multiple clauses of the definition of "Permitted Payments" above, the first paragraph of this covenant and/or in the definition of "Permitted Investments" in any manner that complies with this covenant.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an

Officer or the Board of Directors of the Issuer acting in good faith, *provided* that any determination of the fair market value of a non-cash Restricted Payment in excess of €10 million shall be made solely by the Board of Directors of the Issuer.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer) and neither the Parent nor LSF2 will directly or indirectly, create, Incur or suffer to exist any Lien on the Senior Secured Notes Collateral owned by it (other than Permitted Collateral Liens), in each case whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Senior Secured Notes Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture (or a Senior Secured Notes Guarantee in the case of Liens of a Senior Secured Notes Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, or in the case of Liens securing Indebtedness Incurred pursuant to clauses (1), (6) or (7) of the second paragraph of the "*Limitation on Indebtedness*" covenant, *pari passu* with (except that such Indebtedness may receive priority in respect of distributions of proceeds of any enforcement of Collateral) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Senior Secured Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*".

Limitation on restrictions on distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or pay any Indebtedness or other obligations owed to the Issuer;

(B) make any loans or advances to the Issuer; or

(C) sell, lease or transfer any of its property or assets to the Issuer;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the New Revolving Credit Facility); or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings of those agreements referred to in clauses (a) and (b); *provided* that such amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such

dividend and other payments restrictions than those contained in those agreements on the Issue Date, as applicable (as determined in good faith by the Issuer);

(2) any encumbrances or restrictions existing under or by reason of the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or was designated a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or any Restricted Subsidiary or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (3), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(4) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1), (2) or (3) of this paragraph or this clause (4) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (2) or (3) of this paragraph or this clause (4); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (i) are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer) or (ii) are customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes (as determined in good faith by the Issuer);

(5) any encumbrance or restriction:

  (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

  (b) contained in mortgages, pledges or other security agreements permitted under the Senior Secured Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Secured Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements; or

  (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(7) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(8) provisions in leases, licenses, joint venture agreements and other similar agreements and instruments;

(9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(11) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the "—*Limitation on Indebtedness*" covenant (other than any refinancing of Indebtedness which is subject to clause (4) above) (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 of the Senior Secured Notes (in the good faith determination of the Issuer) than the encumbrances and restrictions contained in the New Revolving Credit Facility, the Senior Secured Notes Indenture, the Security Documents and the New Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) where the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes as and when they become due or (b) constituting an Additional Intercreditor Agreement;

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(14) any encumbrance or restriction existing by reason of any lien permitted under "—*Limitation on Liens*".

Limitation on sales of assets and subsidiary stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by an Officer or the Board of Directors of the Issuer, of the shares and/or assets subject to such Asset Disposition (including, and for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply an amount equal to such Net Available Cash (at the option of the Issuer or Restricted Subsidiary):

(a) (i) to prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the "*—Limitation on Indebtedness*" covenant or any Refinancing Indebtedness in respect thereof within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a) (except in the case of any revolving Indebtedness, including but not limited, to the New Revolving Credit Facility), the Issuer or such Restricted Subsidiary will be required to retire such Indebtedness or cause the related commitment to be permanently reduced; (ii) unless included in (a)(i), to prepay, repay, purchase or redeem Pari Passu Indebtedness that is secured in whole or in part by a Lien on the Senior Secured Notes Collateral which Lien ranks *pari passu* with the Liens securing the Senior Secured Notes and the Senior Secured Notes Guarantees at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness *plus* accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption so long as the Issuer or such Restricted Subsidiary makes an offer on a *pro rata* basis to all Holders of the Senior Secured Notes at a purchase price equal to 100% of the principal amount of the Senior Secured Notes, *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Senior Secured Notes Guarantor or any Indebtedness that is secured on assets which do not constitute Senior Secured Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Senior Secured Notes Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); or (iv) to purchase the Senior Secured Notes pursuant to an offer to all Holders of Senior Secured Notes at a purchase price in cash equal to at least 100% of the principal amount of the Senior Secured Notes, *plus* accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or any Restricted Subsidiary of the Issuer) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or pursuant to a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day;

(c) to make a capital expenditure within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the

Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or

(d) any combination of the foregoing;

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Senior Secured Notes Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "*Excess Proceeds*". On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant), after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €20 million, the Issuer will be required within ten Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders of Senior Secured Notes and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, *plus* accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365-day period mentioned above.

To the extent that the aggregate amount of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness, or by such other method as (i) the Senior Secured Notes Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Issuer, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Senior Secured Notes Trustee shall not have any liability in connection with any method elected under this paragraph.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the relevant Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Senior Secured Notes Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Senior Secured Notes an amount equal to the purchase price of the Senior Secured Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Senior Secured Notes Trustee, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000 and in integral multiples of €1,000 in excess thereof. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Issuer or other liabilities (other than contingent liabilities) recorded on the balance sheet of the Issuer (other than Subordinated Indebtedness of the Issuer) or Indebtedness of a Restricted Subsidiary or other liabilities (other than contingent liabilities) recorded on the balance sheet of such Restricted Subsidiary and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each Restricted Subsidiary of the Issuer are released from any Senior Secured Notes Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer or any Senior Secured Notes Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, as determined in good faith by an Officer or the Board of Directors of the Issuer, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of (x) €10 million and (y) 12.0% of Consolidated EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the "*—Limitation on Restricted Payments*" covenant, any Permitted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary, any Parent Entity, any ManCo or any Holding AA Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect in the good faith judgment of the Issuer and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering; *provided* that such performance does not involve the payment of fees or commissions to Affiliates and does not involve the payment of underwriting fees, commissions or discounts on behalf of shares sold by Affiliates;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers, sellers of goods or services or franchisees, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Senior Secured Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity, any ManCo or any Holding AA Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount, not to exceed €4 million per fiscal year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder

(whether directly or indirectly, including through any Parent Entity, any ManCo or any Holding AA Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions, divestitures or joint ventures, which payments in respect of this clause (b) are approved in good faith by a majority of disinterested members of the Board of Directors of the Issuer;

(12) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(13) any transaction effected as part of a Qualified Receivables Financing;

(14) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Senior Secured Notes Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(15) the Refinancing; and

(16) any Permitted Reorganization.

Maintenance of listing

The Issuer will use its commercially reasonable efforts to list, and maintain the listing, of the Senior Secured Notes on the Global Exchange Market of the Irish Stock Exchange for so long as such Senior Secured Notes are outstanding; *provided* that if at any time the Issuer determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain (prior to the delisting of the Senior Secured Notes, if applicable) and maintain a listing on another recognized stock exchange.

Limitation on intercompany receivables created under Tax Sharing Agreements

Neither the Parent nor LSF2 will demand the payment of, and the Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any amount in respect of any Intercompany Tax Group Receivable, *provided that*, notwithstanding anything to the contrary contained herein, this covenant shall not prevent (i) the Issuer or its Restricted Subsidiary from making payments under or purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring for value any such Intercompany Tax Group Receivable for purposes of (A) paying any Related Taxes and (B) making any Restricted Payment, Permitted Investment or Permitted Payment other than a Permitted Payment pursuant to clause (7) of the second paragraph of the "*—Limitation on Affiliate Transactions*" by reference from clause (9)(B)(ii) of the definition of Permitted Payment, (ii) any payment of interest under such Intercompany Tax Group Receivable and (iii) the capitalization or incorporation into the capital of the Issuer or a Restricted Subsidiary, as applicable.

Notwithstanding anything to the contrary contained herein, this "*—Limitation on intercompany receivables created under Tax Sharing Agreements*" covenant will cease to apply to the Parent or to LSF2, as applicable, following a transaction conducted in compliance with the "*—Merger and consolidation*" covenant or a transaction contemplated by the definition of "Permitted Reorganization," provided that the Parent or LSF2, as applicable, has expressly assumed (a) by supplemental indenture, executed and delivered to the Senior Secured Notes Trustee, in form reasonably satisfactory to the Senior Secured Notes Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b) all obligations of the Issuer under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents.

Limitation on holding company activities

Neither the Parent nor LSF2 shall carry on any material business or own any material assets or Incur any Indebtedness other than:

(1) (i) in the case of the Parent, the ownership of shares or other debt or equity interests in LSF2 and, following a consolidation or merger of LSF2 with or into the Parent as contemplated by clause (1) of the definition of "Permitted Reorganization," in the Issuer and (ii) in the case of LSF2, the ownership of shares or other debt or equity interests in the Issuer;

(2) the provision of administrative services, legal, accounting and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;

(3) (a) the pledging of assets permitted to be or not prohibited from being secured pursuant to the Senior Secured Notes Indenture, (b) the Incurrence of Liens that are described in the definition of "Permitted Liens" and (c) granting the relevant Liens under the Security Documents;

(4) in the case of each of the Parent and LSF2, (i) (A) liabilities and performance of obligations and exercise of rights under the Senior Secured Notes, its Senior Secured Notes Guarantee, the Senior Secured Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the New Revolving Credit Facility or Hedging Obligations and (B) liabilities and performance of obligations and exercise of rights under Guarantees given it to guarantee any Indebtedness of the Issuer or any of its Restricted Subsidiaries permitted to be Incurred under the Senior Secured Notes Indenture and subject to the terms of the New Intercreditor Agreement and (ii) (A) Incurring Parent Debt and any Indebtedness permitted or not prohibited by the Senior Secured Notes Indenture and the New Intercreditor Agreement or any Additional Intercreditor Agreement and (B) other liabilities and performance of obligations and exercise of rights under any Indebtedness permitted or not prohibited to be Incurred under the Senior Secured Notes Indenture;

(5) the ownership of cash, Cash Equivalents and Temporary Cash Investments;

(6) the execution, delivery and performance of any Tax Sharing Agreement and payments or other transactions or obligations pursuant to any Tax Sharing Agreement entered into with the Issuer and its Subsidiaries and the Parent;

(7) pursuant to or in connection with the Refinancing;

(8) entry into and performance of obligations in respect of (i) contracts and agreements with its officers, directors and employees, (ii) subscription or purchase agreements for securities and/or preferred equity certificates, public offering rights agreements, voting and other stockholder agreements, engagement letters, underwriting agreements, agreements with rating agencies and other agreements in respect of its securities or any offering, issuance or sale thereof, (iii) engagement letters and reliance letters in respect of legal, accounting and other advice and/or reports received and/or commissioned by it, in each case, in relation to transactions which are authorized or not otherwise prohibited by the Senior Secured Notes Indenture and (iv) Indebtedness owed by or to any Parent Entity, Subsidiary or Permitted Holder;

(9) paying dividends, making distributions and other payments and making loans or advances to shareholders (and the receipt of repayments of any loans or advances) and pledging of assets to the extent not otherwise prohibited under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(10) (i) the listing of its Capital Stock or convertible bonds and the issuance, offering and sale of its Capital Stock or convertible bonds (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (ii) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to fund the purchase, repurchase or redemption of, any Indebtedness or other equity or debt instrument of any Parent Entity or the Issuer, or to contribute to the common equity of its direct Subsidiaries, to the extent permitted or not otherwise prohibited by the Senior Secured Notes Indenture and the relevant Security Documents; and (iii) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not otherwise prohibited by the Senior Secured Notes Indenture and the relevant Security Documents, in each case, in relation to transactions authorized or not otherwise prohibited by the Senior Secured Notes Indenture;

(11) the performance of obligations and exercise of rights under contracts or arrangements (including loans and bonds and other indebtedness) with any Permitted Holder, any Parent Entity, any ManCo, any Holding AA Entity or any Subsidiary entered into in compliance with the Secured Notes Indenture;

(12) the undertaking of a Permitted Reorganization;

(13) activities specifically permitted in connection with a Permitted Investment;

(14) other activities not specifically enumerated above that are incidental to the foregoing or are *de minimis* in nature or consistent with activities undertaken on the Issue Date; or

(15) from time to time, receipt in a transaction otherwise permitted under the Senior Secured Notes Indenture or the Security Documents of properties and assets (including cash, Cash Equivalents, Temporary Cash Investments, shares of Capital Stock of another Person and/or Indebtedness and other obligations) for the purpose of transferring such properties and assets to any Parent Entity, any Subsidiary or any other Person, so long as in any case such further transfer is made promptly by the Parent or LSF2, as applicable.

Notwithstanding anything to the contrary contained herein, this "*—Limitation on holding company activities*" covenant will cease to apply to the Parent or to LSF2, as applicable, following a transaction conducted in compliance with the "*—Merger and consolidation*" covenant or a transaction contemplated by the definition of "Permitted Reorganization," provided that the Parent or LSF2, as applicable, has expressly assumed (a) by supplemental indenture, executed and delivered to the Senior Secured Notes Trustee, in form reasonably satisfactory to the Senior Secured Notes Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b) all obligations of the Issuer under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents.

Reports

For so long as any Senior Secured Notes are outstanding, the Parent will provide to the Senior Secured Notes Trustee the following reports:

(1) within 120 days after the end of each fiscal year of the Parent beginning with the year ending July 31, 2018, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Parent as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Parent (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not

reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) 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 of the Parent, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Parent, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Parent beginning with the quarter ending October 31, 2017, all quarterly reports of the Parent containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any change in the Chief Executive Officer, the Chief Financial Officer or the Chairman of the Supervisory Board of the Parent or change in auditors of the Parent, or any other material event that the Parent announces publicly, a report containing a description of such event.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. Except as provided for above, no report need include separate financial statements for the Parent or Subsidiaries of the Parent or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, no financial information required pursuant to clause (1) above need be audited if not presented on an audited basis by the Parent in its financial statements included in the Offering Memorandum.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Parent, then the annual and quarterly financial information required by the first two clauses of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Group separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) standalone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Parent and its Subsidiaries, which reconciliation shall include the following items: revenue, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Notwithstanding the foregoing, the Parent may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent Entity or any new holding company created following a Permitted Reorganization.

Substantially concurrently with the issuance to the Senior Secured Notes Trustee of the reports specified in (1), (2) and (3) above, the Parent shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Parent and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Parent in good faith) or (b) to the extent the Parent determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes. In the event that (i) the Parent becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13 (a) with the SEC or (ii) the Parent elects to provide to the Senior Secured Notes Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Parent) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of IFRS information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Parent will make available to the Senior Secured Notes Trustee such annual reports, information, documents and other reports that the Parent is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Parent will be deemed to have complied with the provisions contained in the preceding five paragraphs.

For so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange for trading on the Global Exchange Market, and the rules of that exchange so require, copies of the Issuer's organizational documents and the Senior Secured Notes Indenture and the most recent consolidated financial statements published by the Parent may be inspected and obtained at the office of the Paying Agent in Ireland. See "—*Listing and general information*".

In addition, so long as the Senior Secured Notes remain outstanding and during any period during which the Parent is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Parent shall furnish to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

In the event that, and for so long as, the equity securities of the Issuer or any Parent Entity are listed on the regulated market of Euronext Paris (or one of the equivalent regulated markets in the EU or the UK) and the Issuer or such Parent Entity is subject to the Admission and Disclosure Standards applicable to issuers of equity securities admitted to trading on the regulated market of Euronext Paris (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets in the EU or the UK), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer or such Parent Entity is, or would be, required to file with Euronext Paris pursuant to such Admission and Disclosure Standards (or the applicable standards of one or more of the equivalent regulated markets in the EU or the UK, as applicable). Upon complying with the foregoing requirements, and provided, that such requirements require the Issuer or any Parent Entity to prepare and file annual reports, information, documents and other reports with the regulated market of Euronext Paris, or one or more of the equivalent regulated markets in the EU or the UK, as applicable, and provided that the Issuer or such Parent Entity additionally provides the reports set forth in paragraph (2) above with respect to its first and third fiscal quarters, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and consolidation

The Parent, LSF2 and the Issuer

None of the Parent, LSF2 nor the Issuer will consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") (if not the Parent, LSF2 or the Issuer, as applicable) will be a Person organized and existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Parent, LSF2 or the Issuer, as applicable) will expressly assume, (a) by supplemental indenture, executed and delivered to the Senior Secured Notes Trustee, in form reasonably satisfactory to the Senior Secured Notes Trustee, all the obligations of the Parent under the Parent Guarantee and the Senior Secured Notes Indenture, LSF2 under its Senior Secured Notes Guarantee or the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture, as applicable, and (b) all obligations of the Parent, LSF2 or the Issuer, as applicable, under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) only in the case of a transaction involving the Issuer, immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Senior Secured Notes Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Senior Secured Notes Indenture and that all conditions precedent in the Senior Secured Notes Indenture relating to such consolidation, merger or transfer have been satisfied and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and that all conditions precedent in the Senior Secured Notes Indenture relating to such consolidation, merger or transfer have been satisfied (in each case, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the "*—Limitation on Indebtedness*" covenant.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, LSF2 or the Issuer, as applicable, which properties and assets, if held by the Parent, LSF2 or the Issuer, as applicable, instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent, LSF2 or the Issuer, as applicable, on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Parent, LSF2 or the Issuer, as applicable.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Parent, LSF2 or the Issuer, as applicable, under the Senior Secured Notes Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, notwithstanding clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is a Senior Secured Notes Guarantor and (c) any Restricted Subsidiary that is not a Senior Secured Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is not a Senior Secured Notes Guarantor. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence), the Parent, LSF2 or the Issuer, as applicable, may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Parent, LSF2 or the Issuer, as applicable, reincorporating the Parent, LSF2 or the Issuer, as applicable, in another jurisdiction, or changing the legal form of the Parent, LSF2 or the Issuer, as applicable.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and consolidation*" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition by the Parent or LSF2 or, if the Issuer has complied with the "*—Limitation on sales of assets and subsidiary stock*" covenant, the Issuer or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

The Senior Secured Notes Guarantors

None of the Senior Secured Notes Guarantors (other than the Parent, LSF2 and other than a Senior Secured Notes Guarantor whose Senior Secured Notes Guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture or the New Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Senior Secured Notes Guarantor is the surviving corporation),

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or

(3) permit any Person to merge with or into it unless

(A) the other Person is the Issuer or any Restricted Subsidiary that is a Senior Secured Notes Guarantor or becomes a Senior Secured Notes Guarantor; or

(B) (1) either (x) a Senior Secured Notes Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Senior Secured Notes Guarantor under its Senior Secured Notes Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Senior Secured Notes Trustee) and all obligations of the Senior Secured Notes Guarantor under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Senior Secured Notes Guarantor or the sale or disposition of all or substantially all the assets of a Senior Secured Notes Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture and the proceeds therefrom are applied as required by the Senior Secured Notes Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Senior Secured Notes Guarantor or the Issuer and (b) any Senior Secured Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Senior Secured Notes Guarantor or the Issuer.

Notwithstanding anything to the contrary contained herein, this "*—Merger and consolidation*" covenant will not apply to any transaction or arrangement that is a Permitted Reorganization.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Suspension of covenants on achievement of investment grade status

If on any date following the Issue Date, the Senior Secured Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Senior Secured Notes Trustee in writing of these events and beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes: "*—Limitation on Restricted Payments*", "*—Limitation on Indebtedness*", "*—Limitation on restrictions on distributions from Restricted Subsidiaries*", "*—Limitation on Affiliate Transactions*", "*—Limitation on sales of assets and subsidiary stock*", "*—Impairment of Security Interest*" and the provisions of clause (3) of the first paragraph of the "*—Merger and consolidation*" covenant and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the Parent, LSF2 or the Issuer and its Restricted Subsidiaries. Upon the occurrence of a Suspension Event, the amount of Excess Proceeds shall be reset to zero.

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 Parent, LSF2 or the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and (i) the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture other than during the period beginning with the Suspension Event and ending on the Reversion Date, (ii) any transactions prohibited by the "*—Limitation on Affiliate Transactions*" covenant entered into after such reinstatement pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the "*—Limitation on Affiliate Transactions*" covenant, (iii) any encumbrance or restriction on the ability of the Issuer or any Restricted Subsidiary to take any action described in clauses (A), (B) and (C) of the first paragraph of the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) or (12) of the second paragraph of the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant and (iv) all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the "*—Limitation on Indebtedness*" covenant or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to the Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the "*—Limitation on Indebtedness*" covenant, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the "*—Limitation on Indebtedness*" covenant. The Senior Secured Notes Trustee shall not be obliged to notify holders of a Suspension Event or Reversion Date.

Impairment of Security Interest

The Parent, LSF2, the Issuer and any other Senior Secured Notes Guarantor shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Senior Secured Notes Collateral (it being understood that the Incurrence of Liens on the Senior Secured Notes Collateral permitted by the definition of "Permitted Collateral Liens" and the implementation of any Permitted Reorganization shall under no circumstances be deemed to materially impair the Security Interest with respect to the Senior Secured Notes Collateral); and the Parent, LSF2, the Issuer and any other Senior Secured Notes Guarantor 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 Senior Secured Notes Trustee and the Holders and/or the other beneficiaries described in the Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien in any of the Senior Secured Notes Collateral; *provided* that (a) the Parent, LSF2, the Issuer and the Issuer's Restricted Subsidiaries may Incur Permitted Collateral Liens or implement any Permitted Reorganization and (b) the Senior Secured Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, replaced or released in accordance with the Senior Secured Notes Indenture, the applicable Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, subject to the foregoing proviso, the Security Documents may be amended, extended, renewed, restated or otherwise modified or replaced to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens or implement any Permitted Reorganization; (iii) amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents, for the purposes of undertaking a Permitted Reorganization; (iv) provide for the release of any Security Interest on any properties and assets constituting Senior Secured Notes Collateral from the Lien of the Security Documents; *provided* that such release is followed by the substantially concurrent retaking of a Lien of at least equivalent priority over the same properties and assets securing the Senior Secured Notes or any Senior Secured Notes Guarantee; (v) add to the Senior Secured Notes Collateral; (vi) comply with the terms of the New Intercreditor Agreement or any Additional Intercreditor Agreement; (vii) evidence the succession of another Person to the Issuer or a Senior Secured Notes Guarantor and the assumption by such successor of the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes, the applicable Senior Secured Notes Guarantee and the Security Documents, in each case, in accordance with the "*—Merger and consolidation*" covenant; or (viii) evidence and provide for the acceptance of the appointment of a successor trustee or Security Agent; *provided* that, contemporaneously with any such action in clauses (ii) and (iii), the Issuer delivers to the Senior Secured Notes Trustee, (1) a solvency opinion, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee from an Independent Financial Advisor confirming the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification, replacement or release, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, modified, replaced or released 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, modification, replacement or release. In the event that the Issuer complies with the requirements of this covenant, the Senior Secured Notes Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Intercreditor Agreements

The Senior Secured Notes Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or any Restricted Subsidiary of any Indebtedness that is permitted to share the Senior Secured Notes Collateral pursuant to the definition of "Permitted Collateral Lien," the Issuer, the relevant Senior Secured Notes Guarantors, the Senior Secured Notes Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, or a restatement, amendment or other modification of an existing intercreditor agreement (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the New Intercreditor Agreement (or terms not materially less favorable to the Holders), including with respect to the subordination, payment blockage, limitation on enforcement and release of Senior Secured Notes Guarantees, priority and release of any Security Interest in respect of the Senior Secured Notes Collateral; *provided, further,* that such Additional Intercreditor Agreement will not impose any personal obligations on the Senior Secured Notes Trustee or the Security Agent or adversely affect the personal rights, duties, liabilities, powers, protections or immunities of the Senior Secured Notes Trustee and the Security Agent under the Senior Secured Notes Indenture or the New Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Senior Secured Notes Collateral pursuant to the definition of "Permitted Collateral Liens").

At the direction of the Issuer and without the consent of the Holders, the Senior Secured Notes Trustee and the Security Agent will from time to time enter into one or more amendments to the New Intercreditor Agreement or any Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) add Senior Secured Notes Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iii) further secure the Senior Secured Notes (including Additional Senior Secured Notes); (iv) make provision for equal and ratable grants of Liens on the Senior Secured Notes Collateral to secure Additional Senior Secured Notes or to implement any Permitted Collateral Liens; (v) to enable any Permitted Reorganization; (vi) subject to the preceding paragraph, to provide for additional Indebtedness (including with respect to any New Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes) to the extent permitted under the Senior Secured Notes Indenture) or any other obligations that are permitted by the terms of the Senior Secured Notes Indenture to be Incurred and secured by a Lien on the Senior Secured Notes Collateral on a senior, *pari passu* or junior basis with the Liens securing the Senior Secured Notes or the Senior Secured Notes Guarantees; (vii) add Restricted Subsidiaries to the New Intercreditor Agreement or an Additional Intercreditor Agreement; (viii) amend the New

Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (ix) increase the amount of the Credit Facilities covered by any such agreement, the Incurrence of which is not prohibited by the Senior Secured Notes Indenture; or (x) make any other change thereto that does not adversely affect the rights of the Holders of the Senior Secured Notes in any material respect. The Issuer will not otherwise direct the Senior Secured Notes Trustee or the Security Agent to enter into any amendment to the New Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, without the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under "*—Amendments and waivers*", and the Issuer may only direct the Senior Secured Notes Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Senior Secured Notes Trustee or Security Agent or, in the opinion of the Senior Secured Notes Trustee or Security Agent, adversely affect their respective rights, duties, liabilities, powers, protections or immunities under the Senior Secured Notes Indenture or the New Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder of a Senior Secured Note, by accepting such Senior Secured Note, will be deemed to have:

(1) appointed and authorized the Senior Secured Notes Trustee and the Security Agent from time to time to give effect to such provisions;

(2) authorized each of the Senior Secured Notes Trustee and the Security Agent from time to time to become a party to any additional intercreditor arrangements described above;

(3) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and

(4) irrevocably appointed the Senior Secured Notes Trustee and the Security Agent to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above, in each case, without the need for the consent of the Holders.

The Senior Secured Notes Indenture will also provide that, in relation to the New Intercreditor Agreement or an Additional Intercreditor Agreement, the Senior Secured Notes Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the "*—Limitation on Restricted Payments*" covenant.

Additional Senior Secured Notes Guarantees

No Restricted Subsidiary (other than a Senior Secured Notes Guarantor) shall Guarantee the payment of, assume or in any manner become obligated under or with respect to any Indebtedness of the Issuer or a Senior Secured Notes Guarantor unless such Restricted Subsidiary is or becomes an Additional Senior Secured Notes Guarantor on the date on which such other Guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Senior Secured Notes Trustee a supplemental indenture substantially in the form attached to the Senior Secured Notes Indenture pursuant to which such Restricted Subsidiary will provide an Additional Senior Secured Notes Guarantee (which Additional Senior Secured Notes Guarantee shall be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness).

Notwithstanding the foregoing paragraphs in this covenant,

(1) an Additional Senior Secured Notes Guarantor's Additional Senior Secured Notes Guarantee shall not be required to the extent it could result in (A) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules,

guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (B) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (C) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the Senior Secured Notes Guarantee itself) that cannot be avoided by commercially reasonable measures available to the Issuer other than reasonable out of pocket expenses; or (D) any inconsistency with the Agreed Security Principles (but, in the case of (A), each of the Issuer and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal limitation and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit); and

(2) for so long as it is not permissible under applicable law or regulation for a Restricted Subsidiary to become an Additional Senior Secured Notes Guarantor, such Restricted Subsidiary need not become an Additional Senior Secured Notes Guarantor (but, in such a case, each of the Issuer and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such Guarantee at such time (and to the extent) that it thereafter becomes permissible).

The first paragraph of this covenant shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the Guarantee of Indebtedness of the Issuer; (2) Guarantees by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a Guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing; (3) Guarantees by any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and the terms of such Guarantee prohibit the relevant Restricted Subsidiary from becoming an Additional Senior Secured Notes Guarantor; (4) Guarantees by any Restricted Subsidiary of Indebtedness Incurred under the New Revolving Credit Facility which are in effect on the Issue Date; and (5) Guarantees given by any Restricted Subsidiary to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Secured Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating, at the time such Guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary.

Each such Guarantee will be limited as necessary to recognize certain defenses generally available to Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Each Senior Secured Notes Guarantee shall be released in accordance with the provisions of the Senior Secured Notes Indenture and the New Intercreditor Agreement described under "—*Senior Secured Notes Guarantees*" and "*Description of certain other indebtedness—New Intercreditor Agreement*".

Payments for consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Secured Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Secured Notes Indenture or the Senior Secured Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Secured Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Secured Notes Indenture or the Senior Secured Notes, to exclude holders of Senior Secured Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (b) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (x) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (y) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Events of Default

Each of the following is an "*Event of Default*" under the Senior Secured Notes Indenture:

(1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its stated maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Senior Secured Notes Guarantors, the Issuer or any of its Restricted Subsidiaries to comply for 30 days after notice by the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes with any of its obligations under "*—Change of Control*" above or under the covenants described under "*—Certain covenants*" above (in each case, other than a failure to purchase Senior Secured Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Parent, LSF2, the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement and Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of 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 Senior Secured Notes Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements of the Parent), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements of the Parent), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(8) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture) with respect to Senior Secured Notes Collateral having a fair market value in excess of €30 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Secured Notes Indenture, the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or any grantor of a Lien over the Senior Secured Notes Collateral shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

(9) any Senior Secured Notes Guarantee of a Significant Subsidiary (or a group of Restricted Subsidiaries that are Senior Secured Notes Guarantors that, taken together (as of the latest audited consolidated financial statements of the Parent) would constitute a Significant Subsidiary) ceases to be in full force and effect (other than in accordance with the terms of such Senior Secured Notes Guarantee or the Senior Secured Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Senior Secured Notes Guarantor denies or disaffirms in writing its obligations under its Senior Secured Notes Guarantee and any such Default continues for 10 days (the "*Guarantee provisions*").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Senior Secured Notes Trustee by notice to the Issuer or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Senior

Secured Notes Indenture by written notice to the Issuer and the Senior Secured Notes Trustee, may, and the Senior Secured Notes Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (5) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Senior Secured Notes Trustee or any Holders.

Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the New Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, which may only be waived with the consent of Holders of not less than 90% of the aggregate principal amount of the outstanding Senior Secured Notes) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Secured Notes Indenture relating to the duties of the Senior Secured Notes Trustee, if an Event of Default occurs and is continuing, the Senior Secured Notes Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Senior Secured Notes Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal, interest or premium, if any, when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

(1) such Holder has previously given the Senior Secured Notes Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes have requested the Senior Secured Notes Trustee to pursue the remedy;

(3) such Holders have offered in writing the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;

(4) the Senior Secured Notes Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes have not given the Senior Secured Notes Trustee a direction that, in the opinion of the Senior Secured Notes Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Secured Notes Trustee or of exercising any trust or power conferred on the Senior Secured Notes Trustee.

The Senior Secured Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Senior Secured Notes Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Senior Secured Notes Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Senior Secured Notes Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Senior Secured Notes Trustee in personal liability. Prior to taking any action under the Senior Secured Notes Indenture, the Senior Secured Notes Trustee will be entitled to receive indemnification and/or security satisfactory (including by way of pre-funding) to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and a responsible officer of the Senior Secured Notes Trustee is informed in writing of such occurrence by the Issuer, the Senior Secured Notes Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Senior Secured Notes Trustee may withhold notice if and so long as a committee of trust officers of the Senior Secured Notes Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Senior Secured Notes Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Senior Secured Notes Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Senior Secured Notes provide for the Senior Secured Notes Trustee to take action on behalf of the Holders in certain circumstances, but only if Holders have offered to the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion. It may not be possible for the Senior Secured Notes Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Senior Secured Notes Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and waivers

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), *provided*, *however*, that if any amendment, supplement or waiver will only affect the Fixed Rate Senior Secured Notes or the Floating Rate Senior Secured Notes, only the consent of holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Senior Secured Notes or Floating Rate Senior Secured Notes, as applicable, and not the consent of holders of a majority in aggregate principal amount of all Senior Secured Notes then outstanding, will be required.

However, without the consent of Holders holding not less than 90% (or in the case of clause (8) below, 80%) of the then outstanding principal amount of Senior Secured Notes affected, (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

(1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described above under "*—Optional Redemption*" or "*—Redemption for taxation reasons*";

(5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Secured Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Senior Secured Notes;

(7) make any change in the provision of the Senior Secured Notes Indenture described under "*—Withholding taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all the Security Interest granted for the benefit of the Holders in the Senior Secured Notes Collateral other than in accordance with the terms of the Security Documents, the New Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Secured Notes Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Senior Secured Notes Guarantor from any of its obligations (or modify such obligations in any manner adverse to the Holders) under any Senior Secured Notes Guarantee or the Senior Secured Notes Indenture, as applicable, except in accordance with the terms of the Senior Secured Notes Indenture, the New Intercreditor Agreement and any Additional Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Senior Secured Notes Trustee and the Security Agent, as applicable, may amend or supplement any Senior Secured Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Senior Secured Notes Guarantor under any Senior Secured Notes Document;

(3) add to the covenants or provide for a Senior Secured Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Senior Secured Notes Trustee or the Holders or does not adversely affect the rights or benefits to the Senior Secured Notes Trustee or any of the Holders in any material respect under the Senior Secured Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Senior Secured Notes;

(6) to provide for any Restricted Subsidiary to provide a Senior Secured Notes Guarantee in accordance with the "*Certain covenants—Limitation on Indebtedness*" covenant, to add Senior Secured Notes Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Senior Secured Notes Guarantee or Lien (including the Senior Secured Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is permitted under the Senior Secured Notes Indenture, the Security Documents, the New Intercreditor Agreement and any Additional Intercreditor Agreement;

(7) to conform the text of the Senior Secured Notes Indenture, the Senior Secured Notes Guarantees, the Security Documents or the Senior Secured Notes to any provision of this Description of the Senior Secured Notes to the extent that such provision in this Description of the Senior Secured Notes was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, a Senior Secured Notes Guarantee, the Security Documents or the Senior Secured Notes;

(8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture, the New Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Senior Secured Notes Trustee or Security Agent to any Senior Secured Notes Document; or

(9) as provided in "*—Additional Intercreditor Agreements*" and "*—Impairment of Security Interest*".

In formulating its decision on such matters, the Senior Secured Notes Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel, which shall be conclusive.

The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder's Senior Secured Notes will not be rendered invalid by such tender.

For so long as the Senior Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of such exchange so require, the Issuer will inform the Irish Stock Exchange of any of the foregoing amendments, supplements and waivers and publish a notice of any of the foregoing amendments, supplements and waivers on the website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange.

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all of the Parent's, LSF2's, its and each Senior Secured Notes Guarantor's obligations under the Senior Secured Notes and the Senior Secured Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Senior Secured Notes Trustee and the Security Agent and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate the Parent's, LSF2's, its and each Restricted Subsidiary's obligations under the covenants described under "*—Certain covenants*" (other than clauses (1) and (2) of "*—Certain covenants—Merger and consolidation*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the Guarantee provision and the security default provision described under "*—Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the "*—Merger and consolidation—The Parent, LSF2 and the Issuer*" covenant), (4), (5), (6), (7), (8) and (9) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Senior Secured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Senior Secured Notes Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Senior Secured Notes Trustee may reasonably require in connection with either defeasance option.

Satisfaction and discharge

The Senior Secured Notes Indenture, and the rights of the Senior Secured Notes Trustee and the Holders under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Senior Secured Notes Trustee for cancellation; or (b) all Senior Secured Notes not previously delivered to the Senior Secured Notes Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Senior Secured Notes Trustee for the giving of notice of redemption by the Senior Secured Notes Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Senior Secured Notes Trustee, cash in euro or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Senior Secured Notes not previously delivered to the Senior Secured Notes Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable (i) under the Senior Secured Notes Indenture and (ii) to the Senior Secured Notes Trustee under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; and (4) the Issuer has delivered to the Senior Secured Notes Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No personal liability of directors, officers, employees and shareholders

No director, manager, officer, employee, incorporator or shareholder of the Parent, LSF2 or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Parent, LSF2, the Issuer or any Restricted Subsidiary under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Listing and general information

Application will be made to list the Senior Secured Notes on the Official List of the Irish Stock Exchange and to admit the Senior Secured Notes to trading on the Global Exchange Market. The

Issuer may also choose to list on another recognized stock exchange. There can be no assurance that the application to list the Senior Secured Notes on the Global Exchange Market of the Irish Stock Exchange and to admit the Senior Secured Notes to trading on the Global Exchange Market will be approved, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing. If and so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market, the Issuer will maintain a listing, paying and transfer agent in Ireland with respect to the Senior Secured Notes. See "*—Certain covenants—Maintenance of Listing*".

So long as the Senior Secured Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange shall so require, copies, current and future, of all of the Parent's annual audited consolidated and unconsolidated financial statements, the Parent's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

Concerning the Senior Secured Notes Trustee and certain agents

U.S. Bank Trustees Limited is to be appointed as Senior Secured Notes Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, of which a responsible officer of the Senior Secured Notes Trustee has been informed in writing, the Senior Secured Notes Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default, of which a responsible officer of the Senior Secured Notes Trustee has been informed in writing, the Senior Secured Notes Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Senior Secured Notes Trustee to take or refrain from taking any action enumerated in the Senior Secured Notes Indenture will not be construed as an obligation or duty. The Holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Senior Secured Notes Trustee on behalf of the Holders, subject to certain exceptions.

The Issuer shall deliver written notice to the Senior Secured Notes Trustee with thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Senior Secured Notes Indenture will impose certain limitations on the rights of the Senior Secured Notes 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 Senior Secured Notes Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Senior Secured Notes Trustee shall not become effective until the acceptance of appointment by the successor trustee. The Senior Secured Notes Indenture will contain provisions for the indemnification and/or security (including by way of pre-funding) of the Senior Secured Notes Trustee by the Issuer and the Senior Secured Notes Guarantors for any loss, liability, taxes or expenses Incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Senior Secured Notes are listed on the Irish Stock Exchange and the rules of such Stock Exchange shall so require, notices with respect to the Senior Secured Notes will be published in a newspaper having general circulation in Ireland (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish

Stock Exchange (*www.ise.ie*). In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of the Irish Stock Exchange (*www.ise.ie*), to the extent and in the manner permitted by the rules of the Irish Stock Exchange. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have given, on such date, as the Senior Secured Notes Trustee may approve.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer or any Senior Secured Notes Guarantor for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Senior Secured Notes Guarantor for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Currency indemnity and calculation of euro-denominated restrictions

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Senior Secured Notes Guarantors under or in connection with the Senior Secured Notes and the Senior Secured Notes Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Senior Secured Notes Guarantor or otherwise by any Holder or by the Senior Secured Notes Trustee, in respect of any sum expressed to be due to it from the Issuer or a Senior Secured Notes Guarantor will only constitute a discharge to the Issuer or such Senior Secured Notes Guarantor, as applicable, to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Senior Secured Notes Trustee under any Senior Secured Note, the Issuer and the Senior Secured Notes Guarantors will indemnify them against any loss sustained by such recipient or the Senior Secured Notes Trustee as a result. In any event, the Issuer and the Senior Secured Notes Guarantors will indemnify the recipient or the Senior Secured Notes Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Senior Secured Note or the Senior Secured Notes Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Senior Secured Notes Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Senior Secured Notes Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Senior Secured Notes Guarantee or to the Senior Secured Notes Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non- euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Enforceability of judgments

Since substantially all the assets of the Issuer and the Senior Secured Notes Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Senior Secured Notes Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes or the Senior Secured Notes Guarantees, may not be collectable within the United States.

Consent to jurisdiction and service

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees, the Issuer and each Senior Secured Notes Guarantor will, in the Senior Secured Notes Indenture, appoint an agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing law

The Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York.

The New Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain definitions

Set forth below are certain defined terms used in the Senior Secured Notes Indenture. Reference is made to the Senior Secured Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the Agreed Security Principles attached to the Senior Secured Notes Indenture, as interpreted and applied in good faith by the Issuer.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

(5) transactions permitted under "*—Certain covenants—Merger and consolidation*", any Permitted Reorganization or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(7) any Restricted Payment that is permitted to be made, and is made, under the "*—Limitation on Restricted Payments*" covenant and the making of any Permitted Payment or Permitted Investment;

(8) the granting of Liens not prohibited by the "*—Limitation on Liens*" covenant;

(9) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;

(11) foreclosure, condemnation or any similar action with respect to any property or other assets;

(12) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(13) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Secured Notes Indenture;

(18) any sale or disposition of stores not to exceed, in the aggregate, €10 million in each fiscal year;

(19) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in its opinion, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole);

(20) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the "*—Limitation on sales of assets and subsidiary stock*" covenant;

(21) a disposition that is made in connection with the factoring or discounting of vendor loans to franchisees in an aggregate principal amount not to exceed €20 million; and

(22) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer) of less than the greater of (x) €5 million and (y) 6.0% of Consolidated EBITDA.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"*Board of Directors*" means (1) with respect to the Parent, the Issuer or any corporation, the board of directors or managers or the supervisory board, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body 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 of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means, as of any redemption date, the rate per annum (subject to a 0% floor) equal to the equivalent yield to maturity as of such redemption 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:

(a) "*Comparable German Bund Issue*" means (i) with respect to the Fixed Rate Senior Secured Notes, 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 , 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 Fixed Rate Senior Secured Notes and of a maturity most nearly equal to , provided, however, that, if the period from such redemption date to , is less than one year, a fixed maturity of one year shall be used and (ii) with respect to the Floating Rate Senior Secured Notes, 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 , 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 Floating Rate Senior Secured Notes and of a maturity most nearly equal to , provided, however, that, if the period from such redemption date to , is less than one year, a fixed maturity of one year shall be used;

(b) "*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;

(c) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

(d) "*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 am Main, Germany time on the third Business Day that is also a business day in Germany preceding the relevant date.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Paris, France or London, United Kingdom are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS, and the amount of Indebtedness represented by such obligation will be the amount of such obligation that is required to be capitalized at the time any determination is to be made in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the New Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable

ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the Issuer becomes aware of (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking S.A., a *société anonyme*, as currently in effect or any successor securities clearing agency thereof.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization and impairment expense;

(5) any expenses, charges or other costs related to any Equity Offering, 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 or the Incurrence of any Indebtedness permitted by the Senior Secured Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the Refinancing (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Issuer;

(6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent not prohibited by the "*—Limitation on Affiliate Transactions*" covenant;

(7) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(8) (a) any one-off charge in respect of the establishment of, or opening of, new distribution centers, stores or depots or in respect of brand or banner launch or re-launch costs and (b) any net loss realized upon the sale, abandonment or other disposition of any store, *less* any net gain realized upon any such sale, abandonment or other disposition;

(9) other non-cash charges, write downs or items reducing Consolidated Net Income or other items classified by the Parent as non-cash exceptional items *less* other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (15) of the definition of "Consolidated Net Income"); and

(10) to the extent not already otherwise included herein, adjustments and add-backs similar to those made in calculating "*Pro Forma* Adjusted EBITDA" included in the Offering Memorandum.

"*Consolidated Financial Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the sum of:

(1) consolidated net interest income/expense of the Parent related to Indebtedness (including (a) amortization of debt discount, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));

(2) dividends on other distributions in respect of all Disqualified Stock of the Parent and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Parent or a subsidiary of the Parent; and

(3) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of the definition of "Permitted Payments".

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes, corporation Taxes, trade Taxes and franchise Taxes) of any member of the Group whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Parent, whether paid or accrued, *plus* or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;

(2) amortization of debt discount, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;

(3) non-cash interest expense;

(4) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments) and foreign currency losses and any Receivables Fees);

(5) dividends on other distributions in respect of all Disqualified Stock of the Parent and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Parent or a subsidiary of the Parent;

(6) the consolidated interest expense that was capitalized during such period; and

(7) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of the definition of "Permitted Payments".

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Group (other than cash or Cash Equivalents received upon the Incurrence of Indebtedness by the Group and not immediately or subsequently applied or used for any purpose not prohibited by the Senior Secured Indenture), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Parent are available; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness*" (other than Indebtedness Incurred pursuant to clause (5)(x) of such second paragraph) or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness Incurred pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness*"; *provided, further, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period, a member of the Group has 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 Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (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 EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a member of the Group (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired 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 EBITDA for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group 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 a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and

(4) for the purposes of making the determination pursuant to the definition of "Specified Change of Control Event," Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a "Specified Change of Control Event", including any equity injection accruing simultaneously with such Specified Change of Control, anticipated synergies and expenses and cost savings as if such event had occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income, Consolidated Senior Secured Net Leverage Ratio and Fixed Charge Coverage Ratio, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Issuer) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is expected to result in such anticipated expense and cost reductions and synergies and cost savings), and (b) 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 as if such transaction had occurred on the first day of the relevant period; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of "Fixed Charge Coverage Ratio" and for the first paragraph and clause (5) of the second paragraph of the "*—Limitation on Indebtedness*" covenant, as well as clause (3) of the first paragraph of the "*—Merger and consolidation—The Parent, LSF2 and the Issuer*" covenant, *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Parent determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not the Parent, LSF2, the Issuer or a Restricted Subsidiary, except that the Parent's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to a member of the Group as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (4)(c)(i) of the first paragraph of the "*—Limitation on Restricted Payments*" covenant, any net income (loss) of any Restricted Subsidiary (other than a Senior Secured Notes Guarantor) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes or the Senior Secured Notes Indenture, and (c) restrictions not prohibited by the "*—Limitation on restrictions on distributions from Restricted Subsidiaries*" covenant) except that the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to a member of the Group as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of any member of the Group (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of

changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Parent or any member of the Group owing to a member of the Group;

(11) any effects of purchase accounting including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to a member of the Group), as a result of any consummated acquisition (either prior to or after the Issue Date) or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any goodwill or other intangible asset impairment, charge or write-off;

(13) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(14) consolidated depreciation and amortization expense to the extent in excess of net capital expenditures for such period, and Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and

(15) to the extent covered by insurance and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Group (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Parent and its Restricted Subsidiaries (other than cash or Cash Equivalents received upon the Incurrence of Indebtedness by the Group and not immediately or subsequently applied or used for any purpose not prohibited by the Senior Secured Indenture), as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Net Leverage to (y) Consolidated EBITDA, calculated and determined in a manner consistent with the provisions of the definition of "Consolidated Net Leverage Ratio".

"*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 Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the New Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original New Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument which otherwise qualifies as a "Credit Facility" (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the "*—Limitation on sales of assets and subsidiary stock*" covenant.

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (4)(c)(ii) of the first paragraph of the "—*Limitation on Restricted Payments*" covenant.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Senior Secured Notes to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the "*—Certain covenants—Limitation on Restricted Payments*" covenant.

"Equity Offering" means a public or private sale of (x) Capital Stock of the Issuer or (y) Capital Stock or other securities of a Parent Entity, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than:

(1) Disqualified Stock or Designated Preference Shares;

(2) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;

(3) any such sale that constitutes an Excluded Contribution or Excluded Amount; and

(4) any such sale the proceeds of which are utilized pursuant to clause (11) of the second paragraph of the covenant under "*—Certain covenants—Limitation on Indebtedness*".

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Senior Secured Notes Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (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) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency thereof.

"*European Government Obligations*" means direct obligations of, or obligations Guaranteed by, a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit, in each case which are payable in euro and not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this Description of the Senior Secured Notes or the Senior Secured Notes Indenture (except in relation to an enforcement action or certain distressed disposals pursuant to the New Intercreditor Agreement, and any Additional Intercreditor Agreement and except as otherwise specifically provided in this Description of the Senior Secured Notes or the Senior Secured Notes Indenture), means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by an Officer or the Board of Directors of the Issuer or a resolution of the Board of Directors of the Issuer, respectively.

"*Fixed Charge Coverage Ratio*" means, for any period, the ratio of Consolidated EBITDA to Consolidated Financial Interest Expense, calculated and determined in a manner consistent with the provisions of the definition of "Consolidated Net Leverage Ratio". If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

"*Fixed Rate Applicable Premium*" means, with respect to any Fixed Rate Senior Secured Note on any redemption date, the greater of:

(1) 1% of the principal amount of such Fixed Rate Senior Secured Note; and

(2) the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the redemption price of such Fixed Rate Senior Secured Note at , 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under "*—Optional Redemption—Optional Redemption of Fixed Rate Senior Secured Notes*" (excluding accrued but unpaid interest to the redemption date), *plus* (ii) all required interest payments due on such Fixed Rate Senior Secured Note to and including , 2019 (excluding accrued but unpaid interest to the redemption date),computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points; over

(b) the outstanding principal amount of such Fixed Rate Senior Secured Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Fixed Rate Applicable Premium shall not be an obligation or duty of the Senior Secured Notes Trustee, the Calculation Agent or the Paying

Agent, nor shall the Senior Secured Notes Trustee, the Calculation Agent or the Paying Agent have any liability related thereto.

"*Floating Rate Applicable Premium*" means, with respect to any Floating Rate Senior Secured Note on any redemption date, the greater of:

(1) 1% of the principal amount of such Floating Rate Senior Secured Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of such Floating Rate Senior Secured Note at , 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table appearing under the caption "*—Optional Redemption—Optional Redemption of Floating Rate Senior Secured Notes*") (excluding accrued but unpaid interest to the redemption date), *plus* (ii) all required interest payments due on such Floating Rate Senior Secured Note through (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points and assuming that the rate of interest on such Floating Rate Senior Secured Notes from the redemption date to and including , 2018 will equal the rate of interest on such Floating Rate Senior Secured Notes on the date on which the applicable notice of redemption is given; *over*

(b) the outstanding principal amount of such Floating Rate Senior Secured Note;

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Floating Rate Applicable Premium shall not be an obligation or duty of the Senior Secured Notes Trustee, the Calculation Agent or the Paying Agent, nor shall the Senior Secured Notes Trustee, the Calculation Agent or the Paying Agent have any liability related thereto.

"*Group*" refers to the Parent, LSF2, the Issuer and the Issuer's Restricted Subsidiaries.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Senior Secured Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding AA & Fils*" means Holding AA & Fils, a *société à responsabilité limitée* organized and existing under the laws of Luxembourg, having at the date hereof a share capital of EUR 1,100,000, having its registered office at 22, rue Goethe, L-1637 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 180.682.

"*Holding AA-OC*" means Holding AA-OC, a *société à responsabilité limitée* organized and existing under the laws of Luxembourg, having at the date hereof a share capital of EUR 100,000, having its registered office at 22, rue Goethe, L-1637 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 180.923.

"*Holding AA Entities*" means each of Holding AA & Fils and Holding AA-OC.

"*IFRS*" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect from time to time; *provided, however*, that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS in effect on a date that is on or prior to the date of such election for the purpose of the Senior Secured Notes Indenture (except for the "*—Reports*" covenant). Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS.

"*Incur*" means issue, create, assume, enter into any Guarantee of, Incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "*Incurred*", "*Incurring*" and "*Incurrence*" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (x) the fair market value of such asset at such date of determination (as determined in good faith by an Officer or the Board of Directors of the Issuer) and (y) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); *provided* that for the purposes of the calculation of the Consolidated Net Leverage Ratio if the net proceeds of any Parent Debt have been on-lent to the Issuer as an Issuer Proceeds Loan and such Parent Debt is Guaranteed by a member of the Group, only the principal of obligations under the Issuer Proceeds Loan in connection with such Parent Debt shall count and the corresponding Guarantee shall be deemed reduced by the amount of such Indebtedness; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

Notwithstanding the foregoing, the term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any amount owed by the Issuer or any of its Restricted Subsidiaries under any Intercompany Tax Group Receivable, (iii) any lease, concession or license of property (or Senior Secured Notes Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iv) prepayments of deposits received from clients or customers in the ordinary course of business, (v) any pension obligations, (vi) Contingent Obligations in the ordinary course of business, (vii) obligations under or in respect of Qualified Receivables Financing, (viii) obligations under any license, permit or other approval (or Senior Secured Notes Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (ix) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (x) Guarantees of Indebtedness Incurred by franchisees for an aggregate amount at any time outstanding not exceeding €30 million, (xi) indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, or (xii) indebtedness Incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses and trade payables.

Notwithstanding the foregoing, the term "Indebtedness" shall include Parent Debt (i) on which interest payments are being made pursuant to clause (17)(ii) of the third paragraph of the "—*Limitation on Restricted Payments*" covenant and (ii) not Guaranteed by the Issuer or any of its Restricted Subsidiaries, which shall be deemed to have been incurred under the first paragraph or second paragraph of the "—*Limitation on Indebtedness*" covenant.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Secured Notes Indenture, and (other than with respect to letters of credit or Senior Secured Notes Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) 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; or

(2) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means any trust, fund, company or partnership owned, managed or advised by Lion Capital, Apax Partners, Mr. Alain Afflelou or Caisse de Dépôt et Placement du Québec or any of their respective Affiliates or direct or indirect Subsidiaries or any limited partner of any such trust, fund, company or partnership.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "*IPO Entity*") following which there is a public market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercompany Tax Group Receivable*" means any amount owed from time to time by the Issuer or any of its Restricted Subsidiaries to the Parent or LSF2 in connection with the execution, delivery, performance and maintenance of any Tax Sharing Agreement.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the "*—Limitation on Restricted Payments*" covenant.

For purposes of "*—Certain covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation *less* (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as determined in good faith by an Officer or the Board of Directors of the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, (as determined in good faith by an Officer or the Board of Directors of the Issuer) of such Subsidiary.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Senior Secured Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means , 2017.

"*Issuer*" means 3AB Optique Développement and any successor thereto.

"*Issuer Proceeds Loan*" means any loan agreement entered into between a Parent Entity and the Issuer pursuant to which the Parent Entity lends to the Issuer the net proceeds of any Indebtedness Incurred by the Parent Entity; *provided* that (i) the principal amount of, and interest rate on, such Issuer Proceeds Loan will not be greater than the principal amount of, and interest rate on, the Indebtedness Incurred by the Parent Entity that funded such Issuer Proceeds Loan (except to the extent a reasonable margin is required by law), as such Indebtedness is amended, replaced or otherwise refinanced from time to time and (ii) such Issuer Proceeds Loan shall be subordinated to the Senior Secured Notes in right of payment to the Senior Secured Notes in accordance with the New Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of its Restricted Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated EBITDA of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*LSF2*" means Lion Seneca France 2, a *société par actions simplifiée* incorporated under the laws of France.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent Entity, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer or its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €2.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent Entity, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity.

"*ManCos*" means each of Tchin Management 1 and Tchin Management 2 and any successor entity 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 IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness (i) which is secured by any assets subject to such Asset Disposition, or (ii) which must by its terms, or in order to obtain necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*New Intercreditor Agreement*" means the New Intercreditor Agreement dated on or about the Issue Date by and among, *inter alios*, the Parent, LSF2, the Issuer, the Senior Secured Notes Trustee, the Security Agent, and certain other parties thereto, as amended from time to time.

"*New Revolving Credit Facility*" means the revolving credit facility available pursuant to the New Revolving Credit Facility Agreement.

"*New Revolving Credit Facility Agreement*" means the revolving credit facility agreement dated on or about the Issue Date among, *inter alios,* the Issuer and the agent thereunder, as it shall be restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*Offering Memorandum*" means the final offering memorandum in relation to the Senior Secured Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion in form and substance reasonably satisfactory to the Senior Secured Notes Trustee from legal counsel reasonably satisfactory to the Senior Secured Notes Trustee. The counsel may be an employee of or counsel to the Parent or its Subsidiaries.

"*Parent*" means Afflelou, a *société par actions simplifiée* incorporated under the laws of France, that was formerly known as Lion Seneca France 1.

"*Parent Debt*" means any Indebtedness Incurred by a Parent Entity, the interest of which is being serviced pursuant to clause (17) of the definition of "Permitted Payments".

"*Parent Debt Contribution*" means the issuance by the Issuer of any Capital Stock, Preferred Stock, Subordinated Shareholder Funding, the contribution to the equity of the Issuer or the Incurrence of any debt instrument by the Issuer pursuant to which, in each case, the net proceeds of Parent Debt is contributed to the Issuer or any of its Restricted Subsidiaries.

"*Parent Entity*" of the Issuer means any other Person (other than a natural person) that (i) legally and beneficially owns more than 50% of the Voting Stock of the Issuer, either directly or through one or more Subsidiaries (including, as of the Issue Date and for the avoidance of doubt, the Parent and LSF2), (ii) is a Subsidiary of any Person referred to in the preceding clause or (iii) any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity; *provided*, *however*, that in no event shall any Subsidiary of the Issuer constitute its Parent Entity.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent Entity, any ManCo or any Holding AA Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, in each case, to the extent relating to Indebtedness of the Issuer or a Restricted Subsidiary, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity, any ManCo or any Holding AA Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity, any ManCo or any Holding AA Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent Entity, any ManCo or any Holding AA Entity in connection with the Refinancing;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity, any ManCo or any Holding AA Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing or the ownership, directly or indirectly, of the Parent by any Parent Entity, any ManCo or any Holding AA Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Parent and its Subsidiaries or any Parent Entity, any ManCo, any Holding AA Entity or any other Person which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Parent, in an amount not to exceed €2 million in any fiscal year;

(7) expenses Incurred by any Parent Entity, any ManCo or any Holding AA Entity in connection with any public offering or other sale of Capital Stock or Indebtedness:

  (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

  (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

  (z) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity, any ManCo or any Holding AA Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(8) fees, taxes, expenses and costs required to maintain the corporate existence of the Parent, LSF2, any other Parent Entity, any ManCo or any Holding AA Entity.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Senior Secured Notes and (2) with respect to any Senior Secured Notes Guarantor, any Indebtedness that ranks *pari passu* in right of payment to such Senior Secured Notes Guarantor's Senior Secured Notes Guarantee.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments 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 "*—Limitation on sales of assets and subsidiary stock*" covenant.

"*Permitted Collateral Liens*" means:

(1) Liens on the Senior Secured Notes Collateral to secure the Senior Secured Notes on the Issue Date and the Senior Secured Notes Guarantees of such Senior Secured Notes and any Refinancing Indebtedness in respect thereof (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the New Intercreditor Agreement or an Additional Intercreditor Agreement;

(2) Liens on the Senior Secured Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (15), (17), (19), (20), (21), (22), (23) and (29) of the definition of "Permitted Liens";

(3) Liens on the Senior Secured Notes Collateral to secure any Indebtedness (including any Additional Senior Secured Notes) that are permitted to be Incurred under (a) the first paragraph of the "*—Limitation on Indebtedness*" covenant or (b) clause (5) of the second paragraph of the "*—Limitation on Indebtedness*" covenant (that is Incurred, with respect to this clause (3)(b) only, by the Issuer or a Senior Secured Notes Guarantor) and (c) any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that, in the case of clause (a) only, on the date of such Incurrence after giving *pro forma* effect thereto and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio of the Parent would have been no more than 5.1 to 1.0; or in the case of clause (b) only, on the date of such Incurrence after giving *pro forma* effect thereto and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio of the Parent would have been either (x) no more than 5.1 to 1.0 or (y) no higher than it was immediately prior to giving effect to the relevant transaction;

(4) Liens on the Senior Secured Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clauses (1), (2) (in the case of clause (2), to the extent such Senior Secured Notes Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in clauses (3) and (4) of the definition of "Permitted Collateral Liens"), (4)(a) and (c) (to the extent the Indebtedness refinanced was secured by Liens on the Senior Secured Notes Collateral), (6), (11) and (15) of the second paragraph of the "*—Limitation on Indebtedness*" covenant and any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);

(5) Liens on the Senior Secured Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clause (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant; and

(6) any Lien securing Indebtedness (including Parent Debt and any Guarantee thereof) on a basis junior to the Senior Secured Notes;

provided, however, in the case of clauses (3), (4), (5) and (6), that

(A) any such Indebtedness is subject to the New Intercreditor Agreement or to an Additional Intercreditor Agreement; and

(B) the Senior Secured Notes Collateral securing such Indebtedness shall also secure the Senior Secured Notes or the Senior Secured Notes Guarantees on a senior or *pari passu* basis; *provided* that, with respect to Indebtedness that is Incurred under clauses (1), (6) and (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant, such Indebtedness may receive priority with respect to distributions of proceeds of any enforcement of Senior Secured Notes Collateral.

"*Permitted Holders*" means, collectively, (1) the Initial Investors and their Affiliates and Related Persons, (2) Senior Management, (3) the ManCos, (4) the Holding AA Entities, and (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (ii) a Change of Control which is also a Specified Change of Control Event will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person)

that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain covenants—Limitation on sales of assets and subsidiary stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and disclosed in the Offering Memorandum as having occurred or as may be about to occur;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the "*—Limitation on Liens*" covenant;

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the "*—Limitation on Affiliate Transactions*" covenant (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(14) Guarantees not prohibited by the "*—Limitation on Indebtedness*" covenant and (other than with respect to Indebtedness) loans, Guarantees, keepwells and similar arrangements in the ordinary course of business, including Guarantees of the obligations of, and loans to, franchisees;

(15) advances, loans or other extensions of credit to any joint venture or franchisee (but not, for the avoidance of doubt, any purchase or acquisition of Capital Stock of a joint

venture or franchisee or any other form of contribution to the equity of such joint venture to franchisee) in the ordinary course of business;

(16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in franchisees or franchised stores in respect of any such purchases and acquisitions, in any case, in the ordinary course of business and otherwise in accordance with the Senior Secured Notes Indenture;

(17) (i) Investments in franchisees or franchisees' stores and (ii) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries and Investments in Unrestricted Subsidiaries that do not exceed, collectively for (i) and (ii), an aggregate principal amount of the greater of (x) €15 million and (y) 18.0% of Consolidated EBITDA outstanding at any time; *provided, however*, that if any Investment pursuant to this clause (17) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (17) for so long as such Person continues to be a Restricted Subsidiary;

(18) Investments in the Senior Secured Notes and any Additional Senior Secured Notes;

(19) loans or other Investments required to be entered into in connection with a Qualified Receivables Financing; and

(20) Investments, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of (x) €15 million and (y) 18.0% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the "*—Limitation on Restricted Payments*" covenant, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause (20).

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Senior Secured Notes Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Senior Secured Notes Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion Guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, Guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law or agreement of similar effect, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, Guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and Liens to secure cash management services or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Senior Secured Notes Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired and Liens imposed by any legal or administrative authority in connection with pre-judgment proceedings;

(10) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(11) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(12) with respect to the Issuer and the Restricted Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(13) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (*plus* improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(14) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(15) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(16) (i) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease and (ii) any Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Purchase Money Obligations or Capitalized Lease Obligations; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Secured Notes Indenture and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(18) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(20) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(21) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(25) Permitted Collateral Liens;

(26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures or in favor of other joint venture partners;

(28) Liens arising as a result of a disposition, whether or not deemed to be an Asset Disposition;

(29) Liens securing Indebtedness Incurred pursuant to local lines of credit and overdraft facilities;

(30) (a) Liens created for the benefit of or to secure the Senior Secured Notes and the Senior Secured Notes Guarantees, (b) Liens pursuant to the New Intercreditor Agreement and the security documents entered into pursuant to the New Revolving Credit Facility and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Secured Notes and the creditors of such Indebtedness pursuant to the New Intercreditor Agreement or an Additional Intercreditor Agreement; and

(31) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of (x) €25 million and (y) 30.5% of Consolidated EBITDA.

"*Permitted Reorganization*" means (i)(A) any consolidation or merger of LSF2 with or into the Parent, and (B) any consolidation or merger of the Issuer with or into LSF2 or the Parent, provided that if the surviving entity of any such consolidation or merger is not the Parent (in the case of any transaction contemplated by (A) above) or the Issuer (in the case of any transaction contemplated under (B) above), such surviving entity expressly assumes (a) by supplemental indenture, executed and delivered to the Senior Secured Notes Trustee, in form reasonably satisfactory to the Senior Secured Notes Trustee, all the obligations of the Parent under the Parent Guarantee and the Senior Secured Notes Indenture (in the case of any transaction contemplated by (A) above), or the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture (in the case of any transaction contemplated by (B) above), and (b) all obligations of the Parent (in the case of any transaction contemplated by (A) above), or the Issuer (in the case of any transaction contemplated by (B) above), under the New Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, or (ii) any amalgamation, demerger, merger, sale, contribution, or other disposition, voluntary liquidation, consolidation, reorganization, winding up, corporate reconstruction or other reorganization involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables, among or between the Issuer and its Restricted Subsidiaries in connection therewith (a "*Reorganization*") that is made on a solvent basis; *provided that*, in the case of this clause (ii) only, immediately after giving effect to such Reorganization: (a) all of the business and property or assets of the Issuer or such Restricted Subsidiary are owned by the Issuer or its Restricted Subsidiaries (and if such Restricted Subsidiary was a Senior Secured Notes Guarantor immediately prior to such Reorganization, (x) all the business and property or assets of such Restricted Subsidiary are retained by one or more Senior Secured Notes Guarantors or (y) the condition in clause (c) of this definition is satisfied), (b) any payments or property or assets distributed, sold, contributed or disposed of in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or property or other assets that are subject to such Reorganization form part of the Senior Secured Notes Collateral, substantially equivalent (as determined in good faith by the Board of Directors of the Issuer) Liens must be granted over such shares or property or assets of the recipient such that they form part of the Senior Secured Notes Collateral, subject to the Agreed Security Principles, and (d) the Issuer will provide to the Senior Secured Notes Trustee and the Security Agent an Officer's Certificate confirming that such Reorganization is permitted under the Senior

Secured Notes Indenture and that no Default is continuing or would arise as a result of such Reorganization.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Pre-Expansion European Union*" means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after 1 January 2004.

"*Preferred Stock*" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary, winding up or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act or (ii) a private placement to institutional and other investors, in each case, that are not Affiliates of the Issuer, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) an Officer or 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 or the relevant Subsidiary of the Issuer, (2) all sales of accounts receivable and related assets of the Issuer or the relevant Subsidiary of the Issuer are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the 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 to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Secured Notes shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Issuer (or 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:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by the Issuer or any Restricted Subsidiary of the Issuer (excluding Guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary of the Issuer, (iii) 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 (iv) subjects any property or asset of the Issuer or any Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary 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

(3) to which neither the Issuer nor any 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 Senior Secured Notes Trustee by filing with the Senior Secured Notes 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.

"*Recognized Stock Exchange*" means a regulated market operated by any of Euronext, the New York Stock Exchange, NASDAQ, the Deutsche Börse, the Toronto Stock Exchange, the London

Stock Exchange, the Amsterdam Stock Exchange, the Hong Kong Stock Exchange, the Singapore Exchange or such other similar regulated national securities exchange.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

"*Refinancing*" means the redemption and repayment of the Existing Notes and the entering into of the New Revolving Credit Facility Agreement.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Secured Notes Indenture or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or the Senior Secured Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (*plus*, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, however, that Refinancing Indebtedness shall not include (x) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (y) Indebtedness of a Restricted Subsidiary of the Issuer that is not a Senior Secured Notes Guarantor that refinances Indebtedness of the Issuer or a Senior Secured Notes Guarantor.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder or majority (or more) owned Subsidiary of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

   (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

   (b) issuing or holding Subordinated Shareholder Funding;

   (c) being a holding company Parent Entity, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

   (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent Entity, any consolidated and combined Taxes measured by income for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid such Taxes on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means U.S. Bank Trustees Limited, acting as security agent pursuant to the New Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, call options and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Senior Secured Notes Collateral.

"*Senior Management*" means the officers, directors, and other members of senior management of the Parent or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly (including through a ManCo or a Holding AA Entity), Capital Stock of the Issuer or any Parent Entity.

"*Senior Secured Indebtedness*" means, with respect to the Issuer or any Restricted Subsidiary as of any date of determination, (a) any Indebtedness that is Incurred under the first paragraph of the "*—Limitation on Indebtedness*" covenant or clauses (1), (4), (5), (6) and (7) of the second paragraph of the "*—Limitation on Indebtedness*" covenant (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Senior Secured Notes (excluding Additional Senior Secured Notes)) and any Refinancing Indebtedness in respect thereof, in each case secured by a Lien on the Senior Secured Notes Collateral that is at least *pari passu* with the Liens securing the Senior Secured Notes and (b) Indebtedness of a Restricted Subsidiary that is not a Senior Secured Notes Guarantor. For the avoidance of doubt, in no event shall any Parent Debt, and any Guarantees thereof permitted under clause (12) of the second paragraph of the "*—Limitation on Indebtedness*" covenant constitute Senior Secured Indebtedness.

"*Senior Secured Notes Documents*" means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the New Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Senior Secured Notes Guarantor*" means each of the Parent, LSF2, Alain Afflelou Franchiseur and L'Opticien Afflelou, and any Additional Senior Secured Notes Guarantor that executes a supplemental indenture in accordance with the provisions of the Senior Secured Notes Indenture, and their respective successors and assigns, in each case, until the Senior Secured Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Secured Notes Indenture (collectively, the "*Senior Secured Notes Guarantors*").

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Parent or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Parent or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof, including any business, services and activities relating to hearing aids.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Parent would have been less than (x) 5.1 to 1.0, if the date of such occurrence is prior to the twenty-four month anniversary of the Issue Date or (y) 4.85 to 1.00 thereafter. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Secured Notes Indenture after the Issue Date.

"*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, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Secured Notes and any Senior Secured Notes Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Parent, LSF2 or the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(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 date that is six months following the Stated Maturity of the Senior Secured Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to the New Intercreditor Agreement, an Additional Intercreditor Agreement or another New Intercreditor Agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

Subordinated Shareholder Funding shall be deemed to include any payment-in-kind ("*PIK*") notes issued in payment of interest thereon.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties, additions to tax and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms entered into with any Parent Entity, any Subsidiary of a Parent Entity or any Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Secured Notes Indenture.

"*Tchin Management 1*" means Tchin Management 1, a *société par actions simplifiée* incorporated in France and having its registered office at 14 avenue de l'Opéra, 75001 Paris, France, registered under number 751 810 839 RCS Paris.

"*Tchin Management 2*" means Tchin Management 2, a *société par actions simplifiée* incorporated in France and having its registered office at 14 avenue de l'Opéra, 75001 Paris, France, registered under number 751 812 082 RCS Paris.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (iii) any agency or instrumentality of any such country or member state, or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the New Revolving Credit Facility,

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organisation for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if, at the time of such designation:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "—*Certain covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Secured Notes Trustee by filing with the Senior Secured Notes Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the "*—Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Senior Secured Notes Trustee by promptly filing with the Senior Secured Notes Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

Book-entry, delivery and form

General

The Notes sold within the United States to QIBs pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**"). The Notes sold to non-U.S. persons outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or their or its respective nominee), will be considered the sole holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Trustee under the Indenture, the Agents nor any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Definitive registered notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository for the Global Notes and a successor depository is not appointed by the Issuer;
- if Euroclear or Clearstream so requests following an event of default under the Indenture; or
- if the owner of a Book-Entry Interests requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Transfer restrictions*" unless such legend is not required by the Indenture or applicable law.

Redemption of global notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by them or it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on global notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts then required to be paid under the Notes) will be made by the Issuer to the Paying Agent. In turn, the Paying Agent will make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. 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 Trustee and the Agents will treat the registered holder of the Global Notes (i.e., the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, or the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- Euroclear, Clearstream or any participant or indirect participant; or

- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency and payment for the global notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Action by owners of book-entry interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires the physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require the physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer restrictions*".

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a 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 144A or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon 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 whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry 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.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Senior Secured Notes—Transfer and exchange*", and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer restrictions*".

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.

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers or the Trustee or any of the Agents is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global clearance and settlement under the book-entry system

The Notes represented by the Global Notes are expected to be admitted to trading on the Global Exchange Market and listed on the Official List of the Irish Stock Exchange. The Issuer expects that secondary trading in any Notes will be settled in accordance with rules and operating procedures of Euroclear, Clearstream and/or the Irish Stock Exchange.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Agents will have any responsibility for the performance by Euroclear, Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Certain tax considerations

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Notes or any interest therein.

Certain U.S. federal income tax considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for FATCA (as defined under "*—Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States and persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issuance and at their "issue price" (the first price at which a substantial amount of the Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the

application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income and state, local, non-U.S. or other tax laws.

Payments of stated interest

Payments of stated interest on a Note (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on a Note will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Original issue discount

Each series of Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In the event a series of Notes is issued with OID, U.S. holders of such Notes generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders will generally include any OID in income in advance of the receipt of cash attributable to such income.

A series of Notes will be treated as issued with OID if the stated principal amount of such series of Notes exceeds its issue price (as defined above) by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that a series of Notes is issued with OID, the amount of OID with respect to a Note of such series includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity", determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note. For purposes of determining OID accruals and adjusted issue price only, the amounts of stated interest and OID are determined by assuming that the interest rate on the Floating Rate Notes is a fixed rate based on the value of the floating rate applicable to the Floating Rate Notes as of the issue date.

OID, if any, on a series of Notes will be determined for any accrual period in euro and then translated into U.S. dollars in accordance with either of the two alternative methods described above in the third paragraph under "*—Payments of stated interest*".

A U.S. holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received, translated at the spot rate of exchange on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payment of stated interest payable on the Note; second, as receipt of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal. The rules governing OID instruments are complex and prospective purchasers should consult their own tax advisors concerning the application of such rules to the Notes as well as the interplay between the application of the OID rules and the currency exchange gain or loss rules.

Foreign currency exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Stated interest income and OID, if any, on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, exchange, retirement, redemption or other taxable disposition of notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder, increased by any OID previously accrued by such U.S. holder with respect to such Note. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives foreign currency on a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate of exchange on the trade date of such taxable disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and accrued OID, if any, which will be treated as discussed above under "*—Payments of stated interest*" or "*—Original issue discount,*" as applicable. However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest or accrued OID) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of foreign currency exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and the accrual of OID, if any, and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax return disclosure requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign account tax compliance act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on a series of Notes only if there is a significant modification of such series of Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on a series of Notes, there will be no additional amounts payable to compensate for the withheld amount.

Certain French tax considerations

The following is a summary of certain of the material French withholding tax considerations relating to the purchase, ownership and disposal of the Notes by a holder of the Notes that: (i) is not a French resident for French tax purposes; (ii) is not a shareholder of the Issuer; (iii) is not related to the Issuer within the meaning of Article 39.12 of the French Tax Code; and (iv) does not hold the Notes in connection with a permanent establishment or a fixed base in France. This summary is based on the tax laws and regulations of France, as currently in effect and applied by the French tax authorities, and all of which are subject to change or to different interpretation. This summary is for general information only and does not address all of the French tax considerations that may be relevant to specific holders in light of their particular circumstances. Furthermore, this summary does not address any French estate or gift tax considerations.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO FRENCH TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Article 1649 AC of the French Tax Code imposes on financial institutions within the meaning of Article 1 of Decree n°2016-1683 to review and collect information on their clients and investors, in order to identify their tax residence, as well as to provide certain account information to relevant foreign tax authorities (via the French tax authorities) on an annual basis.

Payments of interest and other revenue in respect of the notes (including those paid upon redemption of the notes)

Payments of interest and assimilated revenue made by the Issuer with respect to the Notes will not be subject to withholding tax set out under Article 125 A III of the French Tax Code unless such payments are made outside France in a non-cooperative State or territory (*État ou territoire non coopératif*) within the meaning of Article 238-0 A of the French Tax Code (a "**Non-Cooperative State**"), irrespective of the holder's residence for tax purposes or registered headquarters. Pursuant to Article 125 A III of the French Tax Code, if such payments under the Notes are made in a Non-Cooperative State, a 75% mandatory withholding tax will be due (subject to certain exceptions certain of which are set forth below and to the more favorable provisions of any applicable double tax treaty). The list of Non-Cooperative States is published by a ministerial executive order (*arrêté*) and, as from December 9, 2016, must be updated at least once a year. This list was last updated on April 8, 2016.

Furthermore, according to Article 238 A of the French Tax Code, interest and other assimilated revenue on the Notes may not be deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid on an account opened in a financial institution located in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenue may be recharacterized as constructive dividends pursuant to Article 109 *et seq.* of the French Tax Code, in which case such non-deductible interest and other assimilated revenue may be subject to the withholding tax set out under Article 119 *bis* 2 of the French Tax Code at a rate of 30% or 75%, subject to the more favorable provisions of any applicable tax treaty.

Notwithstanding the foregoing, neither the 75% withholding tax set out under Article 125 A-III of the French Tax Code nor, to the extent the relevant interest relate to genuine transactions and is not in an abnormal or exaggerated amount, the non-deductibility set out under Article 238 A of the French Tax Code and the related withholding tax set out under Article 119 *bis* 2 of the French Tax Code that may be levied as a result of such non-deductibility, will apply in respect of a particular issue of notes, if the Issuer can prove that the main purpose and effect of such issue were not to enable payments of interest or other similar revenue to be made in a Non-Cooperative State (the "**Exception**").

However, pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* (French administrative guidelines) referenced as BOI-INT-DG-20-50-20140211 n°550 and 990, BOI-RPPM-RCM-30-10-20-40-20140211 n°70 and BOI-IR-DOMIC-10-20-20-60-20150320 n°10 (the "**Administrative**

Guidelines"), an issue of notes will benefit from the Exception without the debtor having to provide any proof of the main purpose and effect of such issue of notes, and accordingly will be able to benefit from the Exception (the "**Safe Harbor**"), if such notes are:

- offered by means of a public offer within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) or pursuant to an equivalent offer in a State which is not a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

- admitted to trading on a French or foreign regulated market or a multilateral securities trading system *provided* that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, *provided* further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

- admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositaries or operators, *provided* that such depositary or operator is not located in a Non-Cooperative State.

The Notes issued pursuant to this Offering Memorandum qualify as debt securities under French commercial law. Considering that: (i), as of the date of their admission to trading, the Notes will be admitted to trading on the Irish Stock Exchange in the Republic of Ireland which does not qualify as a Non-Cooperative State and that such market is operated by a market operator which is not located in a Non-Cooperative State and/or (ii) the Notes will be admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French Monetary and Financial Code which is not located in a Non-Cooperative State, payments of interest and other revenue in respect of the Notes made by or on behalf of the Issuer to the holders of the Notes will fall under the Safe Harbor.

Accordingly, such payments made by or on behalf of the Issuer to the holders of the Notes will be exempt from the withholding tax set forth under Article 125 A III of the French Tax Code. Moreover, under the same conditions since the relevant interest and other revenue should be considered as relating to genuine transactions and not in an abnormal or exaggerated amount, interest and other assimilated revenue in respect of the Notes paid by or on behalf of the Issuer to the holders of the Notes will not be subject, pursuant to the Administrative Guidelines, to the related non-deductibility rule set forth under Article 238 A of the French Tax Code and, as a result, will not be subject to the withholding tax set forth under Article 119 *bis* 2 of the French Tax Code solely on account of their being paid or accrued to a person domiciled or established in a Non-Cooperative State or paid on an account opened in a financial institution established in such a Non-Cooperative State.

In addition, if a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under the Notes) it is possible that such payments may be subject to French withholding tax, subject to such relief as may be available under the provisions of any applicable double tax taxation treaty, or to any other exemption which may apply.

Sale, disposal or redemption of the Notes

Pursuant to Article 244 *bis* C of the French Tax Code, a holder of Notes who is not a resident of France for French tax purposes and who does not hold its Notes in connection with a permanent establishment or a fixed place of business in France, will not be subject to any income or withholding taxes in France in respect of the gains realized on the sale, exchange or other disposal of Notes.

In addition, no stamp or registration fee or duty or similar transfer taxes will be payable in France in connection with the sale, disposal or redemption of Notes, except in the case of filing with the French tax authorities on a voluntary basis or except to the extent that the FTT would become applicable. See *"Risk Factors—Risks related to the Notes, the Guarantees and the Collateral—The proposed financial transaction tax (the "FTT") may cause transactions in the Notes to be subject to high costs and the liquidity of the market for the Notes may be diminished".*

Certain insolvency law considerations and limitations on the validity and enforceability of the Guarantees and the security interests

European Union

The Issuer and the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EU) 2015/848 of May 20, 2015 on insolvency proceedings (recast) (the "**EU Insolvency Regulation**"), which became fully effective on June 26, 2017 and applies within the European Union (other than Denmark), the courts of the Member State in which a debtor's "centre of main interests" or "**COMI**" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its centre of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Article 3(1) of the EU Insolvency Regulation provides that the COMI of a "debtor shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties". It sets forth, as explained by Recital (30), a rebuttable presumption that a debtor has its COMI in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption shall only apply if the registered office of the legal person has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Recital (30) provides that it should be possible to rebut this presumption if a debtor's central administration is located in a Member State other than that of its registered office and a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the debtor's actual center of management and supervision and the management of its interests is located in that other Member State Under the previous EU insolvency regulation (Council Regulation (EC) 1346/2000 of May 29, 2000), which defined the COMI in similar terms, the courts have taken into consideration a number of factors in determining a debtor's COMI, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. A debtor's COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If a debtor's COMI is and will remain located in the Member State (other than Denmark)in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If a debtor's COMI is in a Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State or had an establishment in such EU Member State in the 3-month period prior to the request for commencement of main insolvency proceedings. An "establishment" is defined to mean "any place of operations where the debtor carries out or has carried out in the 3-month period prior to the request to commence main insolvency proceedings a non-transitory economic activity with human means and assets".

Where main proceedings have been commenced in the Member State in which the debtor has its COMI, any proceedings commenced subsequently in another Member State in which the debtor has an establishment shall be secondary insolvency proceedings. The effects of such proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its COMI have not yet been commenced, secondary insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under that Member State's law; or (b) the secondary insolvency proceedings are commenced at the request of (i) a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment or (ii) a public authority that has the right to make such a request under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's COMI is located there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

The EU Insolvency Regulation provides for cooperation between (i) insolvency practitioners of the insolvency proceedings (main insolvency proceedings and secondary insolvency proceedings), (ii) jurisdictions and (iii) jurisdictions and insolvency practitioners and for specific cooperation, communication and coordination measures in order to ensure the efficient administration of insolvency proceedings relating to different companies forming part of the same group. As from June 26, 2018, the Member States shall establish and maintain a register of insolvency proceedings and, as from June 26, 2019, the European Commission shall establish a decentralized system for the interconnection of such insolvency registers.

France

Insolvency and certain other proceedings affecting creditors

We conduct part of our business activity in France and, to the extent that the registered office, or, if applicable, the main center of interests within the meaning of article R. 600-1 of the French Commercial Code, of the Issuer or any of the Guarantors is deemed to be in France, it would be subject to French proceedings affecting creditors, including court-assisted proceedings (*mandat ad hoc* or *conciliation* proceedings, which do not fall within the scope of the EU Insolvency Regulation) and court-administered proceedings being either safeguard proceedings, accelerated safeguard proceedings or accelerated financial safeguard proceedings (*sauvegarde*, *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

Specialized courts exist for insolvency proceedings with respect to (i) debtors that exceed (directly or through the companies under their control) (y) €20 million in turnover and 250 employees or (z) €40 million in turnover, (ii) commencement of proceedings pursuant to the EU Insolvency Regulation or (iii) commencement of proceedings pursuant to the international jurisdiction due to the debtor's main centre of interests being in France.

In addition, the court that commences insolvency proceedings with respect to the member of a corporate group has jurisdiction over all the other members of the group; accordingly, a court can supervise the insolvency proceedings of the whole group and may, for this purpose, appoint the same administrator and creditors' representative (*mandataire judiciaire*) for all proceedings in respect of members of the group.

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the Guarantees granted by the French Guarantors and corresponding security interests in the Collateral.

Annex A of the EU Insolvency Regulation lists safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the EU Insolvency Regulation. Any company of our group having its COMI in France would be subject to French main insolvency proceedings and any company of our group having an establishment in France and its COMI in another EU Member State (other than Denmark) could be subject to French secondary insolvency proceedings.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Grace periods

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1343-5 of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published semi-annually by the French government) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 of the French Civil Code will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

If the debtor is engaged in conciliation proceedings or has reached a conciliation agreement that is in the course of being executed, special rules apply to the grant of grace periods (see "—*Court-assisted Proceedings*" below).

Insolvency test

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its immediately available assets (*actif disponible*) taking into account available credit lines, existing debt rescheduling agreements and moratoria.

- The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

Court-assisted proceedings

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders, e.g., an agreement to reduce or reschedule its indebtedness.

Mandat ad hoc proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulty but are not insolvent (see "—*Insolvency test*" above). The proceedings are informal and confidential by law (save for the disclosure of the president of the court order appointing the *mandataire ad hoc* to the statutory auditors, if any). They are carried out under the aegis of a court-appointed officer (*mandataire ad hoc*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the *mandataire ad hoc* are determined by the president of the competent court (usually the commercial court) that appoints him or her, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Mandat ad hoc* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1343-5 of the French Civil Code (see "—*Grace periods*" above). The agreement reached is reported to the president of the court but is not formally approved by it.

Conciliation proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see "—*Insolvency test*" above) or has not been insolvent for more than 45 calendar days. The proceedings are confidential by law (save for the disclosure of the president of the court order commencing the proceedings to the statutory auditors, if any). They are carried out under the aegis of a court-appointed conciliator (*conciliateur*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to four months (with the *conciliateur* being able to request a one-month extension). The duties of the *conciliateur* are to assist the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties, *e.g.* providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Conciliation* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration. Pursuant to article L. 611-7 of the French Commercial Code, the debtor retains the right to petition the judge that commenced the conciliation proceedings for a grace period in accordance with Article 1343-5 of the French Civil Code (see "—*Grace periods*" above) provided that the debtor has received a formal notice requesting payment or faces enforcement action by the relevant creditor; the judge will take its decision after having heard the conciliator (provided that the terms of his or her appointment included monitoring the implementation of the agreement as described below) and may condition the duration of the measures it orders to reaching an agreement in the conciliation proceedings.

Additionally, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement (whether it is acknowledged or approved as described below).

The conciliation agreement reached between the parties may be acknowledged (*constaté*) by the president of the court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement) and enforceable without further recourse to a judge (*force exécutoire)*, but the conciliation proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the court at the request of the debtor following a hearing held for that purpose which will have to be attended by the works council or employee representatives, as the case may be, if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor's insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above, except that in addition:

- creditors that, in the context of the conciliation proceedings, provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;

- in the event of subsequent safeguard proceedings, judicial reorganization or judicial liquidation proceedings, the claims benefiting from the New Money Lien may not, without their holders' consent, be written off and their payment date may not be rescheduled to a date later than the date on which the safeguard or reorganization plan is adopted, not even by the creditors' committees although the powers of the bondholder general meeting in this respect are uncertain;

- the works council or employee representatives are informed of the content of the conciliation agreement and may have access to the full conciliation agreement at the clerk's office (*greffe*) of the court. The publicly available court decision approving such agreement should however only disclose the amount of any New Money Lien and the guarantees and security interests granted to secure the same;

- when the debtor is submitted to statutory auditing, the conciliation agreement is transmitted to its statutory auditors; and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see "—*Insolvency test*" above), and therefore the starting date of the hardening period (as defined below in "—*The hardening period (période suspecte) in judicial reorganization and liquidation proceedings*"), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the *conciliateur* to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;

- the debtor retains the right to petition the judge that commenced the conciliation proceedings for a grace period in accordance with Article L. 611-10-1 of the French Commercial Code as explained above; and

- a third party which had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court or the court (depending on whether the agreement was acknowledged or approved) for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended and/or forbidden. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors which is likely to meet the threshold requirements for creditors' consent in safeguard, will be a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

At the request of the debtor and after the creditors taking part in the proceedings have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor, in particular through a "plan for the disposal of the business" (*plan de cession*) which could be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the *mandataire ad hoc* or the *conciliateur* may be directly considered by the court in the context of safeguard, reorganization or liquidation proceedings after consultation of the State prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end or (ii) requires the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, is deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before 3 months have elapsed as from the end of the previous ones.

Court-administered proceedings—safeguard

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, *provided* that it is not insolvent (see "—*Insolvency test*" above). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is (except for small companies where the court considers that such appointment is not necessary) appointed to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (*projet de plan de sauvegarde*) that it will circulate to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise *ex post facto* control over decisions made by the debtor (*mission de surveillance*) or assist the debtor to make all or some of the management decisions (*mission d'assistance*), all under the supervision of the court.

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the public prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or (b) in case no plan has been adopted by the relevant creditors' committee and, if any, bondholders' assembly (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

- the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the public prosecutor and in all such cases with the exception of (i) (b), the court may act upon its own initiative; and

- the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the public prosecutor and the workers' representatives (if any).

As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor, is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt forgiveness, payment terms or debt-for-equity swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or a turnover of €20 million or less.

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who seeks the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided* that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the maximum possible length of the plan (ten years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors that do not respond within 30 days of their receipt of the debt settlement proposal (other than debt-for-equity swap) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, the court that approves the safeguard plan (*plan de sauvegarde*) can impose a uniform rescheduling of the claims of creditors having refused the proposals that were submitted to them (subject to specific regimes such as the one applicable to claims benefiting from the New Money Lien) over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation: This applies to large companies whose accounts are certified by a statutory auditor (*commissaire aux comptes)* or established by a chartered-accountant (*expert-comptable)* and with more than 150 employees or a turnover greater than €20 million) or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees which are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (the "**credit institutions committee**"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the "**major suppliers committee**").

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the "**bondholders general meeting**"), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law(s) of those *obligations*.

As a general matter, only the legal owner of the debt claim will be invited onto the committee or general meeting. Accordingly, a person holding only an economic interest therein will not itself be a member of the committee or general meeting.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;

- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors that are members of the credit institutions committee or of the major suppliers committee may also prepare alternative safeguard plans in accordance with the above principles that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the court-appointed administrator (*administrateur judiciaire*). Bondholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors committee or of the bondholders general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator.

The amounts of claims secured by a trust (*fiducie*) granted by the debtor do not give rise to voting rights. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan nor take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders (see below), the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

Creditors outside the creditors' committees or the bondholders general meeting are consulted in accordance with the standard consultation process referred to above.

If the debtor's proposed plan is not approved by both committees and the bondholders general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the draft plan provides for a modification of the share capital or the by-laws, the court may decide that the shareholders general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, provided that they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If no proposed safeguard plan whatsoever is adopted by the committees and, if applicable, the general bondholders meeting, at the request of the debtor, the court-appointed administrator, the *mandataire judiciaire* or the State prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Specific case- Creditors that are public institutions: Public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors examine possible remissions within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

Court-administered proceedings—accelerated safeguard and accelerated financial safeguard

A debtor that is the subject of conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, *i.e.* those:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- whose accounts are certified by a statutory auditor or established by a certified public accountant and who have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

If the debtor does not exceed the thresholds provided to constitute creditors' committee (see above), the court shall authorize such constitution in the opening decision.

To be eligible for accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not be insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as it is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions'

committee only for financial accelerated safeguard proceedings) and bondholders general assembly, if any, within a maximum of three months following the commencement of accelerated safeguard proceedings, or within a maximum of two months following the commencement of accelerated financial safeguard proceedings.

While accelerated safeguard proceedings apply to all creditors, accelerated financial safeguard proceedings apply only to "financial creditors" (*i.e.*, creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) in respect of debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor (post-commencement non-privileged debts). Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

The regime applicable to standard safeguard proceedings is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings (for example, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) and creditors that are members of the credit institutions committee or the major suppliers committee, but not bondholders, may also prepare alternative draft plans as described above (see "—*Committee-based consultation*")), to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month). However, certain provisions relating to ongoing contracts and provisions relating to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

In particular, the creditors' committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Court-administered proceedings—judicial reorganization or liquidation proceedings

Judicial reorganization (*redressement judiciaire*) or liquidation (*liquidation judiciaire*) proceedings may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings, or for conciliation proceedings, as discussed above, within 45 days of becoming insolvent; *de jure* managers (including directors) and, as the case may be, *de facto* managers that would have deliberately failed to file such a petition within the deadline are exposed to civil liability in the event that judicial liquidation proceedings should be commenced against the debtor.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), a controller, the State prosecutor or upon its own initiative, the court may convert the judicial reorganization proceedings into judicial liquidation proceedings if it appears that the debtor's recovery is manifestly impossible. The court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the controllers, the State prosecutor and the workers' representatives (if any).

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

In the event of judicial reorganization proceedings, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a draft judicial reorganization plan, which is similar to a draft safeguard plan), or the sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities.

In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement*) in the event of rejection by the creditors of proposals made to them, are the same (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the State prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French Commercial Code, the administrator may appoint a trustee (*mandataire de justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders that refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business (assets, contracts and employees as determined by the bidder in its offer) i.e. a so-called "asset sale plan" (*plan de cession*). Any third party can present a bid on all or part of the debtor's business.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and (iii) the modification of the company's share capital seems to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then following (x) the review of the options for a total or partial sale of the business and at the request of the court-appointed administrator or of the State prosecutor and (y) at least 3 months having elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or

- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings, any consent clause being deemed unwritten; the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). There is no observation period in judicial liquidation proceedings nor does the law limit their duration. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes:

- a sale of the business through an "asset sale plan"(*plan de cession*) as described above (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor and organize such sale of the business as a going-concern via an asset sale, a.k.a. a "sale plan" (*plan de cession*)); or

- a sale of the individual assets of the debtor, in which case the liquidator may decide to:

    - launch auction sales (*vente aux enchères* (or *adjudication amiable* for real estate assets only));

- sell on an amicable basis (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received; (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder); or

- in practice, request, under the supervision of the bankruptcy judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*). However the possibility to implement such process is questioned by certain legal authors and case-law in this respect has varied.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;

- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

The "hardening period" (période suspecte) in judicial reorganization and judicial liquidation proceedings

The date of insolvency (*cessation des paiements*) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the hardening period (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner which is not commonly used in the ordinary course of business and security granted for previously incurred obligations, provisional attachment or seizure measures (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*).

- Transactions which are voidable by the court include payments made on debts that are due, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the creditor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings.

Status of creditors during safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of reorganization proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of an "asset sale plan" (*plan de cession*) (which it may do for a period of three months, renewable once); in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the "asset sale plan" (*plan de cession*) or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);

- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge commissaire*) to recover assets for which recovery is justified by the continued operation of the business);

- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;

- debts duly arising after the commencement of the proceedings and which were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien), provided that they are duly filed within one year of the expiry of the observation period;

- creditors may not initiate or pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:

- to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
- to terminate a contract for non-payment of amounts owed by the creditor; or
- to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset whether tangible or intangible, movable or immovable is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency proceedings commenced in France, in accordance with the terms of Article 8 of the EU Insolvency Regulation;

- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrat en cours*), will be required.

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above). Debts owed to other creditors, such as suppliers, continue to be payable in the ordinary course of business.

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside metropolitan France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors whose claims have not been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferred creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proofs of claim.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors that did not take part in the conciliation proceedings must file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts an asset sale plan (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. The sale price is often lower than the aggregate value of the assets as the courts tend to give priority to the preservation of jobs over the repayment of creditors. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator (usually the former creditor's representative) in charge of selling the assets of the debtor and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business is considered, the court will usually appoint a court-appointed administrator to manage the debtor during the temporary continuation of the business operations (see above) and to organize the sale of the business process.

If the court adopts a plan for the sale of the business, it can also set a time period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to the claim related to such asset.

Creditors' liability

Pursuant to Article L. 650-1 of the French Commercial Code (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful and if the relevant creditor (i) committed a fraud or (ii) interfered with the management of the debtor or (iii) obtained security or guarantees which are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Limitations on guarantees

The liabilities and obligations of each French Guarantor are subject to:

- certain exceptions, including to the extent of any obligations which would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 241-3, L. 242-6 or L. 244-1 of the French Commercial Code; and

- French corporate benefit rules.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, the Guarantees by any Guarantor and the amounts recoverable thereunder will be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on-lent by the Issuer to such Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding on the date a payment is requested to be made by such Guarantor under its Guarantee. Any payment made by such Guarantor under its Guarantee shall reduce *pro tanto* the outstanding amount of the intercompany loans due by such Guarantor or its subsidiaries under the intercompany loan arrangements referred to above. By virtue of this limitation, a French Guarantor's obligation under the Guarantees could be significantly less than amounts payable with respect to the Notes, or any Guarantor may have effectively no obligation under its Guarantees.

In addition, if a French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm's length basis, the difference between the actual economic benefit and that in a comparable arm's length transaction could be taxable under certain circumstances.

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

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes and the Guarantees may not be perfected if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In particular, pledges over the securities of French subsidiaries in the form a stock company (*société par actions*) that are governed by French law consist of pledges over a securities account (*nantissement de compte de titres*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by each security provider in favor of the Security Agent. Each statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of each French Guarantor. In France, no lien searches are available for security interests which are not publicly registered, with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

Limitations on enforcement of security interests and cash amount ("soulte")

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to the creditor. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte commissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

Parallel debt - trust

Under French law, the pledgee of a French law security interest and the creditor of the claim secured by such security interest are required to be the same person. Such security interest cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary (*fiduciaire*) under Article 2011 of the French Civil Code. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, there will be provided for the creation of "parallel debt" obligations in favor of the Security Agent (the "**Parallel Debt**") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the "**Principal Obligations**").

The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy *(ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construct will eliminate the risk of unenforceability under French law.

The Collateral is granted to the benefit of the Security Agent as *inter alia* Parallel Debt creditor. If the Collateral created for the benefit of the Security Agent as Parallel Debt creditor under the Parallel Debt construct were successfully challenged by other parties, holders of the Notes would not be entitled to receive on this basis any proceeds from an enforcement of the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

Fraudulent conveyance

French law contains specific, "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) insolvency proceedings of the relevant debtor, or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the Guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the Guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

Recognition of intercreditor arrangements by French courts

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the New Intercreditor Agreement, except for Article L. 626-30-2 of the French Commercial Code which states that, in the context of safeguard proceedings, the safeguard plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard proceedings. As a consequence, except to the extent referred to above (which, as at the date of this Offering Memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the New Intercreditor Agreement.

Plan of distribution

Subject to the terms and conditions set forth in the Purchase Agreement to be dated as of , 2017, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase the Notes from the Issuer.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the prices indicated on the cover page hereof. After the initial offering of the Notes, the offering prices and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales of the Notes by the Initial Purchasers in the United States may be made through affiliates of the Initial Purchasers who are qualified broker-dealers under applicable law.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer has agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any securities of, or guaranteed by, the Issuer that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date that is 90 days after the date of the Purchase Agreement, without the prior written consent of the representatives of the Initial Purchasers.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States to non-U.S. persons except to QIBs in reliance on Rule 144A and to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer restrictions*".

The Initial Purchasers have represented, warranted and agreed that they:

- have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by them in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, France and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes and the Guarantees may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Important information about this Offering Memorandum*" and "*Notice to investors*".

The Notes and the Guarantees are new issues of securities for which there currently is no market. We intend to list the Notes on the Official List of the Irish Stock Exchange and to admit them for trading on the Global Exchange Market thereof; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make markets in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make markets in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the Issue Date, which will be business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is referred to as "T+ "). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

In connection with the Offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

These stabilizing transactions and covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Stabilizing Manager. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers or their respective affiliates from time to time have provided, and may in the future provide, commercial lending, investment banking, hedging, consulting and financial advisory services to the Issuer and its subsidiaries and affiliates for which they have received, and in the future may receive, customary fees and expenses. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its respective affiliates. The Initial Purchasers or their affiliates have a lending relationship with us and may hedge their credit exposure to us consistent with their customary risk management policies. Moreover, the Initial Purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. Affiliates of the Initial Purchasers are among the mandated lead arrangers and/or lenders under the Existing Revolving Credit Facility Agreement and the New Revolving Credit Facility Agreement.

Any offer or sale in the United States will be made by affiliates of the Initial Purchasers who are broker-dealers registered under the U.S. Securities Exchange Act of 1934, as amended. To the extent that any Initial Purchaser intends to effect any sales of the Notes in the United States, it will do so through one or more U.S. registered broker-dealers as permitted by FINRA regulations. In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the U.S. Securities Act and in connection with any applicable state securities laws.

Transfer restrictions

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act, or securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any other jurisdiction. The Notes and Guarantees offered hereby are being offered and sold only (i) in the United States, to "qualified institutional buyers" as defined in, and in reliance on Rule 144A under the U.S. Securities Act, and (ii) outside the United States to non-U.S. persons in offshore transactions as defined in, in reliance on, Regulation S.

We have not registered and will not register the Notes or the Guarantees under the U.S. Securities Act, and therefore the Notes and the Guarantees 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 U.S. Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States, to QIBs; and
- to non-U.S. persons outside the United States, in offshore transactions in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

You, by your acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) You understand that the Notes and the Guarantees are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and that (i) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (a) in the United States to a person whom you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (b) to non-U.S. persons outside the United States in a transaction complying with Regulation S or (c) in compliance with the registration requirements of the U.S. Securities Act or pursuant to an exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set out in paragraph (5) below in each case in accordance with any applicable securities laws of any state of the United States, and that (ii) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you of the resale restrictions referred to in (i) above.

(2) You are not an "affiliate" of the Issuer (as defined in Rule 144A), nor acting on its behalf, and that you are either:

    (i) a QIB, and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition of Notes will be for your own account or for the account of another QIB; or

    (ii) to a non-U.S. person or purchasing for the account or benefit of a non-U.S. person, other than a distributor, and in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to you with respect to the offer

or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum.

You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are 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 U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by the acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, an exemption from the registration requirements of the U.S. Securities Act or in any transaction not subject thereto, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe 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, (iv) to a non-U.S. person pursuant to offers and sales that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee.

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR][IN THE CASE OF REGULATION S NOTES: 40 DAYS] 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, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO

LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("**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) TO NON-U.S. PERSONS PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO 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 IN 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, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

A purchaser of Notes will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("**OID**") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(C) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE ISSUER AT 11, RUE D'ARGENSON 75008 PARIS FRANCE, ATTENTION: INVESTOR RELATIONS.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You acknowledge 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 U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(9) You acknowledge that we, the Initial Purchasers, the Agents and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

Legal matters

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins AARPI as to matters of French law and by Latham & Watkins (London) LLP as to matters of U.S. federal, New York state and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP as to matters of U.S. federal and New York state law and Clifford Chance Europe LLP as to matters of English law and French law.

Independent auditors

The consolidated financial statements of the Parent as of and for the years ended July 31, 2015, 2016 and 2017 appearing in this Offering Memorandum have been prepared in accordance with IFRS and have been audited by Constantin Associés, a member of Deloitte Touche Tohmatsu Limited, and Ernst & Young et Autres, as stated in their report, which are included elsewhere in this Offering Memorandum.

Constantin Associés and Ernst & Young et Autres are members of the *Compagnie régionale des commissaires aux comptes de Versailles*.

Service of process and enforcement of civil liabilities

The Issuer and the Guarantors are entities organized under the laws of France with their registered offices or principal places of business in France (the "**French Entities**"). None of the directors, officers and other executives of the French Entities are residents or citizens of the United States (the "**French Individuals**"). Furthermore, most of the assets of the French Entities or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French Entities and/or French Individuals.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) that has exclusive jurisdiction over such matter, in accordance with the French Civil Procedure Code (Art. 509 et seq.).

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non ex parte*) proceedings if such U.S. judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (i.e., there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;

- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights; and

- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e. those having a *res judicata* effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (Law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Additionally, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). Historically, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU. The French Supreme Court (*Cour de cassation*) held that a jurisdiction clause may only be effective if it complies with the requirement of foreseeability. This can notably be the case where the jurisdiction clause sets out an objective basis for the determination of the competent courts. In this respect, a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction which, by definition, does not set out an objective basis for the determination of the competent courts to be chosen by the latter party, is most likely to be considered as not complying with the requirement of foreseeability by French Courts. Consequently, there is a risk that any provisions to the same effect in any relevant documents could be considered as not binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Listing and general information

Listing

Application will be made for the Notes to be admitted to listing on the Official List of the Irish Stock Exchange and to admit them for trading on the Global Exchange Market thereof, in accordance with the rules and regulations of that exchange. Our organizational documents will be deposited at the registered office of the Issuer, located at 11, rue d'Argenson 75008 Paris France (the "**registered office of the Issuer**"), where such documents may be examined and copies obtained. They may be inspected by any interested person at the registered office of the Issuer.

So long as the Notes are listed on the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market of that exchange and the rules and regulations of the Irish Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in Ireland (which is expected to be *The Irish Times*) or on the website of the Irish Stock Exchange (*ise.ie*) or by any other means considered equivalent by the Irish Stock Exchange.

For so long as the Notes are listed on the Global Exchange Market and the rules of that exchange so require, copies of the following documents may be inspected and obtained free of charge at the registered office of the Issuer during normal business hours on any weekday (public holidays excluded):

- the organizational documents of the Issuer;
- the consolidated financial statements included in this Offering Memorandum;
- our most recent audited consolidated financial statements, and any interim financial statements published by us;
- the forms of the Notes;
- the Indenture governing the Notes;
- the New Intercreditor Agreement; and
- the Security Documents.

The Issuer has named Elavon Financial Services DAC, UK Branch as Calculation Agent, Paying Agent and Transfer Agent; Elavon Financial Services DAC, as Registrar; U.S. Bank Trustees Limited as Security Agent and Trustee; and Walkers Listing Services Ltd. as Listing Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Irish Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Ireland (which is expected to be *The Irish Times*) or on the official website of the Irish Stock Exchange (*ise.ie*) or by any other means considered equivalent by the Irish Stock Exchange.

It is expected that the total expenses relating to the application for admission of the Notes to the Official List of the Irish Stock Exchange and for admission of the Notes to trading on its Global Exchange Market will be approximately €5,000 (excluding VAT and disbursements).

Application may be made to the Irish Stock Exchange to have the Notes removed from listing on the Global Exchange Market, including if necessary to avoid any new withholding taxes in connection with the listing.

Litigation

Except as disclosed elsewhere in this Offering Memorandum, there has been no material adverse change in our financial position since July 31, 2017 (being the last day of the period in respect of which we published our audited consolidated financial statements) and we are not involved and have not been involved during the 12 months preceding the date of this Offering Memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on our results of operations, condition (financial or other) or general affairs and, so far as we are aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No material adverse change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in our consolidated financial and trading position since July 31, 2017 (being the last day of the period in respect of which we published our latest audited consolidated financial statements).

Clearing information

The Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes and , respectively. The international securities identification number ("**ISIN**") for the Floating Rate Notes sold pursuant to Regulation S is and the ISIN for the Floating Rate Notes sold pursuant to Rule 144A is .

The Fixed Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes and , respectively. The ISIN for the Fixed Rate Notes sold pursuant to Regulation S is and the ISIN for the Fixed Rate Notes sold pursuant to Rule 144A is .

Legal information

Issuer

3AB Optique Développement is a *société par actions simplifiée* (simplified joint stock company) organized under the laws of France. Its registered office is located at 11, rue d'Argenson 75008 Paris France. It is registered in France under sole identification number 488 863 358 R.C.S. Paris.

The guarantors

The Parent

The Parent is a *société par actions simplifiée* (simplified joint stock company) organized under the laws of France. Its registered office is located at 11, rue d'Argenson 75008 Paris France. It is registered in France under sole identification number 751 095 712 R.C.S. Paris.

LSF2

LSF2 is a *société par actions simplifiée* (simplified joint stock company) organized under the laws of France. Its registered office is located at 11, rue d'Argenson 75008 Paris France. It is registered in France under sole identification number 751 095 761 R.C.S. Paris.

L'Opticien Afflelou

L'Opticien Afflelou is a *société par actions simplifiée* (simplified joint stock company) organized under the laws of France. Its registered office is located at 11, rue d'Argenson 75008 Paris France. It is registered in France under sole identification number 514 266 675 R.C.S. Paris. L'Opticien Afflelou is one of the Group's principal operating companies undertaking the Group's directly-owned store activities.

Alain Afflelou Franchiseur

Alain Afflelou Franchiseur is a *société par actions simplifiée* (simplified joint stock company) organized under the laws of France. Its registered office is located at 11, rue d'Argenson 75008

Paris France. It is registered in France under sole identification number 304 577 794 R.C.S. Paris. Alain Afflelou Franchiseur is both the operating company undertaking the Group's franchisor activities and a holding company with participations in subsidiaries engaged in the Group's franchisor and directly-owned store activities outside of France as well as its sourcing subsidiary organized in Asia.

Consents

The creation and issuance of the Notes was authorized by resolutions of the sole shareholder of the Issuer dated September 29, 2017.

Statement

The Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

Financial statements

CONSTANTIN ASSOCIES
Member of Deloitte Touche Tohmatsu Limited

ERNST & YOUNG et Autres

Afflelou

Years ended July 31, 2015, 2016, and 2017

Statutory auditors' report on the consolidated financial statements

CONSTANTIN ASSOCIES	**ERNST & YOUNG et Autres**
Member of Deloitte Touche Tohmatsu Limited	1/2, place des Saisons
185, avenue Charles de Gaulle	92400 Courbevoie - Paris-La Défense 1
92524 Neuilly-sur-Seine Cedex	S.A.S. à capital variable
Commissaire aux Comptes	Commissaire aux Comptes
Membre de la compagnie	Membre de la compagnie
régionale de Paris	régionale de Versailles

Afflelou

Years ended July 31, 2015, 2016 and 2017

Statutory auditors' report on the consolidated financial statements

To the Chairman,

In our capacity as statutory auditors of Afflelou and in accordance with your request in connection with the debt issue, we hereby report to you on the audit of the accompanying consolidated financial statements of Afflelou, for the years ended July 31, 2015, 2016 and 2017, prepared for the purpose of the International Offering memorandum and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (thereafter the "Consolidated Financial Statements").

The preparation of these consolidated financial statements is the responsibility of your Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, by audit sampling and other means of testing, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets, liabilities and financial position of the Group at July 31, 2015, 2016 and 2017 and the results of its operations for the years then ended, in accordance with IFRS as adopted by the European Union.

Without modifying our opinion, we draw your attention to the matter disclosed in Notes 1.3 "Context of the publication" and 7 "Corrections of errors" to the consolidated financial statements relating to the changes, improvements and corrections that have been made to the audited consolidated financial statements for the year ended July 31, 2015, approved by the Annual General Meeting, and in particular, the correction relating to deferred tax.

Neuilly-sur-Seine and Paris-La Défense, September 29, 2017

The Statutory Auditors

CONSTANTIN ASSOCIES	ERNST & YOUNG et Autres
Member of Deloitte Touche Tohmatsu Limited	
Jean-Paul Seguret	Sebastien Huet

Afflelou
Simplified joint stock company with capital of 78,332,461 euros
Registered office: 11 rue d'Argenson, 75008 Paris
751 095 712 Paris Trade and Companies Register

Consolidated financial statements for the years ended 31 July 2015, 2016 and 2017

Contents

I – Consolidated statement of financial position

(in thousands of euros)

Assets	Note	31/07/2017	31/07/2016	31/07/2015 Adjusted (1)
Trademarks	6.2.1	660,982	655,600	655,600
Goodwill	6.2.2	171,478	175,599	153,823
Intangible assets	6.2.3	58,096	61,585	61,388
Property, plant and equipment	6.2.4	21,720	21,724	22,535
Other financial assets	6.2.6	17,921	18,527	20,611
Deferred tax assets	6.1.8.4	2,626	3,161	879
Non-current assets		**932,824**	**936,196**	**914,836**
Inventories	6.2.7	26,192	23,444	24,746
Trade receivables	6.2.8	83,123	76,897	55,646
Other current assets	6.2.9.1	96,267	96,286	101,090
Cash and cash equivalents	6.2.10	35,326	39,381	27,774
Assets held for sale			1,361	1,361
Current assets		**240,908**	**237,369**	**210,617**
Total assets		**1,173,732**	**1,173,565**	**1,125,453**

	Note	31/07/2017	31/07/2016	31/07/2015 Adjusted (1)
Share capital	6.2.11	78,332	146,690	146,690
Other reserves		27,723	-31,028	-7,043
Net income for the period		-959	-9,606	-23,985
Other comprehensive income		-285	-226	-228
Total equity		**104,812**	**105,830**	**115,436**
Non-current borrowings	6.2.14	745,035	698,466	658,181
Deferred tax liabilities	6.1.8.4	156,076	181,964	184,640
Employee benefits and similar	6.2.12	1,789	1,791	1,441
Non-current provisions	6.2.13	2,750	3,964	5,807
Other non-current liabilities		912	3,569	
Non-current liabilities		**906,563**	**889,754**	**850,069**
Current borrowings	6.2.14	5,674	23,473	7,817
Current provisions	6.2.13	489	850	3,141
Trade payables	6.2.9.2	43,295	40,478	34,079
Derivative financial liabilities		363	385	679
Tax payable	6.1.8.3	6,399	5,264	3,151
Other current liabilities	6.2.9.2	106,138	107,531	111,083
Current liabilities		**162,357**	**177,981**	**159,952**
Total liabilities and equity		**1,173,732**	**1,173,565**	**1,125,453**

(1) See Note 7 "Corrections of errors"

II – Consolidated income statement

(in thousands of euros)	Note	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Revenue	6.1.1	372,822	345,663	310,999
Cost of purchases		-194,153	-177,866	-153,032
Wages and salaries including social security contributions	6.1.2	-57,630	-52,290	-52,097
Other purchases and external expenses	6.1.4	-42,476	-39,462	-38,450
Duties and taxes other than income tax		-2,188	-3,078	-2,910
Depreciation, amortisation and impairment	6.1.5	-8,920	-8,153	-10,777
Operating income from ordinary activities		**67,454**	**64,814**	**53,733**
Other non-recurring operating items	6.1.6	-12,788	-3,279	-21,881
Operating profit		**54,666**	**61,535**	**31,852**
Financial income		2,619	3,528	6,476
Borrowing costs		-74,623	-67,863	-62,144
Other financial expense		-5,310	-4,119	-4,117
Net financial income/(expense)	6.1.7	**-77,314**	**-68,454**	**-59,785**
Net income before tax of consolidated companies		**-22,649**	**-6,919**	**-27,933**
Tax income/(expense)	6.1.8.2	21,690	-2,687	3,948
Net income		**-959**	**-9,606**	**-23,985**
Earnings per share, basic and diluted (in €)	**6.1.9**	**-0.01**	**-0.07**	**-0.16**

III – Statement of comprehensive income

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Net income	**-959**	**-9,606**	**-23,985**
Exchange differences arising on the translation of foreign operations	39	24	-26
Change in fair value of financial instruments			12
Tax impact of change in fair value of financial instruments			-4
Change in fair value of available-for-sale financial assets	-195		
Tax impact of change in fair value of available-for-sale financial assets	41		
Other comprehensive income that may subsequently be reclassified to profit or loss	-115	**24**	**-18**
Actuarial gains and losses on pension obligations	79	-33	-329
Tax impact of actuarial gains and losses on pension obligations	-23	11	112
Other comprehensive income that will not be reclassified to profit or loss	**56**	**-22**	**-217**
Total other comprehensive income	**-58**	**2**	**-235**
Total comprehensive income	**-1,018**	**-9,604**	**-24,220**

(1) See Note 7 "Corrections of errors"

IV – Consolidated statement of cash flows

(in thousands of euros)	Note	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Operating activities:				
Net income		-959	-9,606	-23,985
Depreciation and amortisation and provisions		23,019	19,654	41,170
Reversal of provisions		-13,455	-21,484	-14,782
Capital gains and losses on disposals	6.1.6	5,186	9,589	3,278
Tax expense/(income)	6.1.8.2	-21,690	2,687	-3,948
Borrowing costs	6.1.7	74,623	67,863	62,144
Cash flow before borrowing costs		**66,724**	**68,704**	**63,877**
Change in inventories		-3,381	2,052	-1,273
Change in receivables		-6,992	-14,980	8,479
Change in liabilities		484	-431	-9,856
Prepaid expenses and deferred income		721	676	-81
Change in working capital		**-9,167**	**-12,683**	**-2,731**
Income tax paid	6.1.8.3	-3,741	-2,887	-6,127
Net cash from/(used in) operating activities		**53,816**	**53,134**	**55,019**
Investing activities:				
Purchases of intangible assets	6.2	-8,411	-6,260	-14,709
Purchases of property, plant & equipment	6.2.4.1	-7,176	-7,708	-7,575
Proceeds from disposals of intangible assets and PP&E		3,109	7,668	12,287
Purchases of financial assets	6.2.6	-4,293	-3,600	-5,757
Proceeds from disposals of financial assets	6.2.6	6,010	5,230	5,894
Purchases of subsidiaries	4	-1,012	-24,967	-8,565
Net cash from/(used in) in investing activities		**-11,773**	**-29,637**	**-18,425**
Financing activities:				
Loans	6.2.14.2	198	18,309	261
Repayment of loans	6.2.14.2	-18,541	-1,747	-2,830
Other financial expense paid		-1		
Debt issuance costs		0		-2,019
Net interest paid	6.1.7	-27,392	-27,124	-25,636
Net cash from/(used in) financing activities		**-45,736**	**-10,558**	**-30,224**
Effect of changes in exchange rates		**-11**	**-5**	**-40**
Change in cash		**-3,704**	**12,934**	**6,330**
Cash and cash equivalents at beginning of period		38,948	26,015	19,685
Cash and cash equivalents at end of period	6.5.1	35,245	38,948	26,015

(1) See Note 7 "Corrections of errors"

V – Consolidated statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Other reserves (1)	Net income for the period (2)	Other comprehensive income	Total
Shareholders' equity as of 31 July 2014 (adjusted (1))	**146,690,002**	**146,690**	**19,685**	**-26,728**	**7**	**139,654**
Appropriation of prior year income			-26,728	26,728		
Comprehensive income for the period (1)				-23,985	-235	-24,220
Shareholders' equity as of 31 July 2015 (adjusted (1))	**146,690,002**	**146,690**	**-7,043**	**-23,985**	**-228**	**115,436**
Appropriation of prior year income			-23,985	23,985		
Comprehensive income for the period				-9,606	2	-9,604
Shareholders' equity as of 31 July 2016	**146,690,002**	**146,690**	**-31,028**	**-9,606**	**-226**	**105,830**
Appropriation of prior year income			-9,606	9,606		
Changes in share capital		-68,358	68,358			
Comprehensive income for the period				-959	-58	-1,018
Shareholders' equity as of 31 July 2017	**146,690,002**	**78,332**	**27,723**	**-959**	**-285**	**104,812**

(1) Including the equity component of convertible bonds (see Note 6.2.14.3.3)
(2) See Note 7 "Corrections of errors"

1. Overview

1.1. General information on the parent company

The parent company, AFFLELOU, formerly known as LION SENECA France 1 ("AA" or "the Company"), is a French joint stock company controlled by LION SENECA Lux 2, headquartered at 11 rue d'Argenson, 75008 Paris. The "Group" comprises the parent company, which wholly owns LION SENECA France 2 ('LSF2"), which in turn controls 3AB OPTIQUE DÉVELOPPEMENT ("3ABOD") and its subsidiaries.

Effective 30 August 2016, LION SENECA France 1 changed its name to AFFLELOU. The governing bodies were also modified at the same time, with the replacement of the Management Board and the Supervisory Board by a Board of Directors. For simplicity, the term "Board of Directors" is used in this document in place of "Management Board and "Supervisory Board" for the fiscal year 2015.

1.2. General information on the Group

The Group is a leader in the market for the distribution of optical products in France and Spain, and a major player in the European markets of Belgium and Switzerland. The Group also operates in various countries in Africa, Asia and America.

The Group's core business is the sale of optical and audio products through a network of franchises and directly owned stores operating under the "ALAIN AFFLELOU", "ALAIN AFFLELOU ACOUSTICIEN", "OPTICAL DISCOUNT", "OPTIMIL", "CLARO by AFFLELOU" and "HAPPY VIEW" banners.

The Group has based its expansion strategy on the franchise network.

This model is based on revenue generated by sales in franchise networks (mainly entry fees, franchise fees and communication fees) and through their purchases, through services provided to the suppliers of the various brands, and through direct sales of products to franchisees, notably branded company products.

The Group owns a network of stores to support its development. The purpose of this network is to (i) retain control over flagship stores located in strategic areas and key geographies, (ii) test new business initiatives and identify best practices before applying them to the franchisees, and (iii) manage the overall store network by temporarily piggy-backing stores that are at the end of a franchise agreement or experiencing difficulties, thereby keeping them within the Group for subsequent transfer to new franchisees.

Lastly, the Group derives part of its revenue from the e-commerce channel, notably with the happyview.fr and malentille.com sites acquired during the previous financial year.

1.3. Context of the publication

The consolidated financial statements for the years ended 31 July 2015, 31 July 2016 and 31 July 2017 have been prepared within the framework of the proposed issue of a high-yield bond. They were prepared specifically for the Offering Memorandum. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as of 31 July 2017. These consolidated financial statements for the years ended 31 July 2015, 2016 and 2017 were approved by the Board of Directors of AFFLELOU on 27 September 2017.

This single set of consolidated financial statements covering a three-year period does not replace the historical consolidated financial statements for the years ended 31 July 2017, 2016 and 2015, approved by the Board of Directors of AFFLELOU on 27 September 2017, 3 October 2016 and 16 November 2015 respectively. Events occurring subsequent to the dates on which the financial statements for each of the years presented were approved are not reflected in these consolidated financial statements, in accordance with the decision of the IASB Interpretation Committee (IFRS IC Rejection – IAS 10 *Events After the Reporting Period: Reissuing Previously Issued Financial Statements* of May 2013). In particular, with regard to the years ended 31 July 2016 and 2015, these financial statements do not reflect events occurring after 3 October 2016 and 16 November 2015 (dates of approval of the historical financial statements).

In preparing this single set of consolidated financial statements covering a three-year period, the Company identified errors relating to fiscal 2015, subsequent to the date on which the financial statements for that year were finalised and approved. The AFFLELOU consolidated financial statements for the year ended 31 July 2015 presented in this single set of consolidated financial statements covering a three-year period have therefore been adjusted for the restatements presented below. Compared with the historical legal consolidated financial statements for the year ended 31 July 2015, these consolidated financial statements include the following changes, corrections and improvements:

- Format of the financial statements: reorganisation of the notes, additional disclosures and reformulation of certain aggregates of the financial statements;
- The following adjustments (the impacts of which are described in Note 7 "Corrections of errors"):
o Deferred tax: recognition of tax loss carryforwards (France) as of the date of the takeover of the Alain Afflelou group by LSF2 in July 2012 and annual tax loss carryforwards (France) given the existence of significant deferred tax liabilities recorded at the time of this acquisition;
o Valuation of the derivative embedded in the OKIA supplier contract: recognition of the financial instrument in accordance with IAS 39 *Financial Instruments* (see Note 6.3.2);
o Staggering of entry fees over the firm period of franchise agreements;
o Impairment of the property, plant and equipment of directly owned stores: reclassification to impairment of property, plant and equipment of impairment previously recorded in error as impairment of intangible assets;
o Impairment of trade receivables: reclassification to impairment of other current assets of impairment in respect of franchisee purchases via the central payment structure previously recorded in error as impairment of trade receivables.

The Group also changed the organisation of its activities, resulting in the presentation of a new segmentation of its businesses by geographical area, namely "France", "Spain" and "Other countries". The new organisation, implemented during the year ended 31 July 2016, is reflected in the segment reporting of the consolidated financial statements. Furthermore, in application of IFRS 8 *Operating Segments*, the Group discloses, for all the years presented, segment information in accordance with the new organisation, necessitating a retrospective restatement of the comparative period ended 31 July 2015. Information on the new business segments is provided in Note 5 "Segment reporting".

The rules applied in preparing these financial statements are described in Note 3 "Accounting policies". The consolidated financial statements are presented in thousands of euros, unless otherwise stated.

2. Highlights

2.1. 2017 highlights

2.1.1. Change in the networks

The Group had 1,474 stores (1,400 optical stores and 74 audio stores) as of 31 July 2017, breaking down as 1,254 ALAIN AFFLELOU stores, 162 Optical Discount stores, 8 CLARO by AFFLELOU stores, 49 Optimil stores and 1 Happy View store, compared with 1,395 optical stores and audio stores as of 31 July 2016.

Consistent with the Group's intentions, the merger of stores geared towards entry-level products was initiated in early 2016. As of 31 July 2017, the Group had increased the number of stores operating under the OPTICAL DISCOUNT banner to 162, compared with 135 as of 31 July 2016, primarily as a result of the transformation of a significant number of CLARO by AFFLELOU stores to OPTICAL DISCOUNT outlets. The portfolio of discount stores has now been almost totally unified.

It should also be noted that the portfolio of 74 audio stores (56 in France, and 18 in Spain) is complemented by 170 spaces in optical stores (134 in France and 36 in Spain, bringing the total of audio outlets to 244, compared with 177 as of 31 July 2016.

During the past year, the Group expanded its international operations, notably by extending its footprint in Latin America and Asia. The Group accordingly operated in 16 countries as of 31 July 2017.

The portfolio of directly owned stores, located mainly in France and Spain, represented 179 optical stores and 5 audio stores as of 31 July 2017, compared with 184 optical stores and 4 audio stores as of 31 July 2016.

2.1.2. Stake in Portuguese group Optivisao (see Note 6.2.6)

As of 31 July 2017, the Group held a 29.77% stake in OPTIVISAO, a franchise company that ranks among the leaders in the optical sector in Portugal.

In recent months, certain investors have sold their respective stakes, representing a combined total of 59.42% of the share capital, to BRODHEIM.

The Group has challenged the terms of these sales, for which it was unable to assert its right of first refusal.

As such, the Group has established an escrow arrangement with the Portuguese State, guaranteeing the payment of the securities should the dispute be decided in its favour, allowing it to acquire some of the securities purchased by BRODHEIM, representing a 38.74% interest.

At the same time, discussions are underway with BRODHEIM, with a view to reaching an amicable solution, which would also include AFFLELOU's existing stake in OPTIVISAO.

2.1.3. Acquisition of the online sales websites Happyview and Malentille.com

On 30 September 2016, the Group acquired two optical equipment online sales trademarks trading as Happy View for €1,400 thousand, and an online contact lens and lens product website trading as Malentille.com for €2,000 thousand. These activities are housed together within the Digital Eyewear subsidiary, and round out the pre-existing OpticalDiscount.com and Afflelou.com online sales businesses.

2.1.4. Proposed IPO

On 3 October 2016, the Board of Directors approved the prospective public offering and admission of AFFLELOU shares to trading on the regulated market in France, subject to approval by the AMF. As part of this project, the Group planned to go ahead with the early redemption of the high-yield bond funding via a capital increase through a public offering and new funding of €270 million. In view of market conditions and in agreement with its shareholders, the AFFLELOU Group decided not to complete its proposed IPO.

2.1.5. Share capital reduction

On 10 October 2016, the shareholders approved a share capital reduction in light of the recognition of losses of €68,357,540.93, through a decrease in the par value of shares to 0.534 euros.

2.2. 2016 highlights

2.2.1. Change in the networks

The Group had 1,348 optical stores and 47 audio stores as of 31 July 2016, breaking down as 1,206 ALAIN AFFLELOU stores, 135 Optical Discount stores and 54 Optimil stores, compared with 1,271 as of 31 July 2015. The Group also operates in the market for hearing aids through 147 ALAIN AFFLELOU ACOUSTICIEN points of sale in France and 30 in Spain, 130 of which located in optical stores, compared with 115 points of sale operated under a master franchise agreement with LION SENECA France AUDIO as of 31 July 2015.

The portfolio of directly owned stores, located mainly in France and Spain, represented 184 optical stores and 4 audio stores as of 31 July 2016, compared with 190 optical stores as of 31 July 2015.

2.2.2. New locations

During fiscal year 2016, the Group finalised the establishment of franchised stores in the following new markets: Senegal and Algeria. The Group also concluded contracts for future openings in Chile and China.

2.2.3. Integration of the CLARO by AFFLELOU and OPTICAL DISCOUNT networks

Consistent with the Group's intentions, the merger of stores geared towards entry-level products was initiated in early 2016. As of 31 July 2016, the Group had increased the number of stores operating under the OPTICAL DISCOUNT banner to 135, compared with 88 as of 31 July 2015, primarily as a result of the transformation of a significant number of CLARO by AFFLELOU stores to OPTICAL DISCOUNT outlets. Some CLARO by AFFLELOU stores were converted to the ALAIN AFFLELOU banner, and only 15 were still trading under the CLARO by AFFLELOU name as of 31 July 2016. Moreover, the Group initiated the extraction of synergies and the blending of the OPTICAL DISCOUNT business model with that of ALAIN AFFLELOU.

2.2.4. Acquisition of LSFA (see Note 4.2.1)

The Group completed the acquisition of 100% of LSFA on 31 July 2016. LSFA is the franchisor of the ALAIN AFFLELOU ACCOUSTICIEN banner. It has a network of 147 stores in France. Its sales excluding VAT totalled €22.0 million in the 12 months to 31 July 2016.

2.2.5. Acquisition of the OPTIMIL banner (see Note 4.2.2)

The Group completed the acquisition of 100% of URSA VISION on 31 July 2016. URSA VISION is the franchisor of the OPTIMIL banner. It has a network of 54 stores in Spain. Its sales excluding VAT totalled €7.6 million in the 12 months to 31 July 2016.

2.2.6. Acquisition of an additional interest in Portuguese group Optivisao (see Note 6.2.6)

During fiscal year 2016, the Group continued to acquire shares of OPTIVISAO, lifting its stake in the company to 29.77 %.

2.2.7. Other highlights

Alain Afflelou Audiologo, a wholly owned subsidiary of Alain Afflelou Spain, was incorporated in Madrid on 22 April 2016. Its purpose is to develop the hearing aid distribution business in the Spanish market. A partnership was also formed with Audicost, a company operating mainly in and around Madrid. The 17 outlets owned by that company will join the ALAIN AFFLELOU AUDIOLOGO banner, and the current owners will take an active part in our development.

2.3. 2015 highlights

2.3.1. Change in the networks

The Group had 1,271 optical stores and 1 audio store as of 31 July 2015, breaking down as 1,184 ALAIN AFFLELOU stores and 88 Optical Discount stores, compared with 1,175 as of 31 July 2014. The Group also operates in the market for hearing aids through 123 ALAIN AFFLELOU ACOUSTICIEN points of sale in France and 29 in Spain, 115 of which are located in optical stores, compared with 90 points of sale operated under a master franchise agreement with LION SENECA France AUDIO as of 31 July 2014.

As of 31 July 2015, the Group had a portfolio of 190 directly owned stores, located chiefly in France and Spain, compared with 177 as of 31 July 2014.

2.3.2. Acquisition of the OPTICAL DISCOUNT banner (see Note 4.3.1)

The Group completed the acquisition of 100% of OPTICAL FINANCE on 31 July 2015. OPTICAL FINANCE is the franchisor of the OPTICAL DISCOUNT banner. It has a network of 88 stores in France, Belgium and Morocco. Its sales excluding VAT totalled €27.3 million in the 12 months to 31 July 2015.

2.3.3. Acquisition of an interest in Portuguese group Optivisao (see Note 6.2.6)

In fiscal 2015, the Group gradually acquired from various shareholders a 26% stake in Optivisao, a company that acts as franchisor for the banner of the same name in Portugal. Optivisao is Portugal's leading optician by number of stores (260 outlets, with business volumes of approximately €60 million).

3. Accounting policies

3.1. Standards and rules applied

The Group's consolidated financial statements for the years ended 31 July 2015, 31 July 2016 and 31 July 2017 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union under European Regulation 1606/2002 dated 19 July 2002. These standards include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as interpretations issued by the IFRS Interpretations Committee (IFRS IC), as approved in the European Union, application of which was mandatory for annual periods beginning on or after 1 January 2016, which are available on the website of the European Commission (http://ec.europa.eu/finance/company-reporting/index_en.htm).

The Group did not early adopt any IFRS or other rules in the year ended 31 July 2017.

The accounting policies applied in the consolidated financial statements are consistent with those used in preparing the consolidated financial statements for the years ended 31 July 2016, with the exception of new standards, amendments and interpretations applicable in financial years beginning on or after 1 January 2016.

- Amendment to IAS 19, *Employee benefits - Defined benefit plans: employee contributions*;
- IFRS annual improvements (2010-2012 and 2012-2014 cycles);
- Amendment to IFRS 11, *Acquisition of interests in joint operations*;
- Amendments to IAS 16 and IAS 38, *Acceptable methods of depreciation and amortisation*;
- Amendment to IAS 1, *Disclosure initiative*;
- Amendments to IFRS 10, IFRS 12 and IAS 28, *Investment entities: applying the consolidation exception*.

These standards and amendments did not have a material impact on the Group accounts as of 31 July 2017.

Published standards, interpretations and amendments not applicable for as of August 1, 2017:

- IFRS 9, *Financial Instruments*.

  On 24 July 2014, the IASB issued a new standard on financial instruments, which will supersede most of the provisions existing under IFRS, including IAS 39. The new standard, adopted by the European Union, is applicable for annual periods beginning on or after 1 January 2018.

- IFRS 15, *Revenue from Contracts with Customers*.

  On 28 May 2014, the IASB issued a new standard on revenue recognition, which will supersede most of the provisions existing under IFRS, including IAS 11 and IAS 18. The new standard, adopted by the European Union, is applicable for annual periods beginning on or after 1 January 2018. The Group has started work to determine the impact of this standard on its financial statements, but is not yet in a position to provide quantitative information on the prospective impact.

- IFRS 16, *Leases*

On 13 January 2016, the IASB issued a new standard on leases. This standard, which will supersede IAS 17 and its interpretations, will result in the recognition of most leases under a single model in the balance sheet in the form of a right to use the asset and a lease debt (abandonment of the classification as operating or finance leases for lessees). The new standard, not yet adopted by the European Union, will be applicable for annual periods beginning on or after 1 January 2019. Work is under way to analyse and measure its impact, as well as to select options for first-time application.

Standards, interpretations and amendments published by the IASB but have not yet been adopted by the EU.

- Amendments to IAS 7, *Disclosure Initiative,* applicable for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses,* applicable for annual periods beginning on or after 1 January 2017.
- Annual Improvements, 2014-2016 cycle, applicable for fiscal years beginning on or after 1 January 2017 or 1 January 2018, depending on the date of adoption by the European Union.
- Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions,* applicable for annual periods beginning on or after 1 January 2018.
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration,* applicable for annual periods beginning on or after 1 January 2018.
- IFRIC 23, *Uncertainty over Income Tax Treatments,* applicable for annual periods beginning on or after 1 January 2019.

The impact on the Group's accounts of these amendments and interpretations published by the IASB but not yet adopted by the European Union is currently being assessed.

3.2. Basis of consolidation

The consolidated financial statements include the financial statements of acquired entities from the takeover date and those of disposed entities until the date of loss of control.

3.2.1. Consolidated entities

The Group consolidates entities over which it exercises control, as defined by IFRS 10 *Consolidated Financial Statements*, when it:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the power to govern the investee's financial and operating policies with a view to obtaining economic benefits.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. Income derived from internal transactions with controlled companies is eliminated. The accounting policies of subsidiaries are changed where necessary to ensure consistency of accounting treatment across the Group as a whole.

3.2.2. Associates

The Group has no interests in joint ventures or associates.

3.2.3. Business combinations

The Group applies IFRS 3R, *Business Combinations*.

Business combinations are accounted for using the purchase method:

- the cost of an acquisition is measured at the fair value of the consideration transferred, including any earn-out payments, at the date of takeover. Subsequent changes in the fair value of an earn-out payment are recognised in profit or loss;
- the difference between the consideration transferred (acquisition price) and the fair value of identifiable assets acquired and liabilities assumed at the date of takeover is represented by goodwill, which is recognised as an asset in the statement of financial position.

The fair value of identifiable assets acquired and liabilities assumed is determined on a provisional basis when the initial assessment or additional analysis is underway on the balance sheet date. Once fair value has been determined, adjustments are recognised as retrospective adjustments to goodwill if they occur within a maximum period of one year from the acquisition date and if they result from facts and circumstances existing as of the acquisition date. Beyond this period, such effects are recognised directly in profit or loss, as is any change in estimates. For each acquisition of an interest of less than 100%, the proportion of share capital not acquired (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognised for the portion related to non-controlling interests (full goodwill method); or
- in accordance with its share of the revalued net assets of the acquired entity: in this case, only goodwill in respect of the acquired share is recorded (partial goodwill method).

Costs directly attributable to the acquisition are expensed as incurred, in "Other non-recurring operating income and expenses". Adjustments or earn-out payments in respect of business combinations are measured at fair value as of the acquisition date. They are recognised either as adjustments to the consideration transferred or through profit or loss post-acquisition results depending on their nature under the provisions of IFRS 3.

In a business combination achieved in stages, the interest previously held by the Group in the acquiree is remeasured at the time of the takeover of the business, at fair value through profit or loss. To determine goodwill as of the takeover date, the fair value of the consideration transferred is added to the fair value previously recorded by the Group. The amount of other comprehensive income previously recognised in respect of the interest held prior to the takeover is recycled in profit or loss.

3.3. Basis of valuation, judgements and use of estimates

The financial statements have been prepared on a historical cost basis, except for cases where IFRS require or permit the use of the fair value option.

The preparation of financial statements requires the use of estimates and assumptions in determining the value of assets and liabilities, appraising contingent assets and liabilities as of the balance sheet date, and valuing income and expenses for the year. Significant estimates made by the Group in the preparation of the financial statements concern the recoverable amount of goodwill and intangible assets (including trademarks) and the measurement of provisions. Due to uncertainties inherent in any valuation process, the Group revises its estimates on the basis of regularly updated information. It is possible that future results could differ from such estimates. The main assumptions and estimates made by the Group are described in specific sections of the notes to the financial statements, and in particular in the following notes:

Note	Estimate	Nature of estimate
3.7 and 6.2.3.3	Impairment testing of intangible assets and property, plant and equipment	At the level of individual CGUs Key assumptions used to determine value in use (discount rate, perpetual growth rate, projected cash flows)
3.11 and 6.2.7	Inventories	Prospective inventory turnover rate used to calculate impairment
3.17.2 and 6.1.8.4	Deferred tax	Assumptions used for the recognition of deferred tax assets relating to tax loss carryforwards and temporary differences

3.4. Effects of changes in foreign exchange rates

3.4.1. Accounting for transactions in foreign currencies

Transactions denominated in foreign currencies are recorded in the relevant entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies are translated at each balance sheet date using the closing exchange rate. Foreign exchange differences resulting from the settlement of such items are recognised in "Other financial income" or "Other financial expense".

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the "exchange rate" component of the said gain or loss is also recognised in other comprehensive income. Otherwise, it is recognised in profit or loss for the period. The treatment of foreign exchange rate hedges in the form of derivatives is described under the heading "Derivatives" in Note 3.10. Non-monetary items in foreign currencies measured at historical cost are translated at the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the date the fair value was determined.

3.4.2. Translation of the financial statements of foreign companies

The financial statements of each of the companies consolidated by the Group are prepared in their respective functional currency, defined as the currency of the economic environment in which the entity operates. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

- items in the statement of financial position are translated into euros based on the exchange rate prevailing on the balance sheet date;
- items in the income statement are translated into euros at the average exchange rate for the period, as long as this is not undermined by significant fluctuations;
- differences resulting from the translation of the statement of financial position as of the balance sheet date and the translation of the income statement using the average exchange rate over the period are recognised in other recyclable comprehensive income under "Currency translation".

3.5. Intangible assets excluding goodwill

An intangible asset is a non-monetary item without physical substance that must be both identifiable and controlled by the company as a result of past events. It must also generate future economic benefits. An intangible asset is identifiable if it is separable from the acquired entity or if it is derived from legal or contractual rights. Intangible assets with finite useful lives are amortised on a straight-line basis over periods corresponding to their anticipated useful life. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually by the cash-generating unit (CGU) to which they belong.

Trademarks are classified as assets with indefinite useful lives in application of the following criteria:

- Their overall positioning in their respective market in terms of business volumes and recognition;
- Prospective long-term profitability.

Licences and software have useful lives of between one and four years, and are amortised over the relevant period.

Lastly, leasehold rights in France are not amortised, but are tested for impairment (Note 3.7). Leasehold rights acquired in Spain are amortised over the remaining term of the underlying lease agreement in the absence of legal protection beyond the end of the lease.

3.6. Property, plant and equipment

3.6.1. Initial valuation and subsequent measurement

Items of property, plant and equipment are carried at their historical or production cost or initial consolidation amount, less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is not subject to remeasurement, as the Group has not chosen the alternative method allowing the regular remeasurement of one or more categories of property, plant and equipment. The carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.6.2. Depreciation

The Group uses the following depreciation periods for the various items of property, plant and equipment held:

Property, plant and equipment	Useful life	Depreciation method
Buildings	20 years	Straight line
Industrial machinery and equipment	3 to 10 years	Straight line
Technical equipment under finance leases	3 to 10 years	Straight line
Other property, plant and equipment	5 years	Straight line

3.7. Impairment of non-current assets (IAS 36)

Goodwill, intangible assets with indefinite useful lives and CGUs or groups of CGUs containing such items are subject to routine annual impairment testing as of 31 July each year. Impairment testing is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, CGUs or group of CGUs may be impaired. Such events or circumstances may stem from unfavourable changes affecting either the economic environment or the assumptions or objectives used as of the acquisition date.

Impairment testing serves to determine whether the recoverable amount of an asset or CGU or group of CGUs is less than its carrying amount. The recoverable amount of an asset, CGU or group of CGUs is the greater of its fair value less costs to sell and its value in use. Value in use is determined based on projections of expected future cash flows, taking into account the time value of money and the risks specific to the asset, CGU or group of CGUs. To calculate value in use, a terminal value equal to the capitalisation in perpetuity of normative annual cash flows is added to the value of prospective future cash flows. Fair value less costs to sell is the amount that could be obtained from the sale of the asset or group of assets in an arm’s length transaction between knowledgeable, willing parties, less costs to sell.

When the recoverable amount of the asset, CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised against the relevant asset or group of assets. In the case of a CGU or group of CGUs, the impairment loss is allocated first to goodwill, where appropriate, and is recorded under “Other non-recurring operating items” in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed later if the recoverable amount later comes to exceed the carrying amount. Impairment losses recognised in respect of goodwill cannot be reversed.

On the partial disposal of a CGU, the value of goodwill allocated to the partial divestment is measured based on the relative values of the disposed business and the portion of the CGU retained unless another method is deemed more pertinent.

3.8. Leases

In the course of its various business activities, the Group uses assets made available or makes assets available under lease arrangements. Such leases are analysed on the basis of the situations and indicators set out in IAS 17 *Leases* to determine whether they are operating or finance leases.

➢ As lessee

Finance leases: on initial recognition, assets held under finance leases are recognised as property, plant and equipment with offsetting debt. The asset is recognised at the fair value of the leased asset at the date of inception of the contract, or, if lower, at the present value of minimum lease payments. It is depreciated over the term of the contract.

Operating leases: payments made under operating leases (other than the costs of services such as insurance and maintenance) are expensed in the income statement on a straight-line basis over the term of the lease.

➢ As lessor

All lease management contracts signed by the Group with its franchisees are operating leases. Rental income is recognised on a straight-line basis over the fixed terms of commercial leases.

3.9. Other financial assets and liabilities

Pursuant to IAS 39, financial assets are classified in one of four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment of the assets in question. It is determined by the Group on the date of initial recognition, depending on the purpose for which the assets were acquired. Purchases and sales of financial assets are accounted for as of the transaction date, when the Group undertakes to purchase or sell assets. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

1. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are fixed or determinable, which are not traded in an active market and which are not held for trading or available for sale. Such assets are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. For short-term receivables with no stated interest rate, the fair value and amortised cost are equivalent to the amount of the original invoice unless the effective interest rate has a significant impact. Such assets are tested for impairment when there is an indication of loss of value. Impairment is recognised if the carrying amount exceeds the estimated recoverable amount. This category consists of vendor loans granted to franchisees who acquire stores from the Group and deposits paid to Group lessors. For vendor loans, amortised cost is equal to the face value, in the absence of significant costs associated with their establishment. Vendor loans can be repaid early as desired by franchisees (using either bank refinancing or their own resources). Receivables related to investments, security deposits, current loans and receivables, and trade receivables are also included in this category. They are classified as current or non-current "Other financial assets" and in "Trade receivables".

2. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not included in the above categories. They are measured at fair value. Unrealised gains or losses are recorded in other comprehensive income until the sale is finalised. However, when an available-for-sale financial asset shows objective evidence of impairment, the cumulative loss is recognised in profit or loss. For listed securities, fair value corresponds to market prices. For unlisted securities, it is determined by reference to recent transactions or using valuation techniques based on reliable and observable market data. However, securities are carried at historical cost when it is impossible to make a reasonable estimate of their fair value. They are then subject to impairment testing in order to assess their recoverability.

3.10. Derivatives

In the course of its business, the Group may use various financial instruments to reduce its exposure to foreign exchange and/or interest rate risk. All derivatives are recognised in the balance sheet in other current or non-current assets and liabilities, depending on their maturity and accounting classification, and carried at fair value as of the transaction date. Change in the fair value of derivative instruments is always recognised in profit or loss, except when hedge accounting is applied.

Hedge accounting is only applied if the following conditions are met:

- a hedging relationship is clearly identified, formalised and documented from the date of its inception;
- the effectiveness of the hedging relationship is demonstrated prospectively and retrospectively. Confidence in the results obtained must be within a range of 80% to 125%.

Financial instruments classified as hedging instruments are measured in the balance sheet at their fair value. The effective portion is recognised in other comprehensive income, and the ineffective portion in profit or loss.

3.11. Inventories

Inventories in the balance sheet cover inventories of exclusive eyeglass frames, contact lenses and contact-lens products (held as part of our central purchasing activity), and the inventories of directly owned stores (consisting of eyeglass frames, eyeglass lenses, contact lenses and other products). Inventories are valued at their weighted average purchase price.

Inventories are written down to cover any unsold items so as to align them with their realisable values.

Inventories held in stores are subject to impairment, in accordance with the following rules:

- ✓ 20% for products of more than one year,
- ✓ 40% for products of more than two years,
- ✓ 80% for products of more than three years,
- ✓ 100% for products whose vendors have ceased trading and trademarks that are no longer marketed.

3.12. Other current assets and liabilities

3.12.1. Trade receivables and other current assets

Trade receivables are carried at amortised cost. Receivables relating to the central payment and purchasing activities are included in "Other current assets". A write-down is recognised when the outstanding carrying amount exceeds the recoverable amount.

Other current assets chiefly include receivables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees. A write-down is recognised when the outstanding carrying amount exceeds the recoverable amount.

3.12.2. Trade payables and other current liabilities

Trade payables in respect of overheads and communication and sponsorship expenses are recorded at amortised cost.

Other current liabilities chiefly include payables in respect of the central payment activity, including future settlements to suppliers of franchisees, as well as any discounts granted by such suppliers, to be passed on to franchisees.

3.13. Cash and cash equivalents

Cash includes cash in bank current accounts and demand deposits. Cash equivalents consist of investments maturing in less than one year from the date of acquisition that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, held in order to meet short-term cash commitments. Overdrafts are recorded as current borrowings. In the consolidated statement of cash flows, "Cash and cash equivalents" corresponds to the amount presented in the balance sheet less bank overdrafts.

3.14. Provisions and contingent liabilities

A contingent liability is:

(a) a possible obligation arising from past events and whose existence will be confirmed only by the occurrence (or not) of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation arising from past events but which is not recognised because:

   a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   b. the amount of the obligation cannot be measured with sufficient reliability.

A provision is recognised when the Group has a probable obligation arising from past events, the settlement of which is expected to lead to an outflow of Group resources without an equivalent or greater incoming amount that can be estimated reliably. Identified risks of all types, including operational and financial, are subject to quarterly monitoring to determine the amount of provisions necessary. A provision for vacant retail space is recorded when a retail space is unoccupied over the residual term of the lease (including rental expenses, taxes and related expenses), less any sublease income.

3.15. Employee benefits and similar

Group companies contribute, in accordance with the laws and customs of each country, to various types of benefits available to their employees. Under defined contribution plans, the Group has no obligation to make additional payments over and above the contributions already paid into a fund if said fund does not have sufficient assets to pay benefits corresponding to services rendered by employees during the current or prior periods. Contributions to such plans are expensed as incurred. This is notably the case for the French entities in respect of statutory pension schemes.

Under defined benefit plans, obligations are measured using the projected unit credit method on the basis of agreements or arrangements in force in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to obtain the final obligation. This obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on the economic conditions prevailing in the country in which the plan is established. The biggest such plans and termination payments are subject to an actuarial valuation by independent actuaries every year; valuations are performed at regular intervals for other plans. These valuations take into account the level of future compensation, the probable length of employment, life expectancy and staff turnover.

Actuarial gains and losses result from changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. Losses of this nature in respect of all actuarial differences relating to defined benefit plans are recognised immediately in other comprehensive income.

Expenses relating to this type of plan are recognised in income from ordinary activities. Reductions, settlements and past service costs are recognised in income from ordinary activities. The provision recognised in the balance sheet represents the present value of the obligations calculated net of the fair value of plan assets.

3.16. Borrowings

3.16.1. Loans and other financial liabilities

The measurement of financial liabilities depends on their classification under IAS 39, *Financial Instruments*. Within the Group's borrowings, trade payables and other payables are initially recognised at fair value less transaction costs, and subsequently at amortised cost using the effective interest rate method.

The effective interest rate is determined for each transaction. It is the rate that provides the net carrying amount of a financial liability by discounting projected future cash flows paid until maturity or until the closest date to re-pricing at the market rate. This calculation includes related transaction costs and all premiums and/or discounts. Transaction costs are costs that are directly attributable to the acquisition or issuance of a financial liability.

Financial liabilities classified as hedged items in hedging relationships at fair value and measured at amortised cost are subject to an adjustment to their net carrying amount in respect of the hedged risk. Hedging relationships are described in Note 3.10 "Derivatives". Financial liabilities designated using the fair value option, other than derivative liabilities, are measured at fair value. Changes in fair value are recognised in profit or loss. Transaction costs related to the implementation of such financial liabilities are expensed as incurred.

3.16.2. Compound instruments

Some financial instruments comprise both a debt component and an equity component. This is notably the case for convertible bonds. The various components of these instruments are recognised in shareholders' equity and in loans and financial liabilities, on the basis of their respective weighting, in accordance with IAS 32, *Financial Instruments: Presentation.* Debt components are measured at issuance. Their measurement corresponds to the value of the future cash flows (including interest and redemption), discounted at the market rate (taking into account the credit risk at issuance and the level of subordination) of a similar instrument with the same conditions (maturity, cash flows), but not convertible into or redeemable for shares. The portion recognised in equity is calculated as the difference between the amount of the issue and the debt component. The effective interest rate is the rate that discounts the expected disbursements over the term of the loan in order to obtain the carrying amount of the portion of the loan recorded in borrowings.

3.17. Taxes

3.17.1. Current taxes

The Group calculates its income tax in accordance with the tax laws in force in the countries where its income is taxable. The Group recognises the corporate value added tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE), based on the value added resulting from the company financial statements, on the "Income tax expense" line in the consolidated statement of comprehensive income.

3.17.2. Deferred tax

In accordance with IAS 12, *Income Taxes*, deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities and their taxable amounts. Under the liability method, they are calculated based on the expected tax rate for the year in which the asset is liquidated or the liability settled. The effects of changes in tax rates from one year to another are recognised in profit or loss for the year in which the change occurs. Deferred tax relating to items recognised directly in equity is also recognised directly in equity.

With regard to temporary differences relating to investments in subsidiaries, a deferred tax liability is recognised unless the Group is able to control the date on which the temporary difference is reversed, or if the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets arising from temporary differences, tax-loss carry-forwards and tax credits are limited to the estimated amount of tax whose recovery is deemed probable. This probability is assessed at the end of the year, based on earnings forecasts for the various fiscal entities. Deferred tax assets and liabilities are not discounted.

3.18. Non-current assets (or groups of assets) held for sale

IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* requires special recognition and presentation of assets (or groups of assets) held for sale and classified as operations discontinued, sold or to be sold.

Non-current assets or groups of assets and associated liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or group of assets) must be available for immediate sale, and the sale must be highly probable. Non-current assets (or groups of assets) held for sale are measured and recognised at the lesser of their carrying amount and fair value less costs to sell. Such assets cease to be depreciated from their classification as assets (or groups of assets) held for sale. They are presented on a separate line in the balance sheet without restatement of prior periods.

An operation that is discontinued, sold or to be sold is defined as a component of an entity that generates distinct cash flows from the rest of the entity and represents a line of business or a distinct and significant region. The result of these activities is presented on a separate line in the income statement for all reported periods, under "Discontinued operations", and is restated in the statement of cash flows.

3.19. Balance sheet presentation – Current/Non-current

For the majority of the Group's activities, it has been decided that the criterion for this classification is the date of liquidation of the asset or settlement of the liability: current if less than 12 months and non-current if more than 12 months.

3.20. Revenue recognition

The Group's revenue is derived mainly from the following products and services:

- Network sales revenues: entry fees of new franchisees; franchise and communication fees charged to franchisees. Franchise and communications fees are invoiced on the basis of a percentage of the sales reported by the network of franchised stores and recognised on a straight-line basis; Master Audio Franchise royalties and related services are also recognised on a straight-line basis.

- Network purchase revenues: sales of eyeglass lenses, contact lenses and eyeglass frames through the Group's central purchasing structure, recorded at the effective date of completion of the sale; sales of products bearing the ALAIN AFFLELOU trademark to exclusive distributors and franchisees, recorded at the effective date of completion of the sale; and referral, delcredere and distribution commissions, as well as discounts charged to approved suppliers and commissions paid to business provided recorded monthly.

- Revenues from directly owned stores: retail sales of stores trading under the "ALAIN AFFLELOU" and "OPTICAL DISCOUNT", "CLARO by AFFLELOU" and "HAPPY VIEW" banners, and sales resulting from the "ALAIN AFFLELOU ACOUSTICIEN" hearing aid activity, recorded at the effective date of completion of the sale; and lease management income on directly owned stores borne by a third party, recorded monthly.

The Group's revenue is reported net of guarantees and discounts granted.

3.21. Cost of purchases

The cost of the Group's purchases includes the supply cost of goods sold, namely:
- The purchasing cost of eyeglass frames
- The purchasing cost of eyeglass lenses
- The purchasing cost of contact lenses
- The purchasing cost of accessories and other goods
- Change in inventories of all of the above purchases
- The cost of communication purchases

3.22. Operating income from ordinary activities and other non-recurring operating items

Operating income from ordinary activities includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions. To facilitate the reading of the income statement and the Group's performance, unusual and significant items for the consolidated group are recorded under "Other operating items". Other operating income and expenses, excluded from operating income from ordinary activities, notably include:
- restructuring costs and costs relating to employee retraining measures;
- impairment losses on fixed assets, which are recognised primarily following impairment testing of cash-generating units (CGU) and goodwill;

- capital gains or losses resulting from changes in the scope of consolidation (acquisitions or disposals);
- major disputes.

These items, excluded from operating income, are other non-current operating income and expenses, which, due to their nature, amount or frequency, cannot be considered as part of operating income from the Group's ordinary activities, and correspond to major events that are both limited in scope and very unusual.

3.23. Operating profit

Operating profit includes all income and expenses resulting directly from the Group's activities, whether such income is recurring or stems from one-off decisions or transactions, as well as unusual and significant items for the consolidated group, which are recorded under "Other non-recurring operating items".

4. Change in the scope of consolidation

4.1. Change in the scope of consolidation in fiscal year 2017

The main change in the Group's scope of consolidation was the creation of the company DIGITAL EYEWEAR at the end of September 2016, to form a digital business unit following the acquisition of two pure player brands, Happyview.fr and Malentille.com.

4.2. Change in the scope of consolidation in fiscal year 2016

4.2.1. Acquisition of LSFA

The hearing aid distribution business formerly operated by the franchisor company LION SENECA France AUDIO owned by the AA & Fils holding company and Lion Seneca LuxTopco, with which the Group entered into a master franchise agreement on 29 July 2013, was acquired in full by the Group on 31 July 2016. This transaction was motivated largely by the significant business synergies existing with the optical activity, the strong overlap of its network with that of the ALAIN AFFLELOU banner, bearing in mind that more than two-thirds of outlets are points of sale within ALAIN AFFLELOU stores, and because of the activity's significant potential. The activity of the ALAIN AFFLELOU ACOUSTICIEN banner, and its franchisor LION SENECA France AUDIO, is now an integral part of the Group.

Allocation of the purchase price

(in thousands of euros)	31/07/2016
Consideration transferred (a)	**20,000**
Intangible assets	65
Property, plant and equipment	433
Other financial assets	57
Deferred tax assets	2,826
Inventories	159
Trade receivables	1,785
Other current assets	2,120
Cash and cash equivalents	1,176
Employee benefits and similar	-38
Non-current provisions	-20
Financial liabilities	-7
Current liabilities	-5,744
Fair value recognised upon first consolidation (b)	**2,812**
Goodwill (a) - (b)	**17,188**

The consideration transferred is entirely composed of the purchase price of securities, i.e. €20,000 thousand paid in full at the end of the fiscal year 2016. The LION SENECA France AUDIO acquisition costs totalled €31 thousand.

The Group has definitively allocated €17,188 thousand of the purchase price to goodwill. The valuation of LION SENECA France AUDIO is based on the robust growth prospects of the hearing aid distribution business in France and the other geographies where the Group operates. In the years ended 31 July 2015 and 31 July 2016, the sales of the Alain Afflelou Acousticien network grew by more than 50% per annum. These performances are consistent with those of a market with impressive short- and medium-term growth prospects, but are attributable above all to the success of the brand. LSFA's earning power is expected to firm swiftly in line with the development of the activity of the Alain Afflelou Acousticien network, insofar as this activity applies the same business model as Alain Afflelou franchisor.

The impact of change in the scope of consolidation, shown in the consolidated statement of cash flows for the year ended 31 July 2016, is the sum of the consideration transferred, i.e. €20,000 thousand, representing the total purchase price, which was paid in full as of the year-end, less the cash of €1,169 thousand, i.e. a total impact of €18,831 thousand.

4.2.2.Acquisition of the OPTIMIL banner

The Group completed the acquisition of 100% of URSA VISION on 31 July 2016. URSA VISION is the franchisor of the OPTIMIL banner.

URSA VISION has operated in the entry-level segment since its incorporation on 26 January 2016. It has developed a commercial offer featuring leading sunglass and eyeglass frame brands. It also operates in the lenses segment, notably with an online offer.

URSA VISION managed a portfolio of 54 franchised stores as of 31 July 2016. It also has a network of 140 partner opticians working with its central purchasing unit. Lastly, the company has developed an online sales activity, although there are no plans at this stage to include it in the scope acquired by the Group. The Group plans to house URSA VISION in the discount division, operated in France under the OPTICAL DISCOUNT trademark. The transaction will expand the Group's discount segment internationally, adding a combined total of 55 outlets. Teams already in place – including the founding family – were maintained under the terms of the transaction, OPTIMIL's current management being committed to ensuring the future development of the discount segment in Spain using the new resources contributed by the Group.

URSA Vision was merged retroactively with Optical Finance Espana (OFE), effective 1 August 2016.

Allocation of the purchase price

The Group definitively allocated €4,255 thousand of the purchase price to Trademarks based on the acquisition business plan.

(in thousands of euros)	*Initial allocation*		*Final allocation*
Consideration transferred (a)	**4,503**		**4,503**
Trademarks		4,255	4,255
Property, plant and equipment	47		47
Inventories	588		588
Trade receivables	308		308
Other current assets	66		66
Cash and cash equivalents	122		122
Current liabilities	-883		-883
Fair value recognised upon first consolidation (b)	**248**		**4,503**
Goodwill (a) - (b)	**4,255**	**-4,255**	**0**

As of 31 July 2016, the consideration transferred consisted of the purchase price of securities, paid at the close of the fiscal year, i.e. €3,378 thousand, plus earn-out payments in the amount of €1,125 thousand, i.e. a total of €4,503 thousand. The OPTIMIL acquisition costs totalled €222 thousand.
The Group provisionally allocated €4,255 thousand of the acquisition price to goodwill as of 31 July 2016, pending the determination of the value of the OPTIMIL trademark.

The impact of the change in the scope of consolidation, shown in the consolidated statement of cash flows for the year ended 31 July 2016, is the sum of the consideration of €4,503 thousand transferred, less the cash acquired of €122 thousand and earn-out payments of €1,125 thousand, i.e. a total impact of €3,256 thousand.
The Group recognised an impairment of €2,273 thousand based on the performance of the companies.

Earn-outs

As of 31 July 2016, the acquisition of 100% of the share capital of URSA VISION may give rise to earn-out payments. The first such payment, subject solely to the company's performance in the year ending 31 July 2018, is included in the purchase price, in the amount of €1,125 thousand as of 31 July 2016. The earn-out mechanism, including variable and capped payments, is based on the improvement in OPTIMIL's performance. This improvement will be measured by comparing operating profitability in the year ending 31 July 2018 with a reference level determined for the year ended 31 July 2016.
The second earn-out payment, subject solely to the continued presence of certain managers as of 31 July 2018, is measured and recognised on a straight-line basis in the company's income statement, pursuant to IFRS 3.B55 (a).

As of 31 July 2017 and based on the company's performance, these two earn-outs should not be payable. The debt in respect of the first earn-out was therefore cancelled against P&L and no charge has been recorded in relation with the second one.

4.2.3. Information on acquisitions in 2016 as if they had been finalised as of 1 August 2015

Assuming the acquisition had been carried out as of 1 August 2015, the Group's consolidated 2015 revenue and net income would have amounted to:

(in thousands of euros)	31/07/2016				
	Consolidated	LSFA	Optimil	Eliminations (1)	Total
Revenue	345,663	4,303	1,431	-1,383	350,014
Adjusted EBIT (see Note 5.2)	65,823	-1,801	436		64,458
Net income	-9,606	-1,772	325		-11,053

(1) Net of billings between the Company and LSFA, mainly including the master franchise and income from the rebilling of service delivery in the amounts of €234 thousand and €849 thousand respectively, recorded by the Afflelou group (see Note 6.7.1).

4.3. Change in the scope of consolidation in fiscal year 2015

4.3.1. Acquisition of the OPTICAL DISCOUNT banner

The Group completed the acquisition of 100% of OPTICAL FINANCE on 31 July 2015. OPTICAL FINANCE is the franchisor of the OPTICAL DISCOUNT banner.

OPTICAL DISCOUNT has operated in the entry-level segment since its incorporation in 1995. It has developed a commercial offer featuring leading sunglass and eyeglass frame brands. It also operates in the lenses segment, notably with an online offer.

The Group plans to merge the CLARO by AFFLELOU trademark with OPTICAL DISCOUNT. The merger of the two trademarks under the OPTICAL DISCOUNT banner will immediately result in the formation of one of the sector's leading entry-level banners, enjoying strong visibility on a combined portfolio of 151 stores. Teams already in place are maintained under the terms of the transaction, OPTICAL DISCOUNT's current management being committed to ensuring the development of the new entity under the OPTICAL DISCOUNT banner. The Group sees this acquisition as an opportunity to speed up its development in the entry-level segment under the OPTICAL DISCOUNT banner.

Allocation of the consideration transferred

The OPTICAL FINANCE group, which operates the OPTICAL DISCOUNT banner, comprised four entities as of the acquisition date. It has been fully consolidated since 31 July 2015, the effective date of the acquisition. However, the Group's consolidated financial statements for the year ended 31 July 2015 only include OPTICAL FINANCE, as the other three companies are directly owned stores earmarked for sale in fiscal year 2017 as part of a third earn-out payment. The value of securities of subsidiaries is recorded in "Assets

held for sale" in the amount of their sale price, i.e. €1,361 thousand. The OPTICAL FINANCE acquisition costs totalled €552 thousand, and are a cash component of profit or loss, recognised as an expense in "Other non-current operating items".

(in thousands of euros)	31/07/2015
Consideration transferred (a)	**8,381**
Trademarks	5,600
Intangible assets	146
Property, plant and equipment	65
Other financial assets	22
Inventories	2,128
Trade receivables	1,830
Other current assets	1,445
Cash and cash equivalents	825
Assets held for sale	1,361
Financial liabilities	-36
Deferred tax liabilities	-1,814
Current liabilities	-3,544
Fair value recognised upon first consolidation (b)	**8,028**
Goodwill (a) - (b)	**353**

The Group has valued the OPTICAL DISCOUNT banner at €5,600 thousand.

The impact of change in the scope of consolidation, shown in the consolidated statement of cash flows, is the sum of the consideration of €8,381 thousand transferred, less the cash acquired of €825 thousand and earn-out payments of €1,361 thousand and part of the price paid after the 31 July 2015 year-end in the amount of €2,057 thousand, i.e. a net impact of €4,138 thousand.

Earn-outs

The acquisition of 100% of the share capital of OPTICAL FINANCE may give rise to earn-out payments. These earn-outs were not included in the purchase price, as they will only be allocated to the selling shareholders if they are still in the Group at the end of the years ending 31 July 2016, 2017 and 2018, and depending on the performance of the OPTICAL DISCOUNT banner.

Pursuant to IFRS 3. B.55.(a), the Company concluded that earn-outs must be recognised in profit or loss subsequent to acquisition.

They will be determined by comparing annual performances with a reference performance for the year ended 31 July 2015, calculated as the sum of the performance of CLARO by AFFLELOU and OPTICAL DISCOUNT (combined sales of the two banners, and the combined operating profit). There are two types of earn-out allocation mechanisms:

- first, a fixed annual earn-out payment based on the achievement of an operating profit at least equivalent to the reference performance as of the three aforementioned dates, recorded on a straight-line basis over three years;
- second, a variable and uncapped payment determined on the basis of the improvement in the performance of OPTICAL DISCOUNT in relation to the reference performance based on the banner's sales and operating profit as of 31 July 2018, recorded on a straight-line basis over the years ending 31 July 2016, 2017 and 2018.

On the basis of the business plan, the earn-out related to the condition of continued presence works out at roughly €8 million, and will be recognised in a straight-line basis over the next three years. The amount of the earn-out recorded in respect of the year ended 31 July 2016 and the balance of the initial price paid during the year was €2,302 thousand.

Information on acquisitions in 2015 as if they had been finalised as of 1 August 2014

Assuming the acquisition had been carried out as of 1 August 2014, the Group's consolidated 2015 revenue and net income would have amounted to:

(in thousands of euros)	31/07/2015		
	Consolidated (adjusted)	Optical Finance	Total
Revenue	310,999	15,164	326,163
Adjusted EBIT (see Note 5.2)	54,821	712	55,533
Net income	-23,985	151	-23,834

4.4. Other acquisition of subsidiaries

During the years ended 31 July 2017, 2016 and 2015, the Group acquired points of sale from existing franchisees through the acquisition of the operating companies. These transactions resulted in the consolidation of subsidiaries within the directly owned store network. There are no plans to maintain these legal structures in their current state, since the Group is focusing the expansion of its directly owned store activity on L'Opticien Afflelou "LOA" in France and Alain Afflelou Optico "AAO" in Spain.

During the year ended 31 July 2016, the Group acquired three companies in Spain. The acquisition of these companies generated total goodwill of €70 thousand, impaired in full as of 31 July 2016, and total negative goodwill of €100 thousand. The acquisition cost of the three companies was €83 thousand in the year ended 31 July 2016.

During the year ended 31 July 2015, the Group acquired eight companies in France and Spain. The acquisition of these companies generated total goodwill of €747 thousand, impaired in full as of 31 July 2015, and total negative goodwill of €203 thousand. The acquisition cost of the eight companies was €3,009 thousand in the year ended 31 July 2015.

5. Segment reporting

5.1. Organisation of the Group by geographical operating segments

Following the review of financial communications and performance indicators conducted in 2016 (aimed at ensuring that they are in line with the Group's development strategy), Management recast its internal reporting so as to break segment information down by geography, namely "France", "Spain" and "Other countries".

The "France" and "Spain" segments both include a franchisor activity with a central purchasing unit, a central listing and payment unit, directly owned stores and an audio business operated under a master franchise. The Group has replicated the established organisation of its French operations in Spain, and aims ultimately to repeat this process in the "Other countries" segment. The "Other countries" segment notably includes Belgium, Switzerland and Portugal. This segment includes a central purchasing unit in Belgium, and has only a few directly owned stores, in Portugal.

The segment reporting presented here was prepared on the basis of the new internal reporting data reviewed by the Chairman and CEO and the COO, the "chief operating decision makers" of the Group within the meaning laid down in IFRS 8, who analyse the performance of the various segments and allocate resources between them.

Assessment of the Group's results is performed in reference to key financial indicators related to business performance. Alongside the main headings of the consolidated income statement, the key financial indicators used to measure segment performance are adjusted EBITDA and adjusted EBIT. These two indicators are Alternative Performance Indicators defined in the last section of this note, and are reconciled with operating income.

Within the Group's segment reporting by geographical area, two activities are naturally classified in "Other countries":

- Our trading company specialising in exclusive eyeglass frames, based in Switzerland (AAB)
- Our Luxembourg franchisor company (AAI), which holds supplier contracts for the entire group.

The trading and supplier contract activities impact the entire Group. The geographical location in which they are legally based does not necessarily imply an exclusive activity in the "Other countries" segment. To facilitate the readability of the results, the Group has decided to allocate the results of the trading and supplier contract activities across all three segments, using the following allocation key:

- the result of the AAB trading subsidiary in Switzerland is reallocated on the basis of the originating country of franchisees' purchases in proportion to the number of exclusive eyeglass frames delivered during the year.
- Commissions earned on the Group's international supplier contract activity and recognised as revenue by the AAI international franchisor subsidiary are reallocated by country of origin in proportion to the purchasing volumes of the relevant suppliers.

The chief operating decision maker does not review information regarding the Group's assets and liabilities.

No customer accounts for more than 10% of the Group's revenue.

The information on the Group's various activities and services is provided in Notes 1.2, Note 3.20 on revenue recognition and Note 6.1.1 on revenue by activity.

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
France	278,717	255,982	227,185
Spain	81,673	79,954	75,228
Other countries	12,432	9,727	8,586
Revenue	**372,822**	**345,663**	**310,999**
France	66,302	61,896	55,475
Spain	10,294	10,645	7,956
Other countries	1,055	1,836	1,713
Adjusted EBITDA	**77,651**	**74,377**	**65,144**
France	-7,116	-6,353	-8,071
Spain	-2,184	-1,878	-2,263
Other countries	380	78	-443
Depreciation, amortisation and impairment	**-8,920**	**-8,153**	**-10,777**
France	59,164	55,310	47,544
Spain	7,935	8,641	5,989
Other countries	1,436	1,872	1,288
Adjusted EBIT	**68,535**	**65,823**	**54,821**
France	775,405	780,688	765,783
Spain	119,263	116,681	111,147
Other countries	17,609	17,139	16,416
Property, plant and equipment, and intangible assets	**912,277**	**914,508**	**893,346**

5.2. Reconciliation of Adjusted EBIT and Adjusted EBITDA with operating income from ordinary activities

Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements, less depreciation and amortisation of property, plant and equipment, and intangible assets, changes in provisions for trade receivables and inventories, and shareholders' management fees. It is calculated as follows:

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Operating income from ordinary activities	67,454	64,814	53,733
Amortisation of intangible assets	2,143	1,668	986
Depreciation of property, plant and equipment	6,034	6,042	6,102
Change in customer provisions and inventories	941	844	3,235
Shareholders' management fees	1,081	1,009	1,088
Adjusted EBITDA	**77,651**	**74,377**	**65,144**

Adjusted EBIT is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements before the impact of shareholder' management fees. It is calculated as follows:

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Operating income from ordinary activities	67,454	64,814	53,733
Shareholders' management fees	1,081	1,009	1,088
Adjusted EBIT	**68,535**	**65,823**	**54,821**

6. Notes to the consolidated financial statements

6.1. Notes to the income statement

6.1.1.Revenue

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Network sales revenue	91,217	79,738	78,377
Network purchases revenue	164,160	148,781	119,012
Revenue from directly owned stores	117,445	117,144	113,610
Consolidated revenue	**372,822**	**345,663**	**310,999**

The breakdown of revenue by product is as follows:

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Optical revenue	365,964	343,867	309,362
Audio revenue	6,858	1,796	1,637
Consolidated revenue	**372,822**	**345,663**	**310,999**

6.1.2.Wages and salaries including social security contributions

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Wages	-41,205	-37,893	-37,145
Social security contributions	-16,733	-15,220	-14,365
Research tax credit	453	1,124	
Competitiveness and employment tax credit (CICE)	1,023	874	855
Employee profit sharing	-1,169	-1,175	-1,442
Wages and salaries including social security contributions	**-57,630**	**-52,290**	**-52,097**

The competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) was recorded as a reduction in personnel expenses in the amount of €1,023 thousand in the fiscal year 2017 (€874 thousand in the fiscal year 2016 and €855 thousand in the fiscal year 2015).

The research tax credit (*crédit d'impôt recherche* – CIR) was recorded as a reduction in expenses in the amount of €683 thousand in the fiscal year 2017 (€453 thousand as a reduction in personnel expenses and €230 thousand as a reduction in other purchases and external expenses). In the fiscal year 2016, the reduction in expenses was €1,691 thousand (€1,124 thousand as a reduction in personnel expenses and €567 thousand as a reduction in other purchases and external expenses).

6.1.3.Registered workforce at year-end

(Registered workforce)	31/07/2017	31/07/2016	31/07/2015
France	722	690	710
Spain	657	671	636
Other countries	38	37	31
Registered workforce	**1,417**	**1,398**	**1,377**

6.1.4.Other purchases and external expenses

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Rental fees and related costs	-19,692	-19,353	-20,304
Outsourcing, fees and miscellaneous services	-6,988	-3,461	-3,643
Maintenance and repair expenses	-2,815	-3,341	-3,217
Other purchases	-12,981	-13,307	-11,286
Other purchases and external expenses	**-42,476**	**-39,462**	**-38,450**

6.1.5.Depreciation, amortisation and impairment

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Amortisation of intangible assets	-2,143	-1,668	-986
Depreciation of property, plant and equipment	-6,034	-6,042	-6,102
Additions/Reversals – Provisions for trade receivables and inventories	-941	-844	-3,235
Additions/Reversals – Provisions for retirement benefits	-36	-279	39
Additions/Reversals – Current provisions for risks and charges	233	680	-493
Depreciation, amortisation and impairment	**-8,920**	**-8,153**	**-10,777**

6.1.6.Other non-recurring operating items

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Capital gains/(losses) on disposal	-4,718	-7,145	-3,278
Additions/Reversal of impairments	-535	7,187	-18,296
Additions/Reversals of non-current provisions for risks and charges	1,281	2,782	1,953
Other	-8,816	-6,103	-2,260
Other non-recurring operating items	**-12,788**	**-3,279**	**-21,881**

Capital gains/(losses) on disposal include the transfer of LOA and AAO leasehold rights recognised over the period and the impact of store closures.

Additions and reversals of provisions for impairment of assets primarily include impairment of leasehold rights recognised over the period (see Note 6.2.5). As of 31 July 2017, this heading also includes:

- a €2,273 thousand impairment of the OPTIMIL trademark and the cancellation of the earn-out debt of €1,125 thousand which will not be paid due to changes to the performance outlook,
- a €1,079 thousand provision reversal following the write-off of receivables from former franchisees (see the breakdown of the Other line below).

Additions and reversals of non-current provisions for risks and charges include:

- for the year ended 31 July 2017, primarily the net reversal of provisions for vacant premises in the amount of €296 thousand and the net reversal of provisions no longer required following the favourable outcome of a dispute with a former franchisee in the amount of €948 thousand, given its age and its materiality.
- for the years ended 31 July 2015 and 31 July 2016
    a. reversals of provisions for tax risks in the amount of €2,333 thousand for the year ended 31 July 2016,
    b. reversals of provisions for rent for vacant premises of €739 thousand, compared with €2,267 thousand for the year ended 31 July 2015,
    c. charges to provisions for rent for vacant premises of €290 thousand, compared with €313 thousand for the year ended 31 July 2015.

The Other line primarily includes:

- for the year ended 31 July 2017: expenses related to the aborted IPO in the amount of €5,548 thousand; the write-off of receivables from former franchisees following their liquidation given their age and individual materiality in the amount of €829 thousand; a net charge of €468 thousand in respect of earn-outs payable to Optical Finance managers, comprising a charge of €1,000 thousand in respect of the initial earn-out and a downward adjustment of €532 thousand to the second earn-out following a review of the performance outlook of Optical Finance to 31 July 2018; rent of €379 thousand for vacant premises,

- for the year ended 31 July 2016: rent for vacant premises in the amount of €829 thousand, IPO project costs of €1,729 thousand and earn-out payments to Optical Finance managers of €2,444 thousand,
- for the year ended 31 July 2015: rent of €1,743 thousand for vacant premises.

6.1.7. Net financial income/(expense)

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted
Income from other investments	339	425	284
Other financial income	677	1,785	4,118
Reversals of financial provisions	1,603	1,318	2,074
Financial income	**2,619**	**3,528**	**6,476**
Interest on convertible bonds	-44,889	-38,379	-32,647
Interest on other bonds (high yield)	-28,815	-28,814	-28,742
Other financial expense	-920	-670	-755
Gross borrowing costs	**-74,623**	**-67,863**	**-62,144**
Financial provisions	-2,992	-1,304	-1,343
Miscellaneous financial expense	-2,318	-2,815	-2,774
Financial expense	**-79,933**	**-71,982**	**-66,261**
Net financial income/(expense)	**-77,314**	**-68,454**	**-59,785**

Financial income of €2,619 thousand in the year ended 31 July 2017 was derived chiefly from interest on vendor loans, application fees and interest on advances to franchisees, as well as foreign exchange gains. In the year ended 31 July 2016, financial income amounted to €3,528 thousand and was of the same nature. In the year ended 31 July 2015, financial income amounted to €6,476 thousand and was of the same nature.

The miscellaneous financial expense of €2,318 thousand reported in the year ended 31 July 2017 related chiefly to losses on non-performing loans and foreign exchange losses. In the year ended 31 July 2016, the miscellaneous financial expense amounted to €2,815 thousand and was of the same nature. In the year ended 31 July 2015, the miscellaneous financial expense amounted to €2,774 thousand and was of the same nature.

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Gross borrowing costs	**-74,623**	**-67,863**	**-62,144**
Capitalised interest expense	44,889	38,379	32,646
Accrued interest	2,343	2,360	3,862
Net interest paid	**-27,392**	**-27,124**	**-25,636**

6.1.8. Income tax

6.1.8.1. Tax group

A tax group agreement was applied during the fiscal year between AFFLELOU and the following companies: LSF2, 3ABOD, ALAIN AFFLELOU FRANCHISEUR, 3ABOE, OPTICAL FINANCE, LOA (formerly FP2A) and LSFA. It does not provide for the reallocation to loss-making subsidiaries of tax savings generated by the parent company and its French subsidiaries. The parent keeps such tax savings.

In Spain, the tax group comprises Alain Afflelou Espãna, Alain Afflelou Optico, AA Latam, Optical Finance Espagne and Alain Afflelou Audiologo.

6.1.8.2. Income tax

Tax proof	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months) Adjusted (1)
Consolidated profit before tax	-22,649	-6,919	-27,933
Theoretical tax rate	-34.43%	-34.43%	-34.43%
Theoretical Group tax	7,798	2,382	9,617
Effect of differences in tax rate	2,455	1,970	1,139
Tax losses created but not recognised during the period	-925	-107	-1,708
Unrecognised tax losses utilised			-152
Effect of change in Tax rate	27,983		
Non-deductible interest	-3,475	-5,723	-5,281
Other permanent differences	-11,296	-514	1,471
French corporate value added tax (CVAE)	-1,086	-1,277	-1,170
Tax credits	235	582	25
Accruals			6
Income tax income (expense) recognised	21,690	-2,687	3,948
of which current tax	-3,853	-5,164	-4,528
of which deferred tax	25,543	2,477	8,476
Average effective tax rate	95.77%	-38.84%	14.13%

The line "Effect of change in tax rates" reflects the impact of the future change in the income tax rate payable by French and Spanish entities, as taken into account in the deferred tax calculation as of 31 July 2017 from 34.43% to 28.92% in France and from 28% to 25% in Spain.

6.1.8.3. Current taxes

(in thousands of euros)	31/07/2016 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2017 (12 months)
Current tax receivables	6,554	0	1,023	-1,742	5,835
Current tax liabilities	5,264	0	1,135	-1	6,399
Current tax	**-1,291**	**0**	**112**	**1,741**	**563**

(in thousands of euros)	01/08/2015 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2016 (12 months)
Current tax receivables	6,537				6,554
Current tax liabilities	3,151				5,264
Current tax	**-3,386**	**5,164**	**-2,887**	**-181**	**-1,291**

(in thousands of euros)	01/08/2014 (12 months)	Impact in net income	Working capital flows	Change in scope and forex rates	31/07/2015 (12 months)
Current tax receivables	6,030				6,537
Current tax liabilities	3,830				3,151
Current tax	**-2,200**	**4,528**	**-6,127**	**413**	**-3,386**

6.1.8.4. Deferred tax

(in thousands of euros)	31/07/2016	Impact in net income	Other comprehensive income	Change in scope	Other movements	31/07/2017
Tax loss carryforwards	76 478	-14,122				62,357
Elimination of intragroup provisions	0					0
Purchase cost of securities	3 048	-448				2,601
Retirement provisions	611	-70	-23		12	530
Employee profit sharing	494	-81				412
Financial instruments	-29 929	3,512				-26,418
Measurement to fair value of trademarks and other intangible assets (1)	-235 633	37,510		124		-197,999
Regulated provisions	-5 570	418				-5,152
Impairment of intangible assets	9 539	-977		-92		8,471
Other temporary differences	2 159	-199	41		-252	1,749
Net deferred tax	**-178 803**	**25,543**	**18**	**32**	**-240**	**-153,450**
Balance sheet presentation:						
Deferred tax assets	3 161	-271	18	-42	-240	2,626
Deferred tax liabilities	-181 964	25,814		74		-156,076

(in thousands of euros)	01/08/2015 (adjusted)	Impact in net income	Other comprehensive income	Change in scope	Other movements	31/07/2016
Tax loss carryforwards	68,247	5,552		2,680		76,478
Elimination of intragroup provisions	-46	45				0
Purchase cost of securities	2,994	73		-19		3,048
Retirement provisions	491	96	11	13		611
Employee profit sharing	499	-5				494
Financial instruments	-27,825	-1,729			-375	-29,929
Measurement to fair value of trademarks and other intangible assets (1)	-235,550	904		-194	-793	-235,633
Regulated provisions	-4,868	-702				-5,570
Impairment of intangible assets	8,792	-922		0	1,669	9,539
Other temporary differences	3,504	-836		152	-661	2,159
Net deferred tax	**-183,761**	**2,476**	11	**2,632**	**-161**	**-178,803**
Balance sheet presentation:						
Deferred tax assets	879	-414	11	2,632	53	3,161
Deferred tax liabilities	-184,640	2,891			-214	-181,964

(in thousands of euros)	01/08/2014 (adjusted)	Impact in net income	Other comprehensive income	Change in scope	Other movements	31/07/2015 (adjusted)
Tax loss carryforwards	58,796	9,451				68,247
Elimination of intragroup provisions	-46					-46
Purchase cost of securities	2,775	219				2,994
Retirement provisions	380	-14	112	13		491
Employee profit sharing	558	-59				499
Financial instruments	-26,500	-1,325				-27,825
Measurement to fair value of trademarks and other intangible assets (1)	-233,536	468		-2,582	100	-235,550
Regulated provisions	-4,305	-557		-6		-4,868
Impairment of intangible assets	8,900	-108				8,792
Other temporary differences	3,018	400	-4	65	25	3,504
Net deferred tax	**-189,960**	**8,476**	**108**	**-2,510**	**125**	**-183,761**
Balance sheet presentation:						
Deferred tax assets	994	928	108	-2,510	1,359	879
Deferred tax liabilities	-190,954	7,548			-1,234	-184,640

(1) The updated fair value of trademarks and other intangible assets results from the allocation to trademarks and other intangible assets of business combinations performed by the Group.

Deferred tax assets representing tax losses are not recognised in the following situations:

- When they relate to companies outside the tax group that have been loss-making for several years and for which a return to profit is not deemed likely in the near future.
- When they relate to tax losses that are unlikely to be used in view of the earnings outlooks of the companies in question and the information available as of the date of the financial statements.

As of the balance sheet date, the stock of unrecognised tax losses was as follows:

(in thousands of euros)	31/07/2017		31/07/2016		31/07/2015 (adjusted)	
	Tax losses	Amount of tax	Tax losses	Amount of tax	Tax losses	Amount of tax
French companies:						
Tax losses of companies belonging to a tax group	21,128	6,110	21,128	7,274	21,128	7,274
Tax losses generated prior to entry into the tax group	4,581	1,325	5,524	1,841	6,605	2,202
Tax losses excluding the tax group	5,301	1,484	4,131	1,377	4,500	1,462
Foreign companies:						
Tax losses of the Portuguese company	2,348	493	1,415	297	751	173
Tax losses of UK companies					350	70
Tax losses of other companies	554	92				
Total	**33,912**	**9,504**	**32,198**	**10,790**	**33,333**	**11,181**

The losses of the French tax group including AFFLELOU, LSF2, AAFR, 3ABOD, 3ABOE, OPTICAL FINANCE, LOA and LSFA can be carried forward for an unlimited period. Losses before the entry into the tax group of L'Opticien Afflelou (LOA), formerly known as FP2A, can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of F2L can be carried forward for an unlimited period on an individual basis. Losses before the entry into the tax group of OPTICAL FINANCE can be carried forward for an unlimited period on an individual basis. For French companies, the amount of tax losses offset in a given fiscal year may not exceed €1 million, plus 50% of the amount of the profit in respect of which deficits are offset above this threshold. Losses can only be carried back to the year prior to that in respect of which the tax loss is recognised, within a limit of €1 million.

In Portugal, losses generated by AAP between 2010 and 2013 must be used within five years. Losses generated since 2014 must be used within 12 years. In addition, effective 1 January 2012, the amount of the loss attributable in respect of a given fiscal year is capped at 75% of taxable income for that year.

The tax losses of Spanish companies can be carried forward for a period of no more than 18 years. The absorption of Ankasur Opticos, Usera Opticos and Optica UFE by AAO resulted in the loss of unused tax losses on 31 July 2016.

6.1.9. Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares less the weighted average number of shares held by consolidated companies.

Diluted earnings per share are based on the weighted average number of shares defined above, plus the weighted average number of dilutive potential common shares. Potentially dilutive shares are: first, those granted in connection with convertible bonds at the time of the Group's refinancing on 17 July 2012, which include convertible bonds (OCA), i.e. potentially 201,489,998 shares, and bonds convertible into preference shares (ADP OC), i.e. potentially 1,820,000 shares; and, second, those granted in conjunction with the Company's refinancing on 17 July 2012, which include class A mezzanine equity warrants, or potentially 6,596,000 shares, and class B mezzanine equity warrants, or potentially 9,520,000 shares.

The instruments issued by the Group did not have any dilutive effect in fiscal 2017, 2016 or 2015. The maximum number of potential dilutive shares in a subsequent year is 219,425,998.

6.2. Notes to the balance sheet

6.2.1.Trademarks

As of 31 July 2017, the trademarks were valued at a total of €660,982 thousand. As of 31 July 2015, the trademarks were valued at a total of €655,600 thousand, unchanged on 31 July 2016.

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Alain Afflelou	650,000	650,000	650,000
Optical Discount	5,600	5,600	5,600
HappyView	1,400		
Malentille.com	2,000		
Optimil	1,982		
Total	**660,982**	**655,600**	**655,600**

The Group was the subject of two successive acquisitions following its delisting in 2007, with a final acquisition on 17 July 2012 by Lion Seneca Lux 2 (LSL2) via its LSF1 holding company subsidiary. This resulted in the valuation of the Alain Afflelou trademark at €650 million as part of the accounting for the takeover pursuant to IFRS 3.

6.2.2.Goodwill

(in thousands of euros)	31/07/2016	Additions (1)	Other movements	31/07/2017
Gross amount	176,419	136	-4,129	172,426
Accumulated impairment	-820	-128		-948
Net amount	**175,599**	**8**	**-4,129**	**171,478**

(1) See Notes 4.1, 4.2 and 4.4

Other movements (-€4,129 thousand) mainly regard the reallocation of the purchase price of the shares of URSA VISION , from Goodwill to Trademarks.

(in thousands of euros)	01/08/2015 (adjusted)	Additions (1)	Other movements	31/07/2016
Gross amount	154,573	21,846		176,419
Accumulated impairment	-750	-70		-820
Net amount	153,823	21,776	0	175,599

(1) See Notes 4.1, 4.2 and 4.4

(in thousands of euros)	01/08/2014 (adjusted)	Additions (1)	Other movements	31/07/2015 (adjusted)
Gross amount	154,334	750	-511	154,573
Accumulated impairment	-511	-750	511	-750
Net amount	**153,823**	**0**	**0**	**153,823**

(1) See Note 4.4

6.2.3.Intangible assets

6.2.3.1. Net intangible assets

(in thousands of euros)	31/07/2017			31/07/2016			31/07/2015 (adjusted)		
	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net	Gross	Impairment Amortisation	Net
Leasehold rights – Franchisor	4,866	-105	4,761	4,770	-87	4,684	8,770	-1,361	7,409
Leasehold rights – LOA group	58,351	-27,721	30,630	60,413	-28,574	31,839	67,532	-35,422	32,110
Leasehold rights – AAO group	30,859	-12,415	18,444	33,460	-12,185	21,275	30,122	-11,513	18,609
Concessions, patents	11,774	-7,593	4,181	9,696	-6,214	3,481	7,464	-4,823	2,641
Other intangible assets	216	-135	81	496	-191	306	810	-191	619
Total	**106,066**	**-47,970**	**58,096**	**108,835**	**-47,250**	**61,585**	**114,698**	**-53,310**	**61,388**

6.2.3.2. Gross amounts

Changes in intangible assets during the period are as follows:

(in thousands of euros)	31/07/2016	Additions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2017
Leasehold rights – Franchisor	4,770	96				0	4,866
Leasehold rights – LOA group	60,413	637	-1,992			-708	58,351
Leasehold rights – AAO group	33,460	868	-3,637			168	30,859
Concessions, patents	9,696	3,242	-1,608	308		136	11,774
Other intangible assets	496	81	-55	-306			216
Total	**108,835**	**4,924**	**-7,292**	**2**		**-403**	**106,066**

Acquisitions of intangible assets in fiscal 2017 totalled €4,924 thousand, breaking down as €1,601 thousand in leasehold rights and €3,323 thousand in concessions and patents invested in the amounts of €2,851 thousand in France and €472 thousand in Spain.

(in thousands of euros)	01/08/2015	Additions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2016
Leasehold rights – Franchisor	8,770		-557	-3,487		45	4,770
Leasehold rights – LOA group	67,532	2,693	-9,912	100			60,413
Leasehold rights – AAO group	30,122	1,248	-2,704	3,487		1,306	33,460
Concessions, patents	7,464	2,021	-489	511		188	9,696
Other intangible assets	810	298		-611			496
Total	**114,698**	**6,260**	**-13,662**			**1,539**	**108,835**

Acquisitions of intangible assets in fiscal 2016 totalled €6,260 thousand, breaking down as €3,941 thousand in leasehold rights and €2,319 thousand in concessions and patents invested in the amounts of €2,072 thousand in France and €247 thousand in Spain.

(in thousands of euros)	01/08/2014	Additions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2015
Leasehold rights – Franchisor	8,501	139				130	8,770
Leasehold rights – LOA group	61,979	8,851	-8,520	86		5,137	67,532
Leasehold rights – AAO group	27,618	3,059	-2,180	-149		1,773	30,122
Concessions, patents	5,436	2,034	-167	37		125	7,464
Other intangible assets	372	626		-188			810
Total	**103,906**	**14,709**	**-10,867**	**-214**		**7,165**	**114,698**

Acquisitions of intangible assets in fiscal 2015 totalled €14,709 thousand, breaking down as €12,048 thousand in leasehold rights and €2,660 thousand in concessions and patents invested in the amounts of €2,258 thousand in France and €402 thousand in Spain.

The "Leasehold rights – Franchisor" line includes the leasehold to the store on the Champs Elysées, 75008 Paris, held by AAFR, as well as leasehold rights held directly by AAE and AAP.

6.2.3.3. Impairment and loss of value

(in thousands of euros)	31/07/2016	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2017
Leasehold rights – Franchisor	-87	-19				-105
Leasehold rights – LOA group	-28,574	-1,484	2,063		275	-27,721
Leasehold rights – AAO group	-12,185	-2,114	1,884			-12,415
Concessions, patents	-6,214	-2,124	758	0	-13	-7,593
Other intangible assets and assets under construction	-191		55			-135
Total	**-47,250**	**-5,740**	**4,759**	**0**	**262**	**-47,970**

(in thousands of euros)	01/08/2015 (adjusted)	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2016
Leasehold rights – Franchisor	-1,362	-18	257	1,035		-87
Leasehold rights – LOA group	-35,422	-2,136	8,985			-28,574
Leasehold rights – AAO group	-11,512	-396	831	-1,012	-95	-12,185
Concessions, patents	-4,823	-1,650	395		-136	-6,214
Other intangible assets and assets under construction	-191					-191
Total	**-53,310**	**-4,200**	**10,468**	**23**	**-231**	**-47,250**

(in thousands of euros)	01/08/2014 (adjusted)	Additions, loss of value	Reversals, disposals	Other movements	Change in scope	31/07/2015 (adjusted)
Leasehold rights – Franchisor	-1,848	-9	495			-1,362
Leasehold rights – LOA group	-17,262	-23,636	5,476			-35,422
Leasehold rights – AAO group	-11,676	-560	570	149	5	-11,512
Concessions, patents	-3,945	-968	139		-50	-4,823
Other intangible assets and assets under construction	-188	-3				-191
Total	**-34,919**	**-25,174**	**6,680**	**149**	**-45**	**-53,310**

6.2.4.Property, plant and equipment

(in thousands of euros)	31/07/2017			31/07/2016			31/07/2015 (adjusted)		
	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net	Gross	Impairment Depreciation	Net
Buildings	97	-97		154	-154		155	-155	
Industrial machinery and equipment	28,425	-17,751	10,674	27,078	-16,705	10,373	24,993	-14,565	10,428
Technical equipment under finance leases	776	-517	259	1,726	-1,122	604	2,160	-1,757	402
Other property, plant and equipment	26,953	-16,259	10,693	26,919	-16,327	10,592	29,505	-17,881	11,624
Assets under construction	95		95	155		155	80		80
Total	**56,345**	**-34,625**	**21,720**	**56,032**	**-34,308**	**21,724**	**56,893**	**-34,358**	**22,535**

6.2.4.1. Gross amounts

(in thousands of euros)	31/07/2016	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2017
Buildings	155		-57				97
Industrial machinery and equipment	27,078	3,454	-2,066	29		-68	28,425
Technical equipment under finance leases	1,726		-950				776
Other property, plant and equipment	26,919	3,627	-3,581	118		-131	26,953
Assets under construction	155	95		-155			95
Gross total	**56,032**	**7,176**	**-6,655**	**-8**		**-200**	**56,345**

Acquisitions of property, plant and equipment in fiscal 2017 totalled €7,176 thousand, breaking down as €4,270 thousand in France, €2,342 thousand in Spain and €564 thousand in Other countries.

(in thousands of euros)	01/08/2015	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2016
Buildings	155		0				155
Industrial machinery and equipment	24,993	3,342	-2,189	23		908	27,078
Technical equipment under finance leases	2,160	776	-1,209				1,726
Other property, plant and equipment	29,505	3,449	-6,635	55	-1	546	26,919
Assets under construction	80	142		-80		13	155
Gross total	**56,893**	**7,709**	**-10,033**	**-2**	**-1**	**1,467**	**56,032**

Acquisitions of property, plant and equipment in fiscal 2016 totalled €7,708 thousand, breaking down as €5,076 thousand in France, €2,183 thousand in Spain and €448 thousand in Other countries.

(in thousands of euros)	01/08/2014	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2015
Buildings	156		-1				155
Industrial machinery and equipment	22,898	3,719	-1,647	-285		309	24,993
Technical equipment under finance leases	3,133		-973				2,160
Other property, plant and equipment	29,401	3,855	-5,645	183	2	1,710	29,505
Assets under construction	91	1		-12			80
Gross total	**55,680**	**7,575**	**-8,266**	**-114**	**2**	**2,019**	**56,893**

Acquisitions of property, plant and equipment in fiscal 2015 totalled €7,575 thousand, breaking down as €4,015 thousand in France, €3,063 thousand in Spain and €497 thousand in Other countries.

Additions relate to fittings in the directly owned store network and acquisitions of stores during the period. Disposals and transfers mainly concern the assets of stores sold by the directly owned store network over the period.

6.2.4.2. Depreciation and impairment

(in thousands of euros)	31/07/2016	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2017
Buildings	-155		57			-97
Industrial machinery and equipment	-16,705	-2,565	1,469		50	-17,751
Technical equipment under finance leases	-1,121	-332	936			-517
Other property, plant and equipment	-16,328	-3,231	3,192	0	105	-16,259
Assets under construction						
Total	**-34,309**	**-6,127**	**5,655**	**0**	**155**	**-34,625**

(in thousands of euros)	01/08/2015 (adjusted)	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2016
Buildings	-155		0			-155
Industrial machinery and equipment	-14,565	-2,611	1,135	-45	-618	-16,705
Technical equipment under finance leases	-1,756	-505	1,139			-1,121
Other property, plant and equipment	-17,882	-3,827	5,567	-22	-164	-16,328
Assets under construction						
Total	**-34,358**	**-6,943**	**7,842**	**-67**	**-782**	**-34,309**

(in thousands of euros)	01/08/2014 (adjusted)	Depreciation and provisions	Reversals, disposals	Other movements	Change in scope	31/07/2015 (adjusted)
Buildings	-156		1			-155
Industrial machinery and equipment	-13,166	-2,650	1,152	105	-6	-14,565
Technical equipment under finance leases	-1,967	-423	634			-1,756
Other property, plant and equipment	-17,078	-2,725	3,089	-105	-1,063	-17,882
Assets under construction						
Total	**-32,367**	**-5,798**	**4,876**		**-1,069**	**-34,358**

6.2.5.Impairment testing of non-current intangible assets

A – Nature of impairment testing

The Group first tests lease and similar rights on directly owned stores, then trademarks and ultimately goodwill. Directly owned stores are a first-level asset CGU; operating segments are a goodwill CGU.

Impairment testing of leasehold rights is performed on a store-by-store basis, based on the estimated market value. When in the course of negotiations the Group has indicative offers, it uses them to measure the recoverable amount. In other cases, the recoverable amount is the probable selling price, calculated on the basis of a percentage of the annual revenue before VAT of each store, in line with potential market conditions.

In 2015, goodwill was allocated entirely to the Franchise operating segment, in view of the marginal weight of the directly owned stores. Insofar as the Alain Afflelou trademark does not on its own account generate cash flows substantially independent from those generated by other corporate assets, it was allocated to the Franchise CGU and is tested with these other assets.

In 2016, the original goodwill was allocated, following the change in the Group's internal reporting structure, to the "France", "Spain" and "Other countries" operating segments in proportion to their contribution to adjusted EBITDA. Insofar as the Alain Afflelou trademark does not on its own account generate cash flows substantially independent from those generated by other corporate assets, it was allocated to the three country CGUs as described above for goodwill. The OPTICAL DISCOUNT, Happyview and Malentille.com trademarks and goodwill were allocated to the "France" operating segment. The Optimil trademark was allocated to the "Spain" operating segment.

B – Impairment testing methodology – Estimates for the calculation of value in use

Future cash flow projections are made on the basis of budgets and medium-term business plans approved by the Board of Directors. These plans are built on a five-year timeframe. In addition to the five-year business plan established by the Group, the key assumptions used as of 31 July 2016 and 31 July 2015 are a perpetual growth rate of 1.5% and a discount rate of 7.5% (except for the Spain CGU, for which a discount rate of 8% was used as of 31 July 2017).

C – Results of impairment testing

Impairment testing of leasehold rights

The leasehold rights held by LOA and AAO were tested as of 31 July 2015, 2016 and 2017. Impairment losses were recognised on these assets in the amounts of €3,598 thousand as of 31 July 2017, €3,475 thousand as of 31 July 2016 and €23,901 thousand as of 31 July 2015, with reversals in the amounts of €3,590 thousand as of 31 July 2017, €10,662 thousand as of 31 July 2016 and €6,540 thousand as of 31 July 2015.

Impairment testing of goodwill and trademarks in 2017

Impairment testing of goodwill and trademarks in 2017 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. Except a € 2 million depreciation of Optimil trademark, no impairment of goodwill or trademarks was necessary.

A 5.0% variation in adjusted EBITDA in 2017, projected over subsequent years, including the terminal year, would have an impact of approximately €48 million on the recoverable amount of the France CGU, €8 million of the Spain CGU and €2 million of the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2017.

The table below shows the potential impact on the expense in fiscal 2017 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing performed as of 31 July 2017.

- For the France CGU:

(in thousands of euros)		**Perpetual growth rate**				
		0.5%	**1.0%**	**1.5%**	**2.0%**	**2.5%**
WACC	**6.5%**	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

- For the Spain CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-
	9.0%	--	-	-	-	-

- For the Other countries CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

Impairment testing of goodwill and trademarks in 2016

Impairment testing of goodwill and trademarks in 2016 revealed values in use in excess of the net asset value of the France, Spain and Other countries CGUs. As such, no impairment of goodwill or trademarks was necessary.

A 5.0% variation in adjusted EBITDA in 2016, projected over subsequent years, including the terminal year, would have an impact of approximately €34.4 million on the recoverable amount of the France CGU, €8.1 million of the Spain CGU and €2.9 million of the Other countries CGU, with no impact on the valuation of goodwill or trademarks as of 31 July 2016.

The table below shows the potential impact on the expense in fiscal 2016 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing performed as of 31 July 2016.

- For the France CGU:

(in thousands of euros)		Perpetual growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-24,498	-	-	-	-
	8.5%	-64,136	-33,709	-	-	-

- For the Spain CGU:

(in thousands of euros)		Perpetual growth rate				
(in thousands of euros)		Long-term growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

- For the Other countries CGU:

(in thousands of euros)		Perpetual growth rate				
(in thousands of euros)		Long-term growth rate				
		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	-	-	-	-	-
	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-	-	-	-	-
	8.5%	-	-	-	-	-

Impairment testing of goodwill and trademarks in 2015

Impairment testing of goodwill and trademarks in 2015 revealed values in use in excess of the net carrying amount of the Franchise CGU. As such, no impairment of goodwill or trademarks was necessary.

A 5.0% variation in adjusted EBITDA in 2015, projected over subsequent years, including the terminal year, would have an impact of approximately €46 million on the recoverable amount of the Franchise CGU in 2015, with no impact on the valuation of goodwill or trademarks as of these dates.

The table below shows the potential impact on the expense in fiscal 2015 of an upward or downward variation in the perpetual growth rate and the discount rate used for the testing of the Franchise CGU performed as of 31 July 2015.

(in thousands of euros)		Perpetual growth rate				
2015		0.5%	1.0%	1.5%	2.0%	2.5%
WACC	7.0%	-	-	-	-	-
	7.5%	-	-	-	-	-
	8.0%	-6,173	-	-	-	-
	8.5%	-53,840	-17,269	-	-	-
	9.0%	-95,883	-64,131	-28,144	-	-

6.2.6.Other financial assets

(in thousands of euros)	31/07/2016	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2017
Available-for-sale financial assets	1,913	0	0	-195		0	1,718
Loans	12,112	2,999	-4,535	1,833		-117	12,290
Other financial assets	6,609	1,295	-691	-47		-8	7,160
Gross total	**20,634**	**4,293**	**-5,226**	**1,591**		**-125**	**21,168**
Impairment	-2,107	-2,679	1,539	0		0	-3,247
Net total	**18,527**	**1,615**	**-3,687**	**1,591**		**-125**	**17,921**

(in thousands of euros)	01/08/2015	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2016
Available-for-sale financial assets	1,418	495					1,913
Loans	14,862	2,170	-3,635	4		-1,289	12,112
Other financial assets	6,776	1,430	-1,643		-7	53	6,609
Gross total	**23,056**	**4,095**	**-5,278**	**4**	**-7**	**-1,236**	**20,634**
Impairment	-2,445	-1,304	1,303			339	-2,107
Net total	**20,611**	**2,791**	**-3,975**	**4**	**-7**	**-897**	**18,527**

(in thousands of euros)	01/08/2014	Acquisitions	Disposals, transfers	Other movements	Translation adjustments	Change in scope	31/07/2015
Available-for-sale financial assets		1,418					1,418
Loans	18,108	3,636	-4,242			-2,640	14,862
Other financial assets	6,027	2,121	-1,673	132	13	156	6,776
Gross total	**24,134**	**7,175**	**-5,915**	**132**	**13**	**-2,484**	**23,056**
Impairment	-4,126	-1,264	1,840			1,105	-2,445
Net total	**20,008**	**5,911**	**-4,075**	**132**	**13**	**-1,379**	**20,611**

Available-for-sale financial assets in the amount of €1,718 thousand as of 31 July 2017 represent Optivisao securities. Other movements in the negative amount of €195 million reflect changes in fair value.

Other movements on Loans (€1,833 thousand) reflect the reclassification from the shareholder current account (current assets) to Loans, of the Master Loan Agreement between the Group and its shareholder (presented in current assets for the year ended 31 July 2016).

Changes in acquisitions and disposals include vendor loans made on the disposal of stores by AAO and LOA, as well as staggering agreements in respect of receivables granted to certain franchisees by Alain Afflelou Spain. Other financial assets are primarily security deposits.

Optivisao securities are recorded under "Available-for-sale financial assets" and are measured at fair value. The fair value used by the Group to measure Optivisao equity securities is based on the price of the most recent transactions known (see Note 2.1.2). The investment in Optivisao is not equity accounted, as the Group does not have significant influence over the company, within the meaning of IAS 28.6. The Group is not represented on the company's governing bodies, and has no other way to influence the strategy and management of the entity's activities.

6.2.7. Inventories

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Directly owned stores	18,094	16,139	19,816
Trading activity	8,671	6,788	5,688
Other	1,636	2,019	609
Total merchandise inventories	**28,401**	**24,947**	**26,113**
Provisions	-2,210	-1,502	-1,367
Net total	**26,192**	**23,444**	**24,746**

6.2.8. Trade receivables

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Franchise and communication fees	53,315	52,740	41,782
Listing fees, and delcredere and distribution commissions	10,039	7,732	5,608
Sales of exclusive products	17,700	12,476	4,143
Directly owned store activity	8,676	8,181	9,932
Other receivables	1,896	4,243	2,029
Gross total	**91,626**	**85,373**	**63,493**
Provisions	-8,503	-8,475	-7,848
Net total	**83,123**	**76,897**	**55,646**

The following table shows the maturity of trade receivables:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Gross total	**91,626**	**85,373**	**63,493**
Not due	51,763	51,530	44,650
Less than 30 days	5,751	6,065	2,814
30 days to 60 days	3,430	8,043	1,656
60 days to 90 days	2,662	961	831
More than 90 days	28,020	18,774	13,542

6.2.9. Other current assets and liabilities

6.2.9.1. Other current assets

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Personnel	372	249	298
State: income tax receivables	5,835	6,554	6,537
State: other tax receivables	14,592	12,997	12,665
Sundry debtors	71,082	69,539	74,723
Shareholder current account	0	1,833	1,392
Receivables on disposal of assets	604	1,295	707
Prepaid expenses	3,782	3,816	4,768
Total	**96,267**	**96,286**	**101,090**

The main items classified under sundry debtors are as follows:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Amounts due from franchisees to the central payment structure	57,730	51,869	52,092
Credit notes receivable from the central purchasing structure	5,914	10,430	14,309
Cash advances	79	87	3,825
Other receivables	7,359	7,152	4,498
Total	**71,082**	**69,539**	**74,723**

6.2.9.2. Other current liabilities

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015 (adjusted)
Trade and other payables	**43,295**	**40,478**	**34,079**
Social security liabilities	8,806	8,441	9,300
Tax liabilities	11,360	11,756	11,739
Sundry creditors	73,330	75,377	78,357
Deferred income	12,642	11,957	11,687
Total other current liabilities	**106,138**	**107,531**	**111,083**

The following table shows the maturity of trade and other receivables:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Gross total	**43,295**	**40,478**	**34,079**
Not due	38,158	34,587	25,575
Less than 30 days	1,561	2,073	3,458
30 days to 60 days	517	1,213	1,217
60 days to 90 days	409	330	241
More than 90 days	2,650	2,275	3,589

The table below shows the maturity of accounts payable:

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Central payment activity	55,191	50,445	46,353
Central lens purchasing structure	14,327	21,293	16,121
Other liabilities	3,812	3,639	15,883
Total	**73,330**	**75,377**	**78,357**

6.2.10. Cash and cash equivalents

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Cash at bank and in hand	35,326	39,381	27,773
Marketable securities	0	0	0
Total	**35,326**	**39,381**	**27,774**

Group cash at bank and in hand consists exclusively of bank current accounts.

6.2.11. Share capital

As of 31 July 2017, the share capital amounted to €78,332,461.07, consisting of 146,690,002 fully paid-up shares with a par value of 0.534 euro each, of which 140,000,001 common shares, as well as preference shares without voting rights breaking down as 1 class B preference share, 5,460,000 million class D preference shares and 1,230,000 million class R preference shares.

The Group's common shares carry one vote; they give rights to dividends and the liquidation surplus, after the rights attached to preference shares have been satisfied. Preference shares do not carry voting rights. Class D preference shares have priority rights to dividends until full payment of the cumulative annual priority dividend equal to 14% of the par value of such shares. In cases where the return on investment is greater than 8%, holders of class R preference shares enjoy "specific" and "exit" preferential rights. So-called "specific" preferential rights entitle holders to an amount of €1,230 thousand plus an annual interest rate of 14%, capitalised. This right is exclusive of all other rights to distributable amounts, reserves, premiums or liquidation surpluses. In cases where the return on investment is equal to or greater than 8%, so-called "exit" preferential rights entitle holders to the payment of an amount based on the profitability of the investment, before other shares. In cases where the return on investment is less than 8%, holders of class B preference shares enjoy the right to a payment of €2,060 thousand at a rate of 14% annualised.

In addition, in conjunction with the Company's refinancing on 17 July 2012, the repayment of the mezzanine debt resulted in the issuance by LSF2 of 6,596,000 class A mezzanine warrants with an exercise price of 1 euro entitling holders to subscribe for shares of the Company and 9,520,000 class B mezzanine warrants with an exercise price of 1 euro entitling holders to subscribe for shares of the Company, subject to the conversion of convertible bonds issued by the company.

No dividends were paid in respect of fiscal 2015 in 2016 or in respect of fiscal 2016 in 2017.

6.2.12. Employee benefits and similar

These benefits primarily cover retirement allowances in France.

Retirement allowances in France

In France, the retirement allowance is a lump sum paid to employees when they retire. The amount depends on the length of the individual's service as of the date of retirement. It is determined on the basis of collective and/or company agreements. The plan does not entitle employees to any allowance until they reach retirement age (unvested). Retirement allowances are not linked to other standard pension benefits such as pensions paid by Social Security or supplementary pension funds (ARRCO and AGIRC).

The assumptions used by the collecting body are as follows:

- mortality table: TF00-02,
- rules governing retirement benefits: from the national collective agreement for eyewear retail,

- retirement age: 65 years for the Manager category, 62 years for the Supervisor category, 62 years for the Worker/Employee category,
- type of retirement: voluntary departure,

Assumptions	31/07/2017	31/07/2016	31/07/2015
Rate of employers' contributions (franchisor)	52.0%	52.0%	52.0%
Rate of employers' contributions (directly owned stores)	48.0%	48.0%	49.0%
Rate of wage increases (franchisor)	1.5%	2.0%	1.4%
Rate of wage increases (directly owned stores)	1.0%	2.0%	1.0%
Rate of staff turnover (franchisor)	5.2%	5.0%	7.6%
Rate of staff turnover (directly owned stores)	13.5%	23.0%	22.4%
Discount rate	1.4%	1.1%	1.1%

Actuarial gains and losses were recognised in Other comprehensive income in accordance with IAS 19R in the amount of €56 thousand net of deferred taxes in fiscal 2017, €22 thousand net of deferred taxes in fiscal 2016 and €217 thousand net of deferred taxes in fiscal 2015.

Defined benefit plans accounted for the full expense of +€43 thousand in fiscal 2017 -€317 thousand in fiscal 2016 and -€39 thousand in fiscal 2015).

Mandatory supplementary pensions (LPP) in Switzerland
In Switzerland, the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risk, and transfers some of the risk to an insurance company.
The Group has no liabilities in respect of medical expenses.

6.2.13. Current and non-current provisions

(in thousands of euros)	31/07/2016	Additions	Utilisation	Reversals of surplus provisions	Change in scope	Other movements	31/07/2017
Provisions for litigation	669	135	-115	-54			632
Other provisions	3,295	869	-650	-1,538		142	2,118
Total non-current provisions	**3,964**	**1,004**	**-766**	**-1,593**		**142**	**2,750**
Provisions for other expenses	460	32	-45	-96		-12	339
Provisions for risks	390	129	-183	-25	0	-162	150
Provisions for goods return risk							
Total current provisions	**850**	**161**	**-227**	**-121**	**0**	**-173**	**489**
Total provisions	**4,814**	**1,165**	**-993**	**-1,713**	**0**	**-32**	**3,239**

(in thousands of euros)	01/08/2015	Additions	Utilisation	Reversals of surplus provisions	Change in scope	Other movements	31/07/2016
Provisions for litigation	678	252	-263	-18	20		669
Tax provisions	2,333			-2,333			
Other provisions	2,796	920	10	-101		-330	3,295
Total non-current provisions	**5,807**	**1,172**	**-253**	**-2,452**	**20**	**-330**	**3,964**
Provisions for other expenses	1,554		-1,032	-11		-53	460
Provisions for risks	658	118	-385				390
Provisions for goods return risk	929			-648		-280	0
Total current provisions	**3,141**	**118**	**-1,417**	**-659**		**-333**	**850**
Total provisions	**8,948**	**1,290**	**-1,670**	**-3,110**	**20**	**-663**	**4,814**

Non-current provisions:

Provisions for litigation mainly comprise cases before industrial tribunals.

Tax provisions as of 1 August 2015 concern a revised tax assessment covering the years 2007 to 2010 and concerning 3ABOE. They were reversed in fiscal 2015.

Other provisions mainly comprise:
As of 31 July 2017:
- research tax credit provisions of €1,016 thousand;
- franchisee provisions of €444 thousand
- PROVISIONS relating to disputes with suppliers for €323 thousand.

As of 31 July 2016:
- provisions for disputes between the Group and former franchisees in the amount of €667 thousand as of 31 July 2016;
- a provision for the former office buildings (Aubervilliers, Kleber and Haussmann) and the Rennes St Grégoire store for premises left vacant until the end of leases; this provision amounted to €587 thousand as of 31 July 2016, of which €274 thousand for the non-current portion and €313 thousand for the current portion (less than one year).

Current provisions:

Provisions for other expenses cover the portion due within one year of the provision for vacant premises in the amount of €274 thousand as of 31 July 2017 and €313 thousand as of 31 July 2016.
Provisions for risks cover various amounts set aside in respect of suppliers.

6.2.14. Financial liabilities

6.2.14.1. Analysis of borrowings and other financial liabilities

(in thousands of euros)	31/07/2017		31/07/2016		31/07/2015	
	Current portion	Non-current portion	Current portion	Non-current portion	Current portion	Non-current portion
Bonds convertible into shares		302,590		258,103		220,068
Bonds convertible into class D preference shares		2,733		2,331		1,988
I) Total convertible bonds		**305,323**		**260,434**		**222,056**
Senior secured notes	4,424	363,490	4,424	361,518	4,142	359,547
Senior notes	909	74,689	909	74,285	1,191	73,879
II) Medium-term external borrowings	**5,333**	**438,179**	**5,333**	**435,803**	**5,333**	**433,426**
Finance leases	259		362	243	459	
Medium-term loans	0	1	27	0	256	578
Bank overdrafts and assignment of trade receivables	82		17,751		1,759	
Security deposits	0	1,532		1,986	11	2,121
III) Total other financial borrowings	**340**	**1,533**	**18,140**	**2,229**	**2,484**	**2,699**
Total (I+II+III)	**5,674**	**745,035**	**23,473**	**698,466**	**7,817**	**658,181**

The current portion of the Senior secured notes and Senior notes corresponds to the interest accrued as of 31 July 2017, 31 July 2016 and 31 July 2015.

Assignments of trade receivables correspond to drawings on discounted receivables, mainly in respect of franchisees.

6.2.14.2. Change in borrowings

(in thousands of euros)	31/07/2017	31/07/2016	31/07/2015
Opening borrowings	**721,937**	**665,998**	**631,602**
Loans	198	216	261
Change in the assignment of trade receivables	-17,318	17,318	
Repayment of loans	-1,223	-1,747	-2,830
Interest expense for the period	47,265	40,754	36,476
Change in bank overdrafts	-351	-1,335	-1,563
New loans/finance leases		776	
Change in scope	199	-44	2,066
Other movements			-14
Closing borrowings	**750,709**	**721,937**	**665,998**

6.2.14.3. Breakdown of the main sources of funding

6.2.14.3.1. High-yield bond debt

The main features of these two notes are:

- A loan carried by 3ABOD in the form of senior secured notes in the amount of €365 million, issued on 6 May 2014, redemption at maturity on 15 April 2019. Interest is payable at a fixed rate of 5.625%. The securities of Alain Afflelou, LSF2, 3ABOD, AAFR and LOA have been pledged as collateral, as have the main bank accounts. The amount outstanding as of 31 July 2017 was €365 million.
- A loan carried by LSF2 in the form of senior secured notes in the amount of €75 million, issued on 6 May 2014, redemption at maturity on 15 April 2019. Interest is payable at a fixed rate of 7.875%. The securities of Alain Afflelou, LSF2 and 3ABOD have been pledged as collateral, as have as the main bank accounts. The amount outstanding as of 31 July 2017 was €75 million.

These notes are repayable prematurely without penalty, commencing on 15 October 2017.

Both high-yield bonds are subject to limited financial constraints:

- ➢ The Group is not subject to compliance with financial ratios such as a leverage ratio (Net Debt/EBITDA).
- ➢ The restrictions primarily relate to the realisation of transactions related to additional funding (incurring additional indebtedness, making investments, etc.).
- ➢ In terms of collateral, the new bonds mainly benefit from the pledge in favour of their holders of shares of the major Group companies, as well as the pledge of the Group's main bank accounts.

Under the terms of these bonds, the Group must report its quarterly condensed consolidated financial statements and its annual audited consolidated financial statements within two and four months respectively.

The Group considers itself to have been in compliance with all the conditions of these bonds as of 31 July 2017.

6.2.14.3.2. Loans from credit institutions

The issuance of high-yield bonds in the amounts of €75 million and €365 million was accompanied by the establishment of a €30 million revolving credit facility (RCF). This is a precautionary facility allowing the Group to cover its current requirements. It was established on 6 May 2014, and matures on 5 November 2018. The applicable interest rate is a variable rate combining Euribor and a margin, the margin being calculated on the basis of a leverage ratio. A non-use commission is applicable in proportion to the margin by draws. The securities of AFFLELOU, LSF2 and 3ABOD have been pledged as collateral, as have the securities of potentially borrowing subsidiaries (3ABOD, AAFR, LOA, 3ABOE, AAE and AAO) and the main bank accounts. The early repayment of the RCF would not generate penalties. This credit facility has been undrawn since its establishment.

Reporting obligations are the same as for bond lenders. The Group must also certify, period-by-period, that the adjusted EBITDA of the prior 12 months is above €45 million. The most recent such report was made for the quarter ended 30 April 2017. The Group considers itself to have been in compliance with terms of this credit facility as of 31 July 2017.

6.2.14.3.3. Convertible bonds issued by AFFLELOU

(in thousands of euros)	01/08/2016	Additions	31/07/2017
Issuance of convertible bonds	137,036		137,036
Capitalisation of interest	123,398	44,889	168,287
Total	**260,434**	44,889	**305,323**

(in thousands of euros)	01/08/2015	Additions	31/07/2016
Issuance of convertible bonds	137,036		137,036
Capitalisation of interest	85,020	38,378	123,398
Total	**222,056**	**38,378**	**260,434**

(in thousands of euros)	01/08/2014	Additions	31/07/2015
Issuance of convertible bonds	137,036		137,036
Capitalisation of interest	52,373	32,647	85,020
Total	**189,409**	**32,647**	**222,056**

On 17 July 2012, AFFLELOU issued 201,489,998 convertible bonds (OCA) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2017, the OCA were valued at €393,270,988, after the capitalisation of interest. Interest on the OCA is capitalised (the first capitalisation took place on 31 July 2013), the payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO.

On 17 July 2012, AFFLELOU issued 1,820,000 bonds convertible into class R preference shares (OC ADP) at a price of 1 euro at par, paying a fixed interest rate of 14%. As of 31 July 2017, the OC ADP were valued at €3,552,301, after the capitalisation of interest. Interest on the OC ADP is capitalised (the first capitalisation took place on 31 July 2013), the payment will be made either on the date of redemption or the date of conversion. The convertible bonds mature on 17 July 2027. Conversion is possible at any time, on the basis of one share for one bond. Early repayment is possible at the issuer's initiative, subject to the conditions of the subordination agreement, or, at the holder's initiative, subject to compliance with the terms of the subordination agreement, in case of change of control or IPO.

Equity component of convertible bonds
The convertible bonds were recorded as debt and as equity. As of the date of issue, in accordance with IAS 32, the debt component was measured by discounting the value of the contractual cash flows of the convertible debt at an estimated market rate of 17% (see Note 3.16.2). The difference between the value of the compound instrument and the debt component has been recorded in equity in Other reserves in the initial amount of €66,274 thousand.

6.2.14.4. Breakdown of borrowings by maturity

(in thousands of euros)	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total as of 31/07/2017
Carrying amount of convertible bonds		305,323					305,323	305,323
I) Total convertible bonds		**305,323**					**305,323**	**305,323**
Senior secured notes	4,424	363,490	363,490					367,914
Senior notes	909	74,689	74,689					75,599
II) Medium-term external borrowings	**5,333**	**438,179**	**438,179**					**443,513**
Finance leases	259							259
Medium-term loans	0	1	1					1
Bank overdrafts and assignment of trade receivables	82							82
Security deposits	0	1,532	58	1,474				1,532
III) Total other financial borrowings	**340**	**1,533**	**59**	**1,474**				**1,874**
Total (I+II+III)	**5,674**	**745,035**	**438,238**	**1,474**			**305,323**	**750,709**

6.2.15. Hedging instruments

The Group did not have any interest rate hedges as of 31 July 2017.

6.3. Notes on risk exposure

As of 31 July 2017, exposure to various market risks can be analysed as follows:

6.3.1. The Group's position in relation to interest rate risk

The Group's exposure to interest rate risk was not material as of 31 July 2017, 31 July 2016 or 31 July 2015, all of the Group's borrowings being at fixed rates.

6.3.2. The Group's position in relation to currency risk

The Group has little exposure to currency risk, which relates primarily to the euro/dollar exchange rate, reflecting the Group's purchases, which are predominantly denominated is US dollars. To address this risk, the Group has:

- established agreements on purchasing conditions with some of its suppliers, on the basis of a fixed dollar/euro exchange rate, and more specifically with Okia, its main supplier, with which a derivative embedded in the supply contract allows the impact of changes in the dollar/euro exchange rate compared with the rate set in the contract to be shared equally between the two parties, and
- ensured that the terms of purchasing agreements can be renegotiated in the event of an appreciation of the dollar against the euro.

6.3.3. The Group's position in relation to equity risk

The Group's exposure to equity risk was limited to its investment in Optivisao in the years ended 31 July 2017, 31 July 2016 and 31 July 2015.

6.3.4. The Group's position in relation to credit risk

The large number of customers means that there is no concentration of credit risk on the receivables held by the Group. Generally speaking, the Group considers that it is not exposed to specific credit risk on its financial assets, except in France, where secured transactions in payments to suppliers result in delcredere commissions.

6.3.5. The Group's position in relation to liquidity risk

Management of liquidity risk by the Group and each of its subsidiaries is monitored closely and periodically assessed, based on Group financial reporting procedures. The Group has a €30 million undrawn revolving credit facility to cover any short-term liquidity risk, in addition to an unconfirmed bank overdraft and discounted trade receivables.

6.4. Notes on the accounting classification and fair value of financial instruments

(in thousands of euros)	31/07/2017 Carrying amount	Market value	Breakdown by accounting classification: Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Available-for-sale financial assets	1,718	1,718	1,718		
Non-current financial assets	16,203	16,203		16,203	
Current assets					
Trade receivables	83,123	83,123			83,123
Cash and cash equivalents	35,326	35,326		35,326	
Current and non-current liabilities					
Convertible bonds	305,323	305,323			305,323
Medium-term external borrowings	443,513	442,395			442,395
Other financial borrowings	1,874	1,874			1,874
Trade payables	43,295	43,295			43,295

(in thousands of euros)	31/07/2016 Carrying amount	Market value	Breakdown by accounting classification: Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Available-for-sale financial assets	1,913	1,913	1,913		
Non-current financial assets	16,614	16,614		16,614	
Current assets					
Trade receivables	76,897	76,897			76,897
Cash and cash equivalents	39,381	39,381		39,381	
Current and non-current liabilities					
Convertible bonds	260,434	260,434			260,434
Medium-term external borrowings	441,136	411,183			441,136
Other financial borrowings	20,369	20,369			20,369
Trade payables	40,478	40,478			40,478

(in thousands of euros)	31/07/2015 (adjusted) Carrying amount	Market value	Breakdown by accounting classification Fair value through equity	Loans and receivables	Amortised cost
Non-current assets					
Available-for-sale financial assets	1,418	1,418	1,418		
Non-current financial assets	19,193	19,193		19,193	
Current assets					
Trade receivables	55,646	55,646			55,646
Cash and cash equivalents	27,774	27,774		27,774	
Current and non-current liabilities					
Convertible bonds	218,181	218,181			218,181
Medium-term external borrowings	438,759	423,894			438,759
Other financial borrowings	5,183	5,183			5,183
Trade payables	34,079	34,079			34,079

The valuation methods used for financial instruments as of 31 July 2017 are as follows:

- derivative financial instruments in the balance sheet are valued at their market value;
- financial instruments recorded as liabilities, specifically other loans, are measured using other valuation methods such as discounted cash flows, taking into account the Group's credit risk and interest rate conditions at the closing date.

The Group distinguishes three classes of financial instrument:

- Level 1: financial instruments measured using prices quoted in an active market;
- Level 2: financial instruments measured at fair value using valuation techniques based on observable market parameters;
- Level 3: financial instruments measured at fair value using valuation techniques based on unobservable parameters (parameters yielding valuations resulting from assumptions not based on observable market transaction prices for the same instrument or observable market data available as of the balance sheet date) or that are based only partially on such parameters.

The Group's medium-term external borrowings (high-yield bonds traded in Dublin) belong to the Level 1 category; all other financial instruments belong to the Level 3 category.

The tables above provide the following information for the various classes of financial instrument:
- in the first column: the carrying amount
- in the second column: fair value pursuant to IFRS 7.25
- in the third column: the IAS 39 category under which they are valued pursuant to IFRS 7.8.

6.5. Notes on the statement of cash flows

6.5.1. Cash and variations

Cash net of overdrafts amounted to €35,245 thousand as of 31 July 2017 (€38,948 thousand as of 31 July 2016 and €26,015 thousand as of 31 July 2015), corresponding to the amount of cash and cash equivalents presented in the statement of cash flows.

(in thousands of euros)	31/07/2017 (12 months)	31/07/2016 (12 months)	31/07/2015 (12 months)
Cash and cash equivalents	35,326	39,381	27,774
Bank overdrafts	-82	-433	-1,759
Total	**35,245**	**38,948**	**26,015**

6.6. Contingent liabilities, off-balance sheet contractual commitments and contingencies

6.6.1. Off-balance sheet commitments

(in thousands of euros)	31/07/2015	31/07/2016	31/07/2017	Less than 1 year	1 to 5 years	More than 5 years
A – Commitments given						
Lease commitments – office space	9,653	7,471	6,130	2,081	3,415	633
Lease commitments – stores	33,279	28,845	30,995	14,014	16,253	729
Lease commitments – operating leases	1,050	850	1,140	750	390	
Sundry guarantees to third parties	4,665	5,942	6,201	3,446	2,711	44
Securities and bank guarantees – Spain	6,929	9,966	12,986	2,065	10,280	641
Securities and bank guarantees – France	11,702	9,018	5,763	4,491	1,272	
Total commitments given	**67,278**	**62,093**	**63,215**	**26,830**	**34,287**	**2,046**
B – Commitments received						
Lease commitments – office space	2,766	1,902	1,000	150	600	250
Guarantees related to businesses sold by the Group	17,186	14,390	13,677	3,582	6,953	3,142
Liabilities related to the central listing structure	2,969	6,455	6,108	1,173	4,567	367
Total commitments received	**22,921**	**22,747**	**20,785**	**4,905**	**12,120**	**3,759**

Lease payments relate to the buildings occupied by the Group, either as offices or commercial premises (opticians), with marginal lease payments on operating leases corresponding primarily to leased computer hardware without purchase commitments.

Sundry guarantees to third parties correspond chiefly to rental obligations that the Group has kept with some lessors on stores sold, in exchange for similar commitments received in the Group's favour, from franchisee buyers.

Lastly, bonds and bank guarantees given cover liabilities to banks financing franchisees, either as part of acquisitions or openings of outlets or assistance with funding refurbishments or working capital. Secured loans are part of the overall budgets. The Group is involved in these transactions in its capacity as guarantor to these banks of the financing they provide to franchisees in the proportion of 100% of each application for financing, up to a maximum portion usually set at approximately 30%.

Commitments received related to the central payment structure consist mainly of pledges and guarantees made by the franchisees on schedules or agreements covering the repayment of the debts of the central listing structure.

- Measurement of commitments

Property lease commitments are measured on the basis of the period remaining until the end of the lease (without possibility of early release), as are other leases, which relate chiefly to computer hardware. It is also noted that commitments in respect of finance leases and operating leases relating primarily to the assets of stores (furniture, optical equipment, etc.) are not included in the Group's debt as reported in the table above if they do not include specific commitments.

- Commitments received as part of the relationship with franchisees

Under franchise agreements, franchisees are encouraged to make personal guarantees in favour of the Group for the obligations and liabilities they incur to the Group's central payment structure. These guarantees are generally prorated at 30% of annual net sales excluding VAT in France and Spain; only guarantees and sureties related to franchisees' specific debts (agreements, staggered payments, vendor loans) are shown in the table of commitments received.

6.6.2. Dependence of the Group on patents, licences and supply contracts

The Group is not significantly dependent on patents, licenses or supply contracts.

6.6.3. Notification, lawsuits and disputes

Companies belonging to the Group may become involved in lawsuits or litigation in the normal course of their business, including disputes with tax, social security or customs authorities.

On 27 May 2015, the French Competition Authority notified Alain Afflelou Franchiseur of grievances, accusing it of "having colluded with providers of eye- and sunglass frames, from 2003 at the latest and until 2009, to fix retail prices and to impede the fixing of prices through free competition in violation of the provisions of Article L.420-1 of the French Commercial Code and Article 101 paragraph 1 of the TFEU".

Alain Afflelou Franchiseur responded to the grievances laid out by the French Competition Authority on 27 July 2015, vigorously contesting them on all points. In July 2016, Alain Afflelou Franchiseur received a report from the French Competition Authority in response. The report rejects the arguments put forward by Alain Afflelou Franchiseur, but nevertheless narrows the period of the alleged practices, stating that the practices at issue were spread as regards Alain Afflelou Franchiseur between 25 February 2005 and 31 December 2009. The report also caps the potential penalty at approximately €12.5 million.

The French Competition Authority issued a decision on the vertical agreement grievances on 24 February 2017. The Authority decided to refer the issue back for further investigations. It is difficult to predict the outcome of the new investigation, bearing in mind that it was deemed at this stage of the proceedings that collusion had not been identified. The new investigation should result in a supplementary notification, which could take several months. It is not possible to assess the amount of the fine to which Alain Afflelou Franchiseur may be liable if the French Competition Authority's new investigation brings any new facts to light.

Alain Afflelou Franchiseur, which continues to believe itself to be in the right, intends to continue contesting the French Competition Authority's allegations vigorously. Accordingly, no provision for this litigation has been recorded in the Group's consolidated financial statements.

No litigation involving companies belonging to the Group is underway that, in the opinion of legal experts, poses a risk to the Group's normal and foreseeable operations or planned development. The Group does not believe there to be any other disputes involving significant prospective risks liable to affect its assets, results or financial condition for which provisions had not been set aside as of the year-end. No dispute, taken individually, is significant at either the individual company or Afflelou Group level. The Group is not aware of any other litigation or arbitration liable to have or having had in the recent past a significant impact on the Afflelou Group's financial position, business or earnings.

6.7. Related parties

6.7.1. Related-party transactions and balances

The main related parties with which the Group carried out transactions are as follows:

- Lion Seneca Lux 2, leading shareholder of the Company and the entities that control it:
  - Lion Capital provides management services to Lion Seneca France 2. In respect of such services, the Group recorded expenses of €1,081 thousand in fiscal 2017, €1,009 thousand in fiscal 2016 and €1,088 thousand in fiscal 2015.
  - Lion Seneca Lux 2 has subscribed 172,443,497 bonds convertible into common shares and 711,895 bonds convertible into class D preference shares of the Company. The corresponding investments amounted to €337,781 thousand as of 31 July 2017, €295,275 thousand as of 31 July 2016 and €258,484 thousand as of 31 July 2015, of which €41,986 thousand, €36,791 thousand and €32,128 thousand in capitalised interest in respect of fiscal 2017, 2016 and 2015 respectively.
  - Afflelou has also signed a €2,000 thousand loan agreement with Lion Seneca Lux 2. The balance was €2,318 thousand as of 31 July 2017, €1,620 thousand as of 31 July 2016 and €1,134 thousand as of 31 July 2015. Interest income amounted to €288 thousand in the year ended 31 July 2017. Interest income was capitalised in the amounts of €213 thousand and €137 thousand as of 31 July 2016 and 2015 respectively.

- Alain Afflelou, his family members and the entities they control:
  - The AA-OC holding company has subscribed 29,046,501 bonds convertible into common shares of the Company. The corresponding investments amounted to €57,473 thousand as of 31 July 2017, €50,329 thousand as of 31 July 2016 and €44,058 thousand as of 31 July 2015, of which €7,144 thousand, €6,271 thousand and €5,476 thousand in capitalised interest in respect of fiscal 2017, 2016 and 2015 respectively.
  - The AA-OC and AA CONSEIL LIMITED holding companies, managed by Alain Afflelou, provide services to AAI. The AA-OC holding company granted a concession for the exploitation of the rights to the personality attributes of Alain Afflelou, the expense of which was €100 thousand in fiscal 2017, €433 thousand in fiscal 2016 and €930 thousand in fiscal 2015. The Group's debt to the AA-OC holding company was €29 thousand as of 31 July 2017, €68 thousand as of 31 July 2016 and €176 thousand as of 31 July 2015. AA CONSEIL LIMITED provides business strategy consulting services, the expense of which was €138 thousand in fiscal 2017, €125 thousand in fiscal 2016 and €300 thousand in fiscal 2015. The Group's debt to AA CONSEIL LIMITED was €138 thousand as of 31 July 2017 and €50 thousand as of 31 July 2015.
  - AA OC Mag., which managed seven stores operating under the ALAIN AFFLELOU banner and two under the OD banner as of 31 July 2017. AA-OC has mandated LOA to manage these stores on its behalf. The Group invoiced €2,899 thousand in fiscal 2017, €3,309 thousand in fiscal 2016 and €2,302 thousand in fiscal 2015, and was invoiced €32 thousand in fiscal 2017, €138 thousand in fiscal 2016 and €150 thousand in fiscal 2015. The Group's debt was €1,035 thousand as of 31 July 2017, €443 thousand as of 31 July 2016 and €1,143 thousand as of 31 July 2015.
  - AA OC MAG and L'OPTICIEN AFFLELOU entered into put and call options on 31 January 2017 covering the sale to L'OPTICIEN AFFLELOU and the acquisition by L'OPTICIEN AFFLELOU of 9 Group franchisee businesses respectively. The put option may be exercised between 1 February and 30 March of each of the years 2018, 2019 and 2020 (at a rate of 3 businesses per year) and the call option may be exercised between 1 January and 1 February of each of the years 2018, 2019 and 2020 (at a rate of 3 businesses per year), at a price to be determined on the date of exercise of the options subject, for the 9 businesses, to a floor of €6,200 thousand and a cap of €6,800 thousand.
  - The Fondation ALAIN AFFLELOU, a corporate foundation created by AAE. The fund received €26 thousand in fiscal 2017.
  - The Fonds de Dotation ALAIN AFFLELOU, an endowment fund created by AAFR and chaired by Alain Afflelou. The fund received no endowments in fiscal 2017.

➢ Members of the Board of Directors:

- CAP DEPO, based in Rouen, whose sole shareholder is Emmanuel Poux, brother of Frédéric Poux, provides supply chain and logistics services to the Group. CAP DEPO invoiced €402 thousand in fiscal 2017, €389 thousand in fiscal 2016 and €116 thousand in fiscal 2015. The Group's debt was €199 thousand as of 31 July 2017, €137 thousand as of 31 July 2016 and €48 thousand as of 31 July 2015.
- The ALAIN AFFLELOU association, chaired by Frédéric Poux, aims to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising).
- Frédéric Poux, manager of LJV Capital, which is the holding company of both AFFLELOU and LSF2, invoiced €450 thousand in fiscal 2017, €484 thousand in fiscal 2016 and €448 thousand in fiscal 2015.

6.7.2. Compensation paid to corporate officers

6.7.2.1. Short-term benefits

The compensation paid by the Group to the members of the Board of Directors, both in respect of their employment contract and as executives, amounted to €840 thousand in fiscal 2017, €866 thousand in fiscal 2016 and €826 thousand in fiscal 2015.

6.7.2.2. Long-term benefits

Executives are not currently entitled to any post-employment benefits other than benefits related to the defined-benefit pension plan, described in Note 6.2.12, and severance payments. Officers whose terms are not renewed or who are removed from office receive a lump sum of 18 months' compensation. If the non-compete clause is activated, the Company is also required to pay, during the duration of the clause (i.e. 12 months), a gross monthly salary of a fixed aggregate amount equal to 50% of average monthly compensation.

6.8. Statutory auditors' fees

(in thousands of euros)	31/07/2017				31/07/2016				31/07/2015			
	Deloitte network	EY	Other	**Total**	Deloitte network	EY	Other	**Total**	Deloitte network	EY	Other	**Total**
Statutory audit	218	310	31	**559**	184	299	22	**506**	173	304	21	**497**
Other complementary assignments related to the statutory audit					7			**7**	10			**10**
Total audit	**218**	**310**	**31**	559	**191**	**299**	**22**	512	**183**	**304**	**21**	507
Other	612	710	1	**1 323**	4	109	12	**125**	179	0	0	**179**
Total other services	**612**	**710**	**1**	1 323	**4**	**109**	**12**	125	**179**	**0**	**0**	179
Total	**830**	**1020**	**32**	**1 882**	**195**	**408**	**34**	**637**	**362**	**304**	**21**	**686**

7. Correction of errors

The information presented herein for the year ended 31 July 2015 corresponds to the financial statements for the year ended 31 July 2015 as approved by AFFLELOU's Board of Directors on 16 November 2015. These financial statements have been restated to reflect the following changes:

- Deferred tax: given the existence of significant deferred tax liabilities recorded at the time of the acquisition of the Afflelou group by LSF2 in July 2012:
  - recognition of tax loss carryforwards (France) on the date of the takeover of the Group by AFFLELOU in the amount of €32,165 thousand, of which €29,596 thousand, existing at the date of acquisition (17 July 2012), set off against goodwill and €2,569 thousand relating to net losses incurred in fiscal 2013 recorded in "Other reserves",
  - recognition of annual tax loss carryforwards (France) in the amount of €9,452 thousand in the year ended 31 July 2015, of which €11,151 thousand recorded as deferred tax assets and €1,699 thousand recorded as deferred tax liabilities, and €12,950 thousand in the year ended 31 July 2014, of which €13,736 thousand recorded as deferred tax assets and €786 thousand recorded as deferred tax liabilities,
- Valuation of the derivative embedded in the OKIA supplier contract: recognition of the financial instrument in accordance with IAS 39, *Financial Instruments* (see Note 6.3.2) in the amount of €679 thousand in the year ended 31 July 2015
- Staggering of entry fees: historically, entry fees were recognised in full in revenue on the date the franchise agreement took effect. Entry fees notably cover exclusive rights to a specific area and access to the trademark and the expertise of the franchisor. These rights, in accordance with IAS 18, are now spread over a period of three years, the initial and firm term of the franchise agreement, with the recognition of deferred revenue of €1,507 thousand as of 31 July 2015
- Impairment of property, plant and equipment of directly owned stores: reclassifications to impairment of property, plant and equipment in the amount €967 thousand in fiscal 2015
- Impairment of trade receivables: reclassification to impairment of other current assets of receivables in respect of franchisee purchases via the payment structure in the amount of €5,636 thousand in fiscal 2015

A break-down of these changes and their impacts are shown below in respect of the year ended 31 July 2015:

Assets	31/07/2015	Tax loss carryforwards	Reclassification of deferred tax	Replenishment of the stock of comprehensive income	Reclassification of impairment of fixed assets	Reclassification of trade receivables	Valuation of derivatives	Staggering of entry fees	31/07/2015 (adjusted)
Trademarks	655,600								655,600
Goodwill	183,419	-29,596							153,823
Intangible assets	60,421				967				61,388
Property, plant and equipment	23,502				-967				22,535
Other financial assets	20,611								20,611
Deferred tax assets	652	59,956	-59,956				227		879
Non-current assets	**944,205**	**30,360**	**-59,956**	**0**	**0**	**0**	**227**	**0**	**914,836**
Inventories	24,746								24,746
Trade receivables	50,010					5,636			55,646
Other current assets	106,727					-5,636			101,091
Cash and cash equivalents	27,774								27,774
Assets held for sale	1,361								1,361
Current assets	**210,618**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**210,618**
Total assets	**1,154,823**	**30,360**	**-59,956**	**0**	**0**	**0**	**227**	**0**	**1,125,454**
Liabilities									
Share capital	146,690								146,690
Share premium									0
Other reserves	-21,524	15,519		228				-1,268	-7,044
Net income for the period	-33,207	9,452					-452	220	-23,986
Other comprehensive income				-228					-228
Total equity	**91,959**	**24,971**	**0**	**0**	**0**	**0**	**-452**	**-1,048**	**115,432**
Non-current borrowings	658,181								658,181
Deferred tax liabilities	239,667	5,389	-59,956					-460	184,640
Employee benefits and similar	1,441								1,441
Non-current provisions	5,807								5,807
Other non-current liabilities	0								0
Non-current liabilities	**905,096**	**5,389**	**-59,956**	**0**	**0**	**0**	**0**	**-460**	**850,069**
Current borrowings	7,817								7,817
Current provisions	3,141								3,141
Trade payables	34,079								34,079
Derivative financial liabilities	0						679		679
Tax payable	3,151								3,151
Other current liabilities	109,579							1,507	111,086
Current liabilities	**157,768**	**0**	**0**	**0**	**0**	**0**	**679**	**1,507**	**159,954**
Total liabilities and equity	**1,154,823**	**30,360**	**-59,956**	**0**	**0**	**0**	**227**	**0**	**1,125,454**

(in thousands of euros)	31/07/2015 (12 months)	Tax loss carryforwards	Valuation of derivatives	Staggering of entry fees	31/07/2015 (12 months) Adjusted
Revenue	310,659			340	310,999
Cost of purchases	-153,032				-153,032
Wages and salaries including social security contributions	-52,097				-52,097
Other purchases and external expenses	-38,450				-38,450
Duties and taxes other than income tax	-2,910				-2,910
Depreciation, amortisation and impairment	-10,777				-10,777
Operating income from ordinary activities	**53,393**			**340**	**53,733**
Other non-recurring operating items	-21,881				-21,881
Operating profit	**31,512**			**340**	**31,852**
Financial income	6,476				6,476
Borrowing costs	-62,144				-62,144
Other financial expense	-3,439		-678		-4,117
Net financial income/(expense)	**-59,107**		**-678**		**-59,785**
Net income before tax of consolidated companies	**-27,595**		**-678**	**340**	**-27,933**
Tax income/(expense)	-5,611	9,452	227	-120	3,948
Net income	**-33,207**	**9,452**	**-452**	**220**	**-23,985**
Earnings per share, basic and diluted (in €)	**-0.23**	**0.06**	**0.00**	**0.00**	**-0.16**

8. List of consolidated companies

List of consolidated companies as of 31 July 2017:

			31 July 2017			31 July 2016			31 July 2015		
Name	Registered office	Country	Basis of consolidation	% control	% interest	Basis of consolidation	% control	% interest	Basis of consolidation	% control	% interest
Afflelou	Paris	France	Parent company	100%	100%	Parent company	100%	100%	Parent company	100%	100%
Lion Seneca France 2 (LSF2)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
3AB Optique Développem ent (3ABOD)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Franchiseur (AAFR)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou International (AAI) (1)	Luxembourg	Luxembourg	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Belgique (AABEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Espãna (AAE)	Madrid	Spain	FC	100%	100%	FC	100%	100%	FC	100%	100%
Optical Finance Espana (OFE)	Madrid	Spain	FC	100%	100%	FC	100%	100%			
Alain Afflelou Audiologo (AAU)	Madrid	Spain	FC	100%	100%	FC	100%	100%			
Alain Afflelou Portugal (AAP)	Porto	Portugal	FC	100%	100%	FC	100%	100%	FC	100%	100%
3AB Optique Expansion (3ABOE)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Digital Ltd (AAD) (2)	London	UK				FC	100%	100%	FC	100%	100%
Optical Finance (OF)	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
AA Asia limited (AAA)	Hong Kong	China	FC	100%	100%	FC	100%	100%	FC	100%	100%
Optical Finance Belgique (OFBEL)	Brussels	Belgium	FC	100%	100%	FC	100%	100%			
Lion Seneca France Audio (LSFA)	Paris	France	FC	100%	100%	FC	100%	100%			
Ursa Vision (OPT) (3)	Madrid	Spain		Merger		FC	100%	100%			
Digital Eyewear (4)	Paris	France	FC	100%	100%						
Alain Afflelou Latam (5)	Madrid	Spain	FC	100%	100%						
AAO Group:											
F2L	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
Alain Afflelou Optico (AAO)	Madrid	Spain	FC	100%	100%	FC	100%	100%	FC	100%	100%
ALDEBARÁN (6)	Madrid	Spain	FC	100%	100%						
FAQE 2015 (7)	Madrid	Spain		Merger							

Ankasur Opticos	Madrid	Spain					Merger				
Usera Opticos	Madrid	Spain					Merger				
Optica Ufe	Madrid	Spain					Merger				
Jaubert Óptico	Madrid	Spain								Merger	
Azul y Rojo	Madrid	Spain								Merger	
Za&Bell	Madrid	Spain								Merger	
LOA Group:											
L'opticien Afflelou (LOA), ex-FP2A	Paris	France	FC	100%	100%	FC	100%	100%	FC	100%	100%
CNF Optic [8]	Paris	France				FC	100%	100%	FC	100%	100%
VGM Finance	Paris	France								Merger	
VL Optiland	Paris	France					Merger		FC	100%	100%
Claire Optique	Paris	France					Merger		FC	100%	100%
Optic MKL	Paris	France					Merger		FC	100%	100%
PML Optic	Paris	France					Merger		FC	100%	100%

(1) AA Brands is a subsidiary of Alain Afflelou International; it is not mentioned in the scope of consolidation.
(2) Liquidated on 1 April 2017.
(3) Merged retroactively with Optical Finance España (OFE) effective 1 August 2016.
(4) Established on 30 September 2016.
(5) Established in December 2016.
(6) Acquired on 1 July 2017.
(7) Acquired on 1 January 2017 and merged with Alain Afflelou Optico (AAO) effective 30 April 2017.
(8) Sold in December 2016.

The Group has a Foundation in Spain, the purpose of which is to promote screening for visual impairments, especially among children. It also has an Endowment Fund in France, the purpose of which is to raise funds for work carried out directly or through associations. The Group also has a charity in France, the purpose of which is to support work of all types in the areas of vision and hearing (improvement, protection and awareness raising). These three interests are not material, and are not consolidated by the Group.

9. Subsequent events

No significant events have taken place since the year-end.

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AFFLELOU

€425,000,000

€ % Senior Secured Fixed Rate Notes due 2023
€ Senior Secured Floating Rate Notes due 2023