OFFERING MEMORANDUM | **NOT FOR GENERAL CIRCULATION IN THE UNITED STATES**

Auris Luxembourg II S.A.

€275,000,000 8% Senior Notes due 2023

Guaranteed on a subordinated basis by certain of its subsidiaries

Auris Luxembourg II S.A., a public limited liability company (*société anonyme*) organized and established under the laws of Luxembourg having its registered office at 23, Rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) under number B191.405 (the "**Issuer**") is hereby offering (the "**Offering**") €275,000,000 aggregate principal amount of its 8% Senior Notes due 2023 (the "**Notes**") as part of the financing for the proposed acquisition (the "**Acquisition**") of Siemens Audiologische Technik GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany (the "**Target**"). Interest will accrue from the Issue Date (as defined herein) and be payable semi-annually on the Notes on January15 and July 15 of each year, beginning July 15, 2015.

Pending consummation of the Acquisition, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the offering of the Notes into a segregated escrow account (the "**Escrow Account**") in the name of the Issuer and for the benefit of the holders of the Notes. The Escrow Account will be controlled by Deutsche Bank AG, London Branch (the "**Escrow Agent**") and pledged in favor of the Trustee (as defined herein) on behalf of the holders of the Notes (the "**Issue Date Collateral**"). The release of the escrowed proceeds will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement promptly following the escrow release (the date of such completion, the "**Completion Date**"). If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to April 27, 2015 or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of the Notes will be equal to 100% of the aggregate initial issue price of the Notes plus accrued and unpaid interest from the Issue Date to such special mandatory redemption date and additional amounts, if any. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The Notes will mature on January 15, 2023. We may redeem some or all of the Notes prior to January 15, 2018 by paying 100% of the principal amount of such Notes plus accrued and unpaid interest, if any, plus a make-whole premium, and at any time on or after January 15, 2018 at the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to January 15, 2018, we may redeem up to 40% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings subject to certain conditions.

Upon the occurrence of certain events constituting a change of control or in certain circumstances involving a sale of our assets, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes at the redemption prices set forth herein. We may redeem all, but not less than all, of the Notes at 100% of their principal amount plus accrued interest if at any time the Issuer or any Guarantor (as defined herein) becomes obligated to pay withholding taxes as a result of certain changes in law.

The Notes will be the Issuer's senior obligations and will, upon issuance, 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 Notes. On or about the Completion Date (as defined herein), subject to the terms of the security documents, the Notes and the Guarantees will be secured by (i) a first-priority pledge of the shares in the Issuer (the "**Notes Collateral**"), (ii) a second-priority pledge of the shares in Auris Luxembourg III S.à r.l., the Issuer's direct subsidiary and (iii) a second-priority pledge of the Notes Proceeds Loan (as defined herein) made by the Issuer to Auris Luxembourg III S.à r.l. and any other liabilities owed by Auris Luxembourg III S.à r.l. to the Issuer (clauses (ii) and (iii), collectively, the "**Shared Collateral**" and, together with the Notes Collateral, the "**Completion Date Collateral**"). The Completion Date Collateral, together with the Issue Date Collateral, is referred to as the "**Collateral**." The Shared Collateral will also secure the obligations of the Issuer and the Guarantors under the Senior Facilities Agreement (as defined herein) and certain hedging obligations on a first-ranking basis. The security interests in the Collateral may be released under certain circumstances. Subject to the terms of the indenture governing the Notes and the Intercreditor Agreement (as defined herein), the Collateral may be pledged to secure future indebtedness.

Auris Holding GmbH and Auris Luxembourg III S.à r.l. (the "**Issue Date Guarantors**") will jointly and severally guarantee the Notes on the Issue Date (as defined herein) (the "**Issue Date Guarantees**") and the Target and its subsidiaries AS-Audio Service GmbH, Siemens Medical Instruments Pte. Ltd., Siemens Hearing Instruments Ltd., Siemens Hearing Instruments, Inc., Audiology Distribution, LLC and Siemens Hearing Instruments K.K. (collectively the "**Completion Date Guarantors**" and, together with the Issue Date Guarantors, the "**Guarantors**") will guarantee the Notes within 90 days of the Completion Date (the "**Completion Date Guarantees**" and, together with the Issue Date Guarantees, the "**Guarantees**"). Each Guarantee will be a senior subordinated obligation of the relevant Guarantor and will be subordinated in right of payment to that Guarantor's obligations in respect of any existing and future senior indebtedness, including that Guarantor's obligations under the Senior Facilities Agreement. The Notes will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of our non-Guarantor subsidiaries.

This offering memorandum includes more detailed information on the terms of the Notes and the Guarantees as briefly described above, including redemption and repurchase prices, security, covenants and transfer restrictions.

Currently there is no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Luxembourg Stock Exchange's Euro MTF Market. There can be no assurances that the Notes will be listed on the Official List of the Luxembourg Stock Exchange or admitted to trading on the Euro MTF Market. The Luxembourg Stock Exchange's Euro MTF market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Investing in the notes involves risks that are described in the "*Risk Factors*" section beginning on page 21 of this offering memorandum.

Offering price for the Notes: 100.000% plus accrued interest from the issue date, if any.

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, and 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. The Notes are being offered and sold only to (i) qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and (ii) pursuant to "offshore transactions" outside the United States in accordance with Regulation S under the U.S. Securities Act. You 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. For further details about eligible offerees and resale restrictions, please see "Notice to Investors."

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

Delivery of the Notes was made to investors in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"), in each case on December 29, 2014. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See "*Book- Entry; Delivery and Form*."

Joint Global Coordinators

Deutsche Bank | **Goldman Sachs International** | **UBS Investment Bank**

The date of this offering memorandum is February 5, 2015.

In making your investment decision, you should rely only on the information contained in this offering memorandum. None of the Issuer, the Guarantors, any other members of the Group or any of the Initial Purchasers (each as defined herein) has authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. None of the Issuer, the Guarantors, any other members of the Group or any of 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 at any date other than the date on the front of this offering memorandum. Our business, financial condition, results of operations and prospects may change after that date.

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended, and may only be used for the purposes for which it has been published.

This offering memorandum is a document that we are providing only to prospective purchasers of the Notes. You should read this offering memorandum before making a decision whether to purchase any Notes. You must not:

- use this offering memorandum for any other purpose;
- make copies of any part of this offering memorandum or give a copy of it to any other person; or
- disclose any information in this offering memorandum to any other person, other than a person retained to advise you in connection with the purchase of the Notes.

We have prepared this offering memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this offering memorandum may not be complete. Neither we nor the Initial Purchasers are providing you with any legal, investment, business, tax or other advice in this offering memorandum. You should consult with your own counsel, accountants and other advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals. Neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

We are offering the Notes, and the Guarantors are issuing the Guarantees, in reliance on (i) an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering and (ii) a transaction pursuant to Regulation S that is not subject to the registration requirements of the U.S. Securities Act. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "*Notice to Investors*." The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this offering memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering memorandum with regards to us and our subsidiaries, affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

The Initial Purchasers make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past, the present or the future.

The Initial Purchasers and certain of their respective related entities or the Investors and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including in the "*Description of the Notes*" and "*Book-Entry; Delivery and Form*," is subject to a change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear or Clearstream, we accept no further responsibility in respect of such information.

We intend to list the Notes on the Official List of the Luxembourg Stock Exchange and have the Notes admitted for trading on the Luxembourg Stock Exchange's Euro MTF Market, and have submitted this offering memorandum to the competent authority in connection with the listing application.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

Notice to New Hampshire residents

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

Notice to U.S. investors

This offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Notice to Investors*."

This offering memorandum is being provided (1) to a limited number of U.S. investors that we reasonably believe to be QIBs under Rule 144A under the U.S. Securities Act for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States pursuant to offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. The Notes described in this offering memorandum have not been registered with, recommended by or approved by 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.

Notice to certain other investors

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 *Code Monétaire et Financier* and has not been admitted to the clearance procedure of the *Autorité des marchés financiers* (the French financial markets authority, or "**AMF**"). Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France and neither this offering memorandum nor any other offering material may be distributed or caused to be distributed, directly or indirectly, to the public in France. Such offers, sales and distributions will only be made in France to providers of investment services relating to portfolio management for the account of third-parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a limited circle of investors (*cercle restreint d'investisseurs*) each acting for their own accounts, as defined in and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1 to 411-4 of the *Code Monétaire et Financier*.

Prospective investors are informed that:

(i) this offering memorandum has not been and will not be submitted for clearance to the AMF;

(ii) in compliance with Articles L.411-2, D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code Monétaire et Financier*, any investors subscribing for the Notes should be acting for their own account; and

(iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code Monétaire et Financier*.

Germany The Offering is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the German Securities Prospectus Act (the "**Securities Prospectus Act**", *Wertpapierprospektgesetz, or WpPG*), as amended, the Commission Regulation (EC) No. 809/2004 of April 29, 2004 as amended, and any other applicable German law. No application has been made under German law to permit a public offer of Notes in Germany. This offering memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this offering memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this offering memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority ("**BaFin**," *Bundesanstalt für Finanzdienstleistungsaufsicht*) or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17(3) of the Securities Prospectus Act.

Grand Duchy of Luxembourg This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg financial sector supervisory commission, the "*Commission de surveillance du secteur financier"* (the "**Luxembourg competent authority**") for the purposes of public offering or sale of the Notes in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in or from, or published in, the Grand Duchy of Luxembourg except for the sole purpose of the admission to trading of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to listing of the Notes on the Official List of the Luxembourg Stock Exchange and except if the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirements to publish a prospectus for the purpose of the Luxembourg act dated July 10, 2005 relating to prospectuses for securities, as amended, and implementing the Prospectus Directive. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Hong Kong The Notes may not be offered or sold in Hong Kong by means of any document other than to (1) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (2) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No invitation, advertisement or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors," as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rules made thereunder.

Japan The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended the "**FIEA**"). The Notes may not be offered or sold, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations, and ministerial guidelines of Japan.

Italy The offering of the Notes has not been cleared by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, the Notes may not be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed, in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined in Article 100, paragraph 1, letter a) of the Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Consolidated Financial Act**") and Article 34-*ter*, paragraph 1, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuers Regulation**"); or

(ii) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, including, without limitation, as provided under Article 100 of the Consolidated Financial Act and the CONSOB implementing regulations, including the Issuers Regulation.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Financial Act, the Issuers Regulation, CONSOB Regulation No. 16190 of October 29, 2007, as amended and Italian Legislative Decree No. 385 of September 1, 1993, as amended.

This offering memorandum, any other document relating to the Notes, and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules governing offers of securities to the public pursuant to Article 100 of the Consolidated Financial Act and Article 34-*ter* of the Issuers Regulation, are not to be distributed, for any reason, to any third party resident or located in the Republic of Italy. No person resident or located in the Republic of Italy other than the original recipients of this document may rely on it or its content.

Netherlands This offering memorandum is directed only at qualified investors as defined in the Prospectus Directive, as amended and as implemented in the Netherlands ("**Qualified Investors**").

This offering memorandum must not be acted on or relied on by persons who are not Qualified Investors. Any investment or investment activity to which this offering memorandum relates is available only to Qualified Investors and will be engaged in only with Qualified Investors. Recipients of this offering memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the Netherlands.

Norway This offering memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time. Accordingly, this offering memorandum may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway.

Singapore This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (2) to a relevant person pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(1) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239 (1) of the SFA) of that corporation or the beneficiaries' rights and interest (however described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Spain The Offering has not been registered with the *Comisión Nacional del Mercado de Valores* and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act ("*Ley 24/1988, de 28 de julio del Mercado de Valores*") as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*").

Switzerland The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations or (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering memorandum nor any other marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. In addition, this offering memorandum nor any other offering or marketing material relating to the Notes may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes are being offered in Switzerland by way of private placement, without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other offering or marketing material relating to the Notes, is personal and does not constitute an offer to any other person. This offering memorandum, as well as any other offering or marketing material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the Offering and may neither directly nor indirectly be distributed or made available to other persons without the relevant issuer's express consent.

United Kingdom This offering memorandum is being distributed only to and is directed only at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) persons falling within Article 49(2)(a) to (d) ("High net worth companies, unincorporated associations, etc.") of the Order or (iv) other persons to whom it may lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this offering memorandum or any of its contents. Recipients of this offering memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

This offering memorandum must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this offering memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

Austria This offering memorandum has not been and will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*), as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected herewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the Offering may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

Poland The Notes may not be offered or sold in or into Poland except under circumstances that do not constitute a public offering or distribution of securities under Polish laws and regulations. This offering memorandum has been not and will be not approved by the *Komisja Nadzoru Finansowego*, the Polish Financial Supervision Authority. The Notes have not been and will not be registered with the *Komisja Nadzoru Finansowego*, the Polish Financial Supervision Authority (except for register of securities (*ewidencja instrumentów finansowych*) which is of an informative character only).

Finland This offering memorandum does not constitute a public offer or an advertisement of securities to the public in the Republic of Finland. The Notes will not and may not be offered, sold, advertised or otherwise marketed in Finland under circumstances that would constitute a public offering of securities under Finnish law. Any offer or sale of the Notes in Finland will be made pursuant to a private placement exemption as defined under Article 3(2) of the Prospectus Directive and the Finnish Securities Markets Act (2012/746, as amended) and any regulation made thereunder, as supplemented and amended from time to time. This offering memorandum has not been approved by or dispatched to the Finnish Financial Supervisory Authority.

Sweden This offering memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this offering memorandum or will examine, approve or register this offering memorandum. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

PRESENTATION OF FINANCIAL AND NON-IFRS FINANCIAL MEASURES

The Issuer is a holding company formed for the purpose of facilitating the Acquisition and has no business operations or revenue generating operations on its own. The only significant assets of the Issuer on the Issue Date will consist of cash in its bank accounts, its interest in the Escrow Account and the equity interests it holds in its direct subsidiary, Auris Luxembourg III S.à r.l. Following the release of funds from the Escrow Account, the only significant assets of the Issuer are expected to be the cash in its bank accounts, amounts owed to the Issuer under intercompany loans and the equity interests it holds in Auris Luxembourg III S.à r.l. We do not present in this offering memorandum any financial information or financial statements of the Issuer, except under "Listing and General Information".

All historical financial information included in this offering memorandum is that of Siemens Audiology Solutions. We use the term "Siemens Audiology Solutions" to refer to Siemens Audiologische Technik GmbH, Erlangen, (the "**Target**") and the other entities included in the Combined Financial Statements (as defined below). This includes (i) the Target and 28 of its subsidiaries fully dedicated to the audiology business as well as (ii) the audiology business in two of Siemens' regional companies indirectly owned by Siemens AG and not the Target, all operating together under common control and under the common management of Siemens Audiology Solutions, and all of which will be acquired by BidCo in connection with the Acquisition. For more information, please see note 29 of the Combined Financial Statements.

The audited combined financial statements of Siemens Audiology Solutions for the fiscal years ended September 30, 2012, 2013 and 2014 (the "**Combined Financial Statements**") included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Combined Financial Statements of Siemens Audiology Solutions have been prepared on a carve-out basis from the Siemens AG consolidated financial statements using the historical results from operations, assets and liabilities and cash flows attributable to Siemens Audiology Solutions and include allocations of expenses, assets and liabilities from Siemens AG. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between companies comprising Siemens Audiology Solutions and all investments and the respective parent's portion of equity of each subsidiary comprising Siemens Audiology Solutions have been eliminated.

The historical financial information and other financial data of Siemens Audiology Solutions for the fiscal years ended September 30, 2012, 2013 and 2014 has been extracted or derived from the Combined Financial Statements included elsewhere in this offering memorandum, as well as from Siemens Audiology Solutions' and our internal reporting systems.

The Combined Financial Statements have not been adjusted to reflect the impact of any changes to the combined statements of income, the combined statements of financial position or the combined statements of cash flow that may occur as a result of the purchase price allocation ("**PPA**") to be applied as a result of the Acquisition. The application of PPA adjustments could result in different carrying amounts for existing assets and assets we may add to our combined statements of financial position, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our future consolidated financial statements could be materially different from the Combined Financial Statements included in this offering memorandum once the PPA adjustments have been made.

We present in this offering memorandum certain financial information on an adjusted basis to give pro forma effect to the Acquisition, including the application of the net proceeds of the Offering as described in "*Use of Proceeds*." See "*Capitalization*." The unaudited pro forma data are provided for illustrative purposes only and do not purport to represent what our actual results of operations or financial position would have been if the Transactions occurred on the dates indicated. The unaudited pro forma data set forth in this offering memorandum are based upon available information and certain assumptions and estimates that we believe are reasonable. Our historical results may not be indicative of our future results following consummation of the Transactions. The unaudited pro forma financial data have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or the Prospectus Directive. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with any generally accepted auditing or review standards.

Non-IFRS Financial Measures

This offering memorandum contains non-IFRS financial measures and ratios, including EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA that are not required by, or presented in accordance with, IFRS. Our non-IFRS financial measures are defined by us as follows:

We define "**Adjusted EBITDA**" as earnings before interest, taxes, depreciation and amortization adjusted for certain costs we consider to be non-recurring.

We define "**Adjusted EBITDA margin**" as Adjusted EBITDA as a percentage of revenue.

We define "**capital expenditure**" as the sum of additions to intangible assets and additions to property, plant and equipment.

We define "**EBIT**" as earnings before interest and taxes.

We define "**EBITDA**" as earnings before interest, taxes, depreciation and amortization.

We define **"gross margin"** as gross profit as a percentage of revenue.

We define "***Pro Forma* Adjusted EBITDA**" as earnings before interest, taxes, depreciation and amortization adjusted for certain costs we consider to be non-recurring and historical costs charged by Siemens for activities that will no longer be performed or required or have been absorbed into existing functions of the Target and its subsidiaries.

We define "***Pro Forma* Adjusted EBITDA margin**" as *Pro Forma* Adjusted EBITDA as a percentage of revenue.

We present non-IFRS financial measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS financial measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

We present a reconciliation of each of the non-IFRS financial measures to the most directly comparable measure calculated and presented in accordance with IFRS and discuss its limitations. For a reconciliation of these non-IFRS financial measures, refer to "*Summary Historical Condensed Combined Financial Information and Other Financial Data*."

EBITDA and Adjusted EBITDA may be defined differently from the corresponding terms under the indenture. Some of the limitations of EBITDA and Adjusted EBITDA are:

- they do not reflect our cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or 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 EBITDA and Adjusted EBITDA do not reflect any cash requirements that would be required to make such replacements;
- they do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate these measures differently from the way we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS financial measures only to supplement your evaluation of our performance.

Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this offering memorandum are derived from management estimates, are not part of the Combined Financial Statements, our financial statements, our accounting records or Siemens Audiology Solutions' accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

Rounding

Certain numerical figures set out in this offering memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the unrounded numerical data in the Combined Financial Statements or the tabular presentation of other information contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this offering memorandum, we rely on and refer to information regarding our business and the various markets or regions in which we operate and compete. The market data and certain economic and industry data and forecasts used in this offering memorandum were obtained from publicly available information, independent industry publications and reports prepared by management consultants. In particular, certain information has been derived from (i) Amplifon's financial reporting, (ii) a due diligence report prepared by a major consulting firm and (iii) public economic data available on the websites of external sources, including reports of the World Bank.

The market, industry and economic data derived from the report of the major consulting firm includes data from various broker reports and general public data.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that there can be no assurance as to the accuracy and completeness of such information. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified any of the data from third-party sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this offering memorandum.

We cannot assure you that any of the assumptions underlying any statements regarding the hearing instruments industry are accurate or correctly reflect our position in the industry. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this offering memorandum should be viewed with caution and no representation or warranty is given by any person, including us or the Initial Purchasers, as to their accuracy.

Elsewhere in this offering memorandum, statements regarding the hearing instruments industry are not based on published statistical data or information obtained from independent third-parties, but are based solely on our experience, our internal studies and estimates, and our own investigation of market conditions at the time of this offering memorandum. We cannot assure you that any of these studies or estimates are accurate, and none of our internal surveys or information have been verified by any independent sources. While we are not aware of any misstatements regarding our estimates presented herein, our estimates involve risks, assumptions and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this offering memorandum.

CERTAIN DEFINITIONS

Unless indicated otherwise in this offering memorandum or the context requires otherwise:

- "Acquisition" means the acquisition by BidCo of all the issued and outstanding share capital of the Target pursuant to the terms of the Acquisition Agreement;
- "Acquisition Agreement" means the agreement on the sale and purchase of the Target between, among others, the Seller and BidCo;
- "APAC" means Asia-Pacific;
- "BidCo" means Auris Holding GmbH;
- "CAGR" means compound annual growth rate and is calculated as geometric progression ratio that provides a year-over-year growth rate over the respective time period;
- "Completion Date" means the date on which the Acquisition is consummated;
- "EMEA" means Europe, Russia, the Middle East and Africa;
- "Equity Contributions" means the contribution of equity by the Investors and other investors in an amount equal to €1,090 million (including the proceeds of the Siemens Super Preference Equity) used to finance, in part, the Acquisition on the Completion Date;
- "ERP system" means Enterprise Resource Planning system;
- "Escrow Agent" means Deutsche Bank AG, London Branch;
- "Escrow Longstop Date" means April 27, 2015;
- "Facility B" means a senior term loan facility B made available under the Senior Facilities Agreement comprising a euro-denominated tranche and a U.S. Dollar-denominated tranche, in an aggregate amount expected to be equal to the equivalent of €785.0 million. The final euro equivalent amount under Facility B may change at signing of the Senior Facilities Agreement depending on tranche allocations and foreign currency movements but such changes are not expected to be material;
- "FDA" means the U.S. Food and Drug Administration;
- "Group", "we", "us" or "our" with regard to historical financial information as of and for the fiscal years ended September 30, 2012, 2013 and 2014 refer to Siemens Audiology Solutions or otherwise refer to the Issuer and its subsidiaries, collectively, after giving effect to the completion of the Acquisition unless the context requires otherwise;
- "Intercreditor Agreement" means the intercreditor agreement expected to be dated on or around the Issue Date by and among, *inter alios*, the Issuer, as the parent, Auris Luxembourg III S.à r.l., as the company, and Deutsche Bank AG, London Branch, as senior agent and security agent;
- "Initial Purchasers" means Deutsche Bank AG, London Branch, Goldman Sachs International and UBS Limited;
- "Investors" means EQT VI Limited and Santo Holding (Deutschland) GmbH;
- "Issue Date" means the date on which the Notes offered hereby are issued;
- "North America" means the United States and Canada;
- "Prospectus Directive" means Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, including by Directive 2010/73/EU);
- "R&D" means research and development;
- "Revolving Credit Facility" means the €75.0 million revolving credit facility made available under the Senior Facilities Agreement;
- "Seller" means Siemens Beteiligungen Inland GmbH;
- "Senior Facilities Agreement" means the senior facilities agreement providing for, among other things, the Facility B and the Revolving Credit Facility dated on or around the Issue Date between, among others, the Issuer, as the parent, Auris Luxembourg III S.à r.l. as the company, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, UBS Limited and UniCredit Bank AG as mandated lead arrangers and Deutsche Bank AG, London Branch as administrative agent and as collateral agent;

- "Siemens" or "Siemens Group" means Siemens AG and its subsidiaries;
- "Siemens Audiology Solutions" means the Target and the other entities included in the Combined Financial Statements. This includes (i) the Target and 28 of its subsidiaries fully dedicated to the audiology business as well as (ii) the audiology business in two Siemens' regional companies indirectly owned by Siemens AG and not the Target, all operating together under common control and under the common management of Siemens Audiology Solutions, and all of which will be acquired by BidCo in connection with the Acquisition;
- "Siemens Super Preference Equity" means the class of super preference shares to be issued to Siemens upon the Completion Date, together with the issue of warrants over phantom preference shares and phantom ordinary shares in Auris Luxembourg I S.A., for a gross subscription price of €200 million, which will not be paid in cash but by way of contribution of a corresponding portion of the total purchase price to be paid in connection with the Acquisition (after assignment of the respective portion of the total purchase price from the Seller to Siemens). The shares are non-voting with a super preferred compounding annual return of 6% on the amount of €200 million accruing from the Completion Date;
- "Target" means Siemens Audiologische Technik GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Fürth under registration number HRB 3825 and having its corporate domicile (*Sitz*) in Erlangen, Germany; and
- "Trustee" means Deutsche Trustee Company Limited, in its capacity as trustee under the indenture.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (New York) expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

	U.S. dollars per €1.00			
Year	**High**	**Low**	**Average**[(1)]	**Period end**
2011	1.4830	1.2907	1.3924	1.2959
2012	1.3458	1.2061	1.2860	1.3192
2013	1.3804	1.2780	1.3285	1.3743
2014 (through December 4, 2014)	1.3932	1.2375	1.3376	1.2470
Month	**High**	**Low**	**Average**[(2)]	**Period end**
June 2014	1.3692	1.3532	1.3603	1.3692
July 2014	1.3679	1.3390	1.3537	1.3390
August 2014	1.3430	1.3132	1.3314	1.3132
September 2014	1.3150	1.2631	1.2895	1.2631
October 2014	1.2837	1.2516	1.2682	1.2524
November 2014	1.2254	1.2375	1.2470	1.2452
December 2014 (through December 4, 2014)	1.2494	1.2305	1.2390	1.2494

(1) The average of the Bloomberg Composite Rates on the last business day of each month during the relevant period.
(2) The average of the exchange rates on each business day during the relevant period.

The Bloomberg Composite Rate of the euro on December 4, 2014, was U.S. $1.25 per €1.00.

The above rates may differ from the actual rates used in the preparation of the Combined Financial Statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "forward-looking statements," within the meaning of the U.S. securities laws and certain other jurisdictions, based on our current expectations and projections about future events, including statements under the headings "*Presentation of Industry and Market Data*," "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Our Business*" and other sections.

All statements other than statements of historical facts included in this offering memorandum, including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, including those identified under the "*Risk Factors*" section in this offering memorandum. These include, but are not limited to:

- the highly competitive nature of our industry;
- our ability to predict consumer trends and adapting production capacities;
- our ability to keep pace with product cycles in the industry;
- price erosion without corresponding product improvements and innovations;
- potential alternative technologies or a cure for hearing loss;
- price pressure from the consolidation of purchasing groups by retailers;
- reduced access to independent dispensers in the open market;
- conducting operations in multiple countries;
- changes in international economic conditions;
- dependence on certain customer relationships for market access and edge;
- our ability to maintain positive working relationships with the key members of the hearing instruments market;
- the impact of inadequate coverage and reimbursement policies on adoption of products and subsequent revenue;
- rising labor costs or intensified regulation in countries where our production facilities are located;
- delivery failures or price increases from our limited number of suppliers of components or products;
- inability of manufacturers and suppliers to procure or supply the necessary raw materials or products;
- interruptions in the operations of our manufacturing facilities and IT processes;
- our ability to meet the moderate levels of required capital investment;
- our ability to attract and retain strong executives and R&D personnel;
- our ongoing obligations to employees, including retirement and pensions;
- changes in effective tax rate and other tax laws or regulations;
- currency fluctuation and foreign exchange losses;
- costs and reputational damage resulting from the production and sale of defective products requiring repair or replacement;
- deterioration in relationships and failure to renew collective bargaining agreements with employees or trade unions;
- our ability to realize cost savings or implement our business strategies following the Acquisition;
- increased administrative, financial and related expenses resulting from operation as an independent company;
- the potential of historical results not to be representative of future results as a separate, stand-alone company;
- insufficient legal protection of our intellectual property rights in certain jurisdictions;
- financial and other costs of potential patent protection actions or intellectual property litigation;
- interests of our principal shareholder may be inconsistent with interests of holders of the Notes;
- our significant leverage, which may make it difficult to operate our businesses; and
- the covenants contained in the Indenture and our Senior Facilities Agreement, which limit our operating and financial flexibility.

Words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "might," "plan," "possible," "project," "should," "suggest," "target," "will," "would" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. 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.

We caution you that forward-looking statements 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.

Any forward-looking statement that we make in this offering memorandum speaks only as of the date on which it is made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors 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 statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results. We urge you to read the sections of this offering memorandum entitled "*Presentation of Industry and Market Data*," "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Our Business*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Tax Considerations*."

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective holder.

SUMMARY

*This summary highlights selected information contained elsewhere in this offering memorandum. It is not complete and does not contain all the information that you should consider before investing in the Notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. You should read the entire offering memorandum, including the Combined Financial Statements included elsewhere in this offering memorandum, before making an investment decision. See the section entitled "Risk Factors" for factors that you should consider before investing in the Notes. In this offering memorandum, all references to "**Group**", **we**", "**us**" or "**our**" with regard to historical financial information as of and for the fiscal years ended September 30, 2014, 2013 and 2012 are to Siemens Audiology Solutions or otherwise are to the Issuer and its subsidiaries, collectively, after giving effect to the completion of the Acquisition unless the context requires otherwise. References to the Issuer are to Auris Luxemburg II S.A. only.*

Overview

We are a pure play manufacturer of hearing instruments with more than 100 years of experience in audiology. With more than three million units manufactured annually, we believe we are the largest global manufacturer by volume and third largest global manufacturer by revenue in the fiscal year ended September 30, 2014. Our innovative and technologically advanced hearing instruments and complementary diagnostics workflow solutions and service have helped build our market-leading positions in Asia, Europe and North America. We are headquartered in Singapore and employ approximately 5,000 employees. In the fiscal year ended September 30, 2014, we generated revenue of €690.4 million (an increase of 3.2% compared to the fiscal year ended September 30, 2013), *Pro Forma* Adjusted EBITDA of €156.9 million (22.7% *Pro Forma* Adjusted EBITDA margin) and incurred capital expenditure of €18.8 million (2.7% of revenue).

We offer a broad and competitive range of innovative, high-quality hearing instrument products across all price categories and instrument types, serving consumers with varying degrees of hearing loss. Our product portfolio comprises Behind-the-Ear ("**BTE**"), In-the-Ear ("**ITE**") and Receiver-in-the-Canal ("**RIC**") devices and related accessories, diagnostic tools and services. Our recent innovations include our micon product family, based upon our proprietary micon technology platform, which has been a key driver of our revenue growth since its launch in 2012, and our binax product family, based upon our proprietary binax technology platform, a binaural hearing system launched in October 2014.

We market our products to a fragmented base of over 2,500 customers through multiple distribution channels. In the fiscal year ended September 30, 2014, independent dispensers generated the largest share of our revenue (approximately 37%) followed by key accounts (approximately 29%), distributors (approximately 22%) and public funded healthcare systems (approximately 12%). Our customers include well-known companies such as Amplifon, Audionova and Costco and government agencies such as the United Kingdom's National Health Service (**"NHS"**), the U.S. Department of Veterans Affairs ("**VA**") and Australian Hearing in Australia. We have a global and low-cost manufacturing footprint. Our serial production of BTE devices is located in Asia, while we manufacture customized ITE instruments at sites closer to our end-users, allowing us to reduce lead times and maintain high customer service. Approximately 2,700 of our employees work in manufacturing, including approximately 1,000 in low-cost countries such as China, Indonesia and Poland. Our R&D teams are consolidated at two principal locations in Singapore and Germany.

Our Competitive Strengths

Highly attractive and resilient market underpinned by strong fundamentals

We operate in an attractive market characterized by strong and stable growth. Because of the importance of hearing instruments in maintaining quality of life for end-users, the global hearing instruments market historically has been relatively unaffected by macroeconomic factors and has proven to be resilient during the recent global financial crisis. Furthermore, the hearing instruments market historically has benefited from a generally stable regulatory environment and comparatively low price sensitivity of end-users.

According to a major consulting firm, the global hearing instruments market has grown in value at a CAGR of approximately 5% between 2003 and 2013 and is expected to grow at a CAGR of 4% to 5% between 2014 and 2018, driven by several favorable demographic trends and other factors, including:

Aging population and increasing prevalence of hearing loss

The proportion of the global population aged 65 and older, of which 35-40% show some degree of hearing loss, has demonstrated consistent historic growth (approximately 3% CAGR between 2003 and 2013) and is expected to increase by approximately 4% CAGR between 2014 and 2018 primarily due to the "baby boomer" generation reaching retirement age and longer life expectancy.

Increasing penetration rates

According to a major consulting firm, the global penetration rate of hearing instruments is still very low at approximately 25% as of 2013, although it has consistently grown over the last five years driven primarily by a number of socio-economic factors and technological improvement. Consistently growing penetration rates provide a very attractive market opportunity for us. We are particularly focused on increasing our presence geographically in markets and among groups of end-users that have comparatively low penetration rates but high growth potential. In APAC, penetration is particularly low. We believe that manufacturers with substantial revenue exposure to APAC, such as ourselves, will benefit from rapidly increasing penetration in these regions.

Increasing binaural adoption rates

According to a major consulting firm, the share of users wearing hearing instruments in both ears, or binaural hearing instruments, was approximately 39% in 2013 and is expected to increase by 1% annually, on average, over the next four years. We believe that up to 80% of the hearing impaired population could benefit from using binaural hearing instruments, which offer improved hearing in group environments, better ability to locate speakers and superior sound compared to wearing a hearing instrument in only one ear.

Limited reliance on reimbursement regimes and stable regulatory environment

While government funded reimbursement programs constitute a very important distribution channel in our market, the level of reimbursement of hearing instruments is generally low compared to other healthcare markets, such as pharmaceuticals. This contributes to the resilience of the global hearing instruments market as decreases in government spending as a result of macroeconomic, political or other factors have a comparatively limited effect on the demand for hearing instruments. In addition, we have a limited exposure to public tenders (approximately 12% of revenue for the fiscal year ending September 30, 2014), and we believe that only a small percentage of end-users who purchase our hearing instruments through other channels relies on insurance or government reimbursement regimes.

Most profitable segment in the value chain supported by high barriers to entry and limited substitution risk

We operate in the most profitable part of the hearing instrument value chain, which consists of three groups: (i) component manufacturers, (ii) original hearing instrument manufacturers ("**OEMs**") such as ourselves and (iii) distributors. While leading hearing instrument manufacturers have consistently shown EBIT margins above 20%, component manufacturers and distributors generally report EBIT margins between 5% and 15%. Our position in the value chain is attractive because (i) component manufacturers represent only a small proportion of the value chain and many components are assembled in-house directly by OEMs resulting in limited supplier risk, (ii) distribution continues to be very fragmented in most countries despite some consolidation in recent years, allowing hearing instrument manufacturers to negotiate favorable terms with distributors (iii) the manufacturer market is concentrated with six players accounting for more than 90% of the market and (iv) there is a limited competitive threat from new entrants in low-cost countries, as leading manufacturers already have a significant production footprint in low-cost countries.

High barriers to entry also contribute to a stable competitive environment and resilient margins. The global manufacturing base and high technological capabilities necessary to compete in the hearing instrument market require substantial up-front investment, particularly in R&D for sound processing and miniaturization of components. Our engineering know-how, built up over several decades, and continuous development of new products support the significant barriers to new entrants. In addition, a fragmented distribution channel requires a large and effective sales force as well as deep integration of OEMs with their distribution partners, which cannot be easily replicated. Distributors are closely tied to OEMs through their fitting software, after-sales support, customer service and long-standing relationships. Further, hearing instruments are classified as Class I and Class II medical devices by the U.S. Food and Drug Administration (the "**FDA**"). The FDA regulates, among other things, the design, development, testing, premarket clearance or approval, manufacturing, labelling, advertising, promotion, sales, distribution and post-market performance of such products, and all companies must comply with FDA regulations in order to compete in the United States, which is one of the most profitable markets in the world. Additionally, regulation of the hearing instruments industry generally limits the fitting of hearing devices to qualified professionals, creating an additional barrier for new entrants and new technologies.

Finally, there are limited alternatives for hearing impaired end-users. Implants, for example, are more expensive, require medical surgery and are riskier than hearing instruments. In addition, hearing instruments and implants are used for different levels of hearing losses (with hearing instruments covering mild to severe hearing impairments and implants used for profound hearing loss) and are not necessarily considered substitutes.

Leading market participant with strong market positions in Europe, Asia and North America

We believe that we are the leading global hearing instruments manufacturer by volume with more than three million units manufactured annually. In addition, we believe we are the third largest manufacturer of hearing instruments on a value basis with an approximately 18% market share of the global manufacturer market in the fiscal year ended September 30, 2014, which consists of manufacturing and developing hearing instruments and distributing them into various sales channels. We believe we are the largest manufacturer by volume in key markets such as France and Australia. We also believe we are the largest manufacturer by volume in China and India, which are two of the fastest growing hearing instruments markets globally. We believe we are the second largest manufacturer by volume in the United Kingdom and the third largest in Germany. Also, in the last few years, we have managed to significantly improve our market position in North America, where we now believe we are the fourth largest manufacturer and distributor as measured by units sold. We also have leading positions with major independent distributors in various countries such as Amplifon and Costco and national public health institutions such as the NHS in the United Kingdom, the VA in the United States and Australian Hearing in Australia. Our market-leading positions provide us with significant bargaining power with customers and suppliers and help us to maintain a large, profitable and geographically diversified network of customers.

Proven performance achieved through industry-leading innovation and structural measures

In the last three years, we have grown our business and increased our market share due to multiple strategic and operational initiatives implemented by our CEO Dr. Roger Radke, our CFO Marcus Desimoni and our wider management team. After joining the Company in 2010, our CEO and CFO reshaped the entire organization, hired a new management team, drove a new product strategy and started to implement other operational measures that have driven growth and margin expansion. These initiatives addressed the perceived technological gap with key competitors, significantly improved our sales approach and client proximity, established a focus on profitability and capital allocation and rationalized our manufacturing and R&D footprint, thereby enhancing our competitive positioning and financial profile.

Renewed focus on developing innovative products has driven our financial performance in the fiscal years ended September 30, 2013 and 2014. For example, in October 2012, we launched a new line of products based on our proprietary micon technology platform, which represented a significant leap in processing power compared to its predecessor platform. Given its feedback cancellation, flexibility in frequency shaping and directional computational capabilities, micon helped us to improve penetration with independent audiologists and improve our average selling prices ("**ASPs**"). With more than 1.5 million units sold since its launch, micon has been a key driver of revenue growth and gross margin expansion. In October 2014, we launched our newest and most advanced generation of products based on the binax technology platform, the first technology platform based on binaural hearing. Since its launch, the binax platform has received strong positive feedback by customers and industry experts. We believe that binax is widely viewed as one of the most innovative technologies in the global hearing instruments market due to its automatically adjusting binaural features, optimized wind noise reduction, improved directionality, strong speech/span and direction solutions and low battery consumption.

Furthermore, we have improved our sales approach in our key markets like the U.S. and Germany. We have hired new sales directors in both countries. We have adopted a proactive channel strategy focused primarily on the profitable segment of independent dispensers, from whom we typically achieve higher ASPs and thus higher margins, as opposed to our previous focus on key accounts. For example in Germany, between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014, we proactively sought to achieve better economic terms on supply contracts with certain large accounts, which resulted in a decline in units in the short term but that was more than offset by higher revenue generated by independent dispensers. As a result of this shift in distribution strategy, revenue from independent dispensers grew from 33% of our revenue in the fiscal year ended September 30, 2012 to 37% of our revenue in the fiscal year ended September 30, 2014. This shift allowed us to increase average ASPs over the same period, while ASPs in the overall hearing instruments market were generally on a slightly decreasing trajectory. We have also pursued a selective forward integration strategy in the United States by acquiring HearUSA. Since the acquisition, HearUSA has shown strong financial performance.

In the last three years, our management team has closed seven ITE manufacturing plants and successfully implemented a reorganization of our production facilities aimed at (i) rationalizing production capacity, (ii) increasing the share of manufacturing in low-cost countries and (iii) increasing automation to reduce operating costs and lead times. Historically, our production was characterized by a high share of manual labor compared to automated processes. However, between the fiscal years ended September 30, 2013 and 2014, we increased the proportion of automated production from approximately 14% to approximately 31% of total units produced. The micon platform launched in 2012 was the first platform manufactured in a fully automated production process in Singapore, and we expect the share of automated production to further increase with the new binax platform.

We have also consolidated five R&D centers into two in order to achieve higher productivity while still maintaining overall R&D expenses at approximately 7% as percentage of revenue over the last three fiscal years in line with our key competitors. Consolidating R&D centers has increased efficiency by leveraging the synergies inherent in having personnel concentrated in the same locations and facilitating the exchange of ideas among R&D personnel. In parallel, we have invested in improving our technological expertise, such as strengthening our wireless team, and we have developed and expanded our Asian R&D base, which has been a driving force behind the binax development.

As a result of strategic and operational initiatives, we believe we have regained market share in some regions such as North America and France and increased revenue at 3.0% CAGR (6.4% CAGR on a constant currency basis) between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014.

Following the Acquisition, we will continue to be led by our strong management team, which has a proven track record and is well-positioned to continue to drive our strategy. We will also benefit from the relationships and knowledge of our new shareholders EQT VI Limited and Santo Holding (Deutschland) GmbH ("**Santo**" and, together with EQT VI Limited the "**Investors**").

Highly diversified business model across channels, geographies and customers

We distribute our wide portfolio of products through a range of distribution channels serving different markets and geographies, which helps mitigate declines in any particular market or region. Our global operations have balanced exposure to North America, EMEA, Latin America and Asia. In the fiscal year ended September 30, 2014, our operations in North America generated 35% of our revenue, our operations in EMEA and Latin America generated 43% of our revenue (with Germany generating 17% of our revenue, France generating 10% of our revenue and the United Kingdom generating 5% of our revenue) and APAC generated 22% of our revenue.

We market our products through four distribution channels. In the fiscal year ended September 30, 2014, independent dispensers generated the largest share of our revenue (approximately 37%) followed by key accounts (approximately 29%), distributors (approximately 22%) and government healthcare systems such as the NHS, VA and Australia Hearing (approximately 12%). In recent years, key initiatives implemented by our management team have resulted in increased exposure to independent dispensers.

In the fiscal year ended September 30, 2014, our top ten customers generated 26% of total revenue and we served a fragmented base of more than 2,500 customers. In line with focusing on independent dispensers, we expect to serve an even more fragmented customer base in the future.

Further, in the fiscal year ended September 30, 2014, we derived approximately 18% of our revenue from the sale of accessories, workflow solutions and repair and maintenance services.

Low cost manufacturing footprint with further streamlining potential

We believe that we have one of the largest manufacturing footprints and one of the most efficient manufacturing processes in the industry, driven primarily by (i) standardized BTE or RIC hearing instruments produced entirely in low-cost serial production plants in Singapore, China and Indonesia and (ii) a significantly streamlined production network for ITE hearing instruments. Serial production of BTE devices is located in Asia, while customized production of ITE instruments is closer to end-users to reduce lead times and maintain high customer service.

We have a longstanding presence in Asia where we have concentrated most of our production since the early 1990s. We were a pioneer in our industry in building large scale and standardized production in low-cost countries and now have a significant share of our total manufacturing workforce based in China, Indonesia and Singapore. Further, in 2011, we established a European Manufacturing Centre in Poland for the assembly of ITE devices in Europe, which allowed us to reduce our UK workforce in 2013 and reorganize our ITE production in France in 2014. Having a significant share of production in low-cost countries represents a key competitive advantage for us. We have further improved production efficiency in recent years by increasing the automation share of our production processes. The proportion of units produced in our fully automated manufacturing process reached 31% in the fiscal year ended September 30, 2014, and our target is to increase this going forward.

Our management team and shareholders have identified a number of specific initiatives to further streamline our manufacturing operations, which we expect to pursue following the completion of the Acquisition. These initiatives include, among other things, closing additional ITE locations and increasing automated production, with the aim of achieving cost savings and positioning us for further margin expansion.

Sustainable high margin business with excellent cash flow conversion and further improvement potential

Following the successful repositioning of our business, our management team grew revenue at 3.0% CAGR (or 6.4% CAGR on a constant currency basis) from the fiscal year ended September 30, 2012 to the fiscal year ended September 30, 2014 and increased our Adjusted EBITDA margin from 19.0% to 22.4% over the same period. Our cash flow generation also improved as a result of revenue growth, the successful implementation of cost reduction measures, working capital management and controlled capital expenditure investments.

Our cash flow generation is driven by (i) strong profitability, (ii) relatively limited working capital investment requirements and (iii) a disciplined capital expenditure strategy (capital expenditure of 2.7% of revenue in the fiscal year ended September 30, 2014). Historically, cash flow conversion before taxes has been high, but has increased even further following the successful implementation of our management team's initiatives.

We have also identified a number of key strategic initiatives to be implemented under the leadership of the Investors, which we believe will further strengthen our financial profile and improve our cash flow generation. See "*—Our Business Strategy—Continue operational excellence through structural improvements.*"

Supportive shareholders with strong track record in healthcare

EQT is one of the most active and successful private equity investors in the healthcare sector. Since its inception, EQT has invested approximately 25% of its funds in healthcare companies, has successfully exited 11 healthcare investments and currently maintains a portfolio of nine healthcare companies. EQT also has experience with healthcare carve-outs, having previously acquired in 2003, and subsequently divested Sirona, a spin-off from Siemens Medical Technology Division. In addition, EQT draws on the knowledge of its network of industrial advisors with significant experience from Siemens, Sonova and GN ReSound.

Santo, the investment vehicle of Athos Service GmbH ("**Athos**"), is an experienced investor in healthcare with a focus in pharmaceuticals and biotechnology such as its current stakes in Ganymed Pharmaceuticals AG, BioNTech AG, Aristo Pharma GmbH and Neuraxpharm, among others. Athos was founded in 2005 by Drs. Andreas and Thomas Strüngmann, who are well-known within the German and international business community from their prior leadership of generic drugs manufacturer Hexal Chemie GmbH & Co KG ("**Hexal**") from its founding in 1986 until its sale to the Novartis Group in 2005. Under the leadership of the Strüngmann brothers, Hexal became one of the largest generic medical producers in Germany, employing approximately 7,500 people. Today, Santo employs approximately 2,500 people directly and through its portfolio companies, including 300 people at a newly opened R&D center in Mainz, Germany.

Our Business Strategy

We aim to be a leading manufacturer of hearing instruments worldwide and a technology leader in the global hearing instruments market. We aim to achieve industry leading growth and margin improvement by focusing on innovative products, sales approach and efficient operations with the objective of narrowing the margin gap with certain key competitors in the shortest possible timeframe. To achieve these goals, the key components of our business strategy are as follows:

Continue new product development and R&D success

We believe that we have significant opportunities to capitalize on and expand our market share in higher growth and more profitable markets by continuing to introduce new products and technologies, building on our track record of innovation, focusing on design, quality, cost and customer value, offering complementary products to hearing instruments and increasing the demand for hearing instruments by making them easier for end-users to purchase.

We expect demand for hearing instruments to increase over the long-term in our end markets. To capitalize on this anticipated trend, we will continue to invest in R&D and further strengthen collaboration between our R&D and marketing organizations. By increasing the level of customer interaction and better analyzing feedback, we aim to further optimize the development of new product platforms and technologies.

We have a strong track record in converting our leading R&D capabilities into new products that are well perceived by the market, as witnessed by the introduction of our micon platform, which has been a key driver of our revenue growth since its launch in October 2012, and the binax platform, a binaural hearing system launched in October 2014. We will continue to pursue such innovation to ensure that the next generation platforms are better of, or at least on par with, existing best-in-class products. We believe that we can continue our disciplined approach to R&D while still maintaining our focus on innovation.

Proactive channel strategy, focused sales approach and improved proximity to end-users

We intend to reinforce our end-to-end commercial excellence program across distribution channels ensuring constant sales focus on more profitable markets, such as the United States and Japan, high-growth markets, such as China and India, and distribution channels where we can achieve higher ASPs, in particular independent dispensers.

We intend to continue our strong relationships with our customers and increase recognition of our products by end-users. We will do this by continuing to work closely with our key partners to improve our existing platforms, develop new products and educate end-users and intermediaries about the strengths of our hearing instruments. We believe that we can leverage our longstanding customer relationships and strong reputation by further investing in educational and training initiatives and co-development opportunities. We will continue to look for innovative and effective ways to market our products to end-users, often in tandem with our customers, to enhance the strength and stickiness of our product brands.

We believe that we understand our customers' needs and capabilities, which will allow us to offer improved technologies and help us to anticipate changes in customer needs. For example, our binax platform incorporates automatically adjusting binaural features, optimized wind noise reduction, improved directionality and superior speech and span and direction solutions, which are viewed by customers and end-users at the forefront of currently available market technology. During our more than 100 years of operations, we have developed many strong relationships based on close collaboration with key customers, major distributors and other large public institutions. This level of affinity and cooperation with our major customers has allowed us to successfully respond to shifts in consumer demand, introduce innovative products and provide the appropriate level of customer support to ensure the satisfaction and comfort of our end-users. We will strive to remain a customer-facing organization with an exceptional level of customer support and attention, which we believe will allow us to more rapidly respond to consumer demands and trends.

By combining high-quality product development and a focused sales approach, we expect to improve our penetration rates and increase ASPs in our more established markets of North America and Europe while also taking advantage of our leading market positions in fast-growing emerging markets such as India and China, in which penetration rates have historically been low but are expected to significantly increase going forward.

Continue operational excellence through structural improvements

We are continuously focused on identifying and implementing ways to improve efficiency. Our operational excellence program, which is implemented across all our business units, has successfully improved our Adjusted EBITDA margins by more than three percentage points between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014 and we expect it to further improve our profitability and competitiveness going forward. We have a proven track record of successfully implementing necessary structural measures, which have significantly strengthened our financial profile and improved our cash flow generation. We will continue to focus on reducing the complexity of our manufacturing and logistics footprint to increase flexibility and decrease our operating costs. We believe that we can continue to make significant gains by further consolidating production plants, standardizing processes and components and increasing automation to further optimize manufacturing costs and improve quality control. This will allow us to continue ramping up production of our micon, binax and future platforms, while reducing operating costs and lead times, thereby ensuring capacity to address future demand.

Focus on cash flow growth

Our business is highly cash generative and we aim to further improve our cash flow generation going forward. To achieve this goal, we aim to place significant management emphasis on profitability, efficient capital spending and working capital management. We believe that our current manufacturing capabilities and sales network generates significant free cash flow and that they provide us with the platform to roll out new products and translate revenue growth into profitability and cash generation.

Our History

We have a long history of more than 100 years in the hearing instruments industry dating to 1878 when Werner von Siemens developed a telephone receiver for people with hearing impairments. We have been a pioneer in the hearing instruments industry with multiple "industry first" milestones to our credit. In 1913, we launched the first industrially-produced hearing instrument, the Esha-Phonophor. At the end of the 1950s, we presented the first BTE hearing instrument, followed by the first ITE device in 1966 and the first digital hearing system in 1997. In 2004, we were the first hearing instruments manufacturer to introduce wireless technology that synchronized hearing instruments in both ears, and since 2010 our global headquarters have been located in Singapore.

Recent Developments

In October 2014, we launched our newest and most advanced generation of products based on our proprietary binax technology platform, one of the most innovative platforms in the market and the first based on binaural hearing. Since its launch, the binax platform has received strong positive feedback by customers and industry experts.

Although full financial results are not available for October 2014, we estimate that our revenue in this month increased compared to the same period for the fiscal year ended September 30, 2014. These expectations are based upon our current management estimates and are subject to change.

The Acquisition

BidCo, as purchaser and Seller, as seller, *inter alios*, have entered into an agreement on the acquisition of 100% of the shares (the "**Siemens Audiology Shares**") held by the Seller in the Target, which was announced on November 6, 2014. Under the terms of the offer, the Seller will receive a total purchase price of approximately €2.15 billion (subject to certain adjustments), of which €200 million will not be paid in cash, but will be contributed by Siemens after assignment of the respective portion of the total purchase price claim from the Seller to Siemens into Auris Luxembourg I S.A. in exchange for the Siemens Super Preference Equity. Further, the Seller will be entitled to additional consideration of up to €100 million if certain thresholds for return on investment are achieved by the Investors. This additional consideration is payable upon the completion of an exit or any other event resulting in proceeds received by the Investors. If the Seller becomes entitled to receive this additional consideration, it will be paid by Auris Luxembourg I S.A. and will not be an obligation of the Issuer or its subsidiaries.

The consummation of the Acquisition pursuant to the Acquisition Agreement will be subject to (i) the merger control clearances under the laws of the European Union, the United States of America and Brazil and (ii) the nonexistence of any judgment, injunction, order or other decision by any competent court or governmental authority (other than antitrust authority) which prohibits the consummation of the Acquisition (together, the "**Acquisition Conditions**"). If the Acquisition Conditions have not been fulfilled by April 20, 2015, the Acquisition Agreement may be terminated by either the Seller or BidCo. In connection with obtaining the approvals of the applicable competition authorities, we may agree to divest certain of our assets or operations. We currently do not expect that we will be required to divest assets or operations that generate a significant portion of our revenue.

The Financing of the Acquisition

The Issuer will (i) fund the consideration payable for the acquisition of the Siemens Audiology Shares (the "**Acquisition**") and (ii) pay the estimated fees and expenses incurred in connection with the Offering, entry into the Senior Facilities Agreement and the Acquisition, through the issuance of the Notes, drawings under Facility B of the Senior Facilities Agreement and the Equity Contribution.

Throughout this offering memorandum, we generally refer to the above steps and transactions, including the use of proceeds from the Offering, collectively, as the "**Transactions**." Please see "*Use of Proceeds*" and "*Capitalization*."

The Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account in the name of the Issuer for the benefit of the holders of the Notes. The Escrow Account will be controlled by the Escrow Agent and pledged on a first-priority basis in favor of the Trustee on behalf of the holders of the Notes. Upon delivery to the Escrow Agent and the Trustee of an officer's certificate from the Issuer certifying that the conditions to the release of the proceeds from the Escrow Account are satisfied, the escrowed funds will be released and delivered to the Issuer and utilized as described in "*The Transactions*," "*Use of Proceeds*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

Our Principal Shareholders

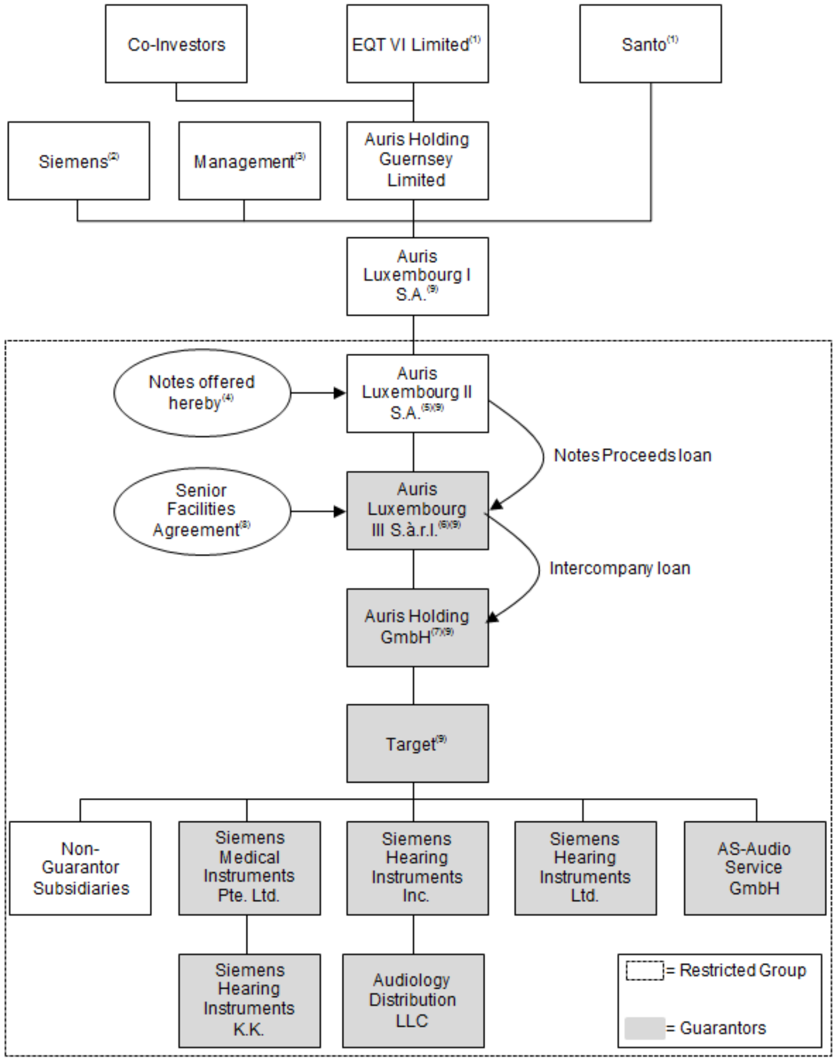
EQT VI Limited is part of EQT, a leading manager of private equity funds with investments in Northern and Eastern Europe, Asia and the U.S. Since its establishment in 1994, EQT has raised 17 private equity funds with more than €22 billion of committed capital and invested in around 120 companies. The business model of EQT is driven by an industrial approach focused on the development of portfolio companies through the implementation of strategies geared towards growth and operational excellence. EQT typically exits its portfolio companies within four to eight years from the time of acquisition.

Santo is the main investment company of the family office of Dr. Andreas and Dr. Thomas Strüngmann, headquartered in Holzkirchen, Germany. The Strüngmanns are the founders of Hexal AG, a generic drug manufacturer, which they sold in 2005. Santo has strong expertise in the German biotech and pharmaceutical sector holding about 20 investments. Santo has recently acquired Astellas Pharma, Inc.'s over-the-counter German product portfolio in 2014 and signed an exclusive, worldwide licensing agreement with Formycon AG obtaining rights to the first biosimilar drug from Formycon in 2013. In 2013, one of their investments, Aicuris, won the ALLICENSE™ 2013 Breakthrough Alliance Award for a License deal with Merck & Co.

In connection with the Acquisition, Siemens will be issued the Siemens Super Preference Equity upon the Completion Date for a gross subscription price of €200 million, which will not be paid in cash but by way of contribution of a corresponding portion of the total purchase price to be paid in connection with the Acquisition (after assignment of the respective portion of the total purchase price from the Seller to Siemens). The shares are non-voting.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart illustrates our simplified corporate structure and principal indebtedness after giving pro forma effect to the Transactions. For a summary of the debt obligations referred to in this chart, see "*Description of Other Indebtedness*" and "*Description of the Notes*." This chart does not include all of our subsidiaries or all of our debt obligations thereof.



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(1) EQT VI Limited is part of EQT, a leading manager of private equity funds with investments in Northern and Eastern Europe. EQT and its co-investors, will invest through Auris Holding Guernsey Limited (with EQT holding more than 50% in Auris Holding Guernsey Limited), and will indirectly own approximately 75.3% of the ordinary and preference share capital of Auris Luxembourg I S.A. (excluding the Siemens Super Preference Equity). Santo is the main investment company of the family office of Dr. Andreas and Dr. Thomas Strüngmann. Santo will hold approximately 22.5% of the ordinary and preference share capital of Auris Luxembourg I S.A. (excluding the Siemens Super Preference Equity). Certain members of management and the board of directors will hold up to 2.2% of the ordinary and preference share capital of Auris Luxembourg I S.A. The final equity distribution is subject to change prior to the Completion Date. For a description of our shareholders, please see "*Principal Shareholders*".

(2) In connection with the Acquisition, Siemens will be issued the Siemens Super Preference Equity upon the Completion Date for a gross subscription price of €200 million, which will not be paid in cash but by way of contribution of a corresponding portion of the total purchase price to be paid in connection with the Acquisition (after assignment of the respective portion of the total purchase price from the Seller to Siemens). The shares are non-voting.

(3) Selected members of the management, board members and advisors of Auris Luxembourg I S.A. and its direct and indirect subsidiaries will directly or indirectly hold approximately 2% of the ordinary and preference share capital of Auris Luxembourg I S.A. (excluding the Siemens Super Preference Equity) through management and board participation plans.

(4) The Notes offered hereby will be senior debt of the Issuer and 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 Notes. The Notes will be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property and assets that secure the Notes on a second-priority basis (including indebtedness incurred under the Senior Facilities Agreement and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness. As of the Issue Date, the Notes will be jointly and severally guaranteed (on a senior subordinated basis) by Auris Holding GmbH and Auris Luxembourg III S.à r.l. The Target and certain of the Target's subsidiaries will guarantee the Notes (on a

senior subordinated basis) within 90 days of the Completion Date. The Completion Date Guarantors generated 85% of our EBITDA for the fiscal year ended September 30, 2014 and held 66% of our total assets as of September 30, 2014.

(5) The Issuer is a public limited liability company (*société anonyme*) organized and established under the laws of Luxembourg formed for purposes of the Acquisition and has no business operations or revenue generating operations on its own. The only significant assets of the Issuer on the Issue Date will consist of cash in its bank accounts, its interest in the Escrow Account and the equity interests it holds in its direct subsidiary, Auris Luxembourg III S.à r.l. Upon the release of funds from the Escrow Account on the Completion Date, the Issuer will extend one or more inter-company loans to Auris Luxembourg III S.à r.l. in an amount equal to the proceeds of the Notes (the "**Notes Proceeds Loan**"). Following the release of funds from the Escrow Account, the only significant assets of the Issuer are expected to be the cash in its bank accounts, amounts owed to the Issuer under intercompany loans and the equity interests it holds in Auris Luxembourg III S.à r.l.

(6) Auris Luxembourg III S.à r.l. is a holding company formed for the purpose of facilitating the Acquisition and has no business operations or revenue generating operations on its own. Auris Luxembourg III S.à r.l. was originally incorporated as Auris Luxembourg III S.A. on April 10, 2014 and was converted to Auris Luxembourg III S.à r.l. on November 21, 2014. The only significant assets of Auris Luxembourg III S.à r.l. on the Issue Date will consist of cash in its bank accounts and the equity interests it holds in its direct subsidiary, Auris Holding GmbH. Following the release of funds from the Escrow Account, the only significant assets of Auris Luxembourg III S.à r.l. are expected to be the cash in its bank accounts, amounts owed to Auris Luxembourg III S.à r.l. under intercompany loans and the equity interests it holds in Auris Holding GmbH.

(7) Auris Holding GmbH is a holding company formed for the purpose of facilitating the Acquisition and has no business operations or revenue generating operations on its own. Auris Holding GmbH was incorporated on October 10, 2014. The only significant assets of Auris Holding GmbH on the Issue Date will consist of cash in its bank accounts and the equity interests it holds in its direct subsidiary, the Target. Following the release of funds from the Escrow Account, the only significant assets of Auris Holding GmbH are expected to be the cash in its bank accounts, amounts owed to Auris Holding GmbH under intercompany loans and the equity interests it holds in the Target.

(8) The Senior Facilities Agreement consists of (i) a Facility B term loan comprising euro- and U.S. Dollar-denominated tranches, in an aggregate amount equal to the equivalent of €785.0 million and (ii) a €75.0 million Revolving Credit Facility. To secure their obligations under the Senior Facilities Agreement, the Issuer and the Guarantors (including Siemens Audiologie SAS, which will guarantee the Senior Facilities Agreement but will not guarantee the Notes due to French legal limitations) will provide security over bank accounts, fixed assets, insurance policies, intellectual property, receivables and shares in accordance with and subject to agreed security principles. See "*Description of Other Indebtedness—Senior Facilities Agreement*." The final euro equivalent amount under Facility B may change at signing of the Senior Facilities Agreement depending on tranche allocations and foreign currency movements but such changes are not expected to be material.

(9) Auris Luxembourg I S.A. is the sole shareholder of Auris Luxembourg II S.A., which is the sole shareholder of Auris Luxembourg III S.à r.l., which is the sole shareholder of Auris Holding GmbH, which is the sole shareholder of the Target.

The Offering

The following overview of the Offering contains basic information about the Notes, the Guarantees and the security. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, the Guarantees and the security including certain definitions of terms used in this overview, please see "Description of the Notes."

Issuer	Auris Luxembourg II S.A., a public limited liability company (*société anonyme*) organized and established under the laws of the Grand Duchy of Luxembourg having its registered office at 23, Rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B191.405.
Notes Offered	€275,000,000 aggregate principal amount of 8% Senior Notes due 2023 (the "**Notes**").
Issue Date	On or about December 29, 2014 (the "**Issue Date**").
Maturity Date	The Notes will mature on January 15, 2023.
Interest Rates and Payment Dates	The interest rate on the Notes will be 8% payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2015. Interest on the Notes will accrue from the Issue Date.
Denominations	The Notes will be issued in denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer; • 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 Notes, including the Issuer's guarantee of the Senior Facilities Agreement and certain hedging obligations; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property and assets that secure the Notes on a second-priority basis (including indebtedness incurred under the Senior Facilities Agreement and certain hedging obligations), to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Issuer that are not Guarantors, including obligations owed to trade creditors.
Guarantors	Auris Luxembourg III S.à r.l. and Auris Holding GmbH (the "**Issue Date Guarantors**") and the Target, Siemens Medical Instruments Pte. Ltd., Siemens Hearing Instruments, Inc., AS-Audio Service GmbH, Audiology Distribution, LLC, Siemens Hearing Instruments Ltd. and Siemens Hearing Instruments K.K. (the "**Completion Date Guarantors**" and, together with the Issue Date Guarantors, the "**Guarantors**")
Guarantees	As of the Issue Date, the Notes will be jointly and severally guaranteed (on a

senior subordinated basis) by Auris Holding GmbH and Auris Luxembourg III S.à r.l. (as defined herein) and the Completion Date Guarantors will guarantee the Notes within 90 days of the Completion Date. The Completion Date Guarantors generated 85% of our EBITDA for the fiscal year ended September 30, 2014 and held 66% of our total assets as of September 30, 2014. The obligations of each Guarantor will be subject to various limitations. See "*Limitations on Validity and Enforceability of the Security and the Guarantees*" and "*Risk Factors—Risks Relating to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

Ranking of the Guarantees

The Guarantee of each Guarantor will:

- be a general senior subordinated obligation of that Guarantor;
- be subordinated in right of payment to that Guarantor's obligations in respect of any existing and future senior indebtedness, including its obligations under the Senior Facilities Agreement;
- rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of that Guarantor;
- rank senior in right of payment to any existing and future indebtedness of such guarantor that is expressly subordinated in right of payment to such guarantee;
- be effectively subordinated to any existing or future indebtedness or obligation of such guarantor that is secured by property and assets that do not secure such Guarantee or that is secured on a first-ranking basis over property and assets that secure such Guarantee on a second-ranking basis (including indebtedness incurred under the Senior Facilities Agreement or certain hedging obligations), to the extent of the value of the property and assets securing such other indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of such guarantor that are not Guarantors, including obligations owed to trade creditors.

Security

On the Issue Date, the Notes will be secured by a first-priority pledge over the Escrow Account (the "**Issue Date Collateral**").

On or about the Completion Date, subject to the terms of the security documents, the Notes and the Guarantees will be secured by (i) a first-priority pledge of the shares in the Issuer (the "**Notes Collateral**"), (ii) a second-priority pledge of the shares in Auris Luxembourg III S.à r.l., the Issuer's direct subsidiary and (iii) a second-priority pledge of the Notes Proceeds Loan made by the Issuer to Auris Luxembourg III S.à r.l. and any other liquidity owed by Auris Luxembourg III S.à r.l. to the Issuer (clauses (ii) and (iii), collectively, the "**Shared Collateral**" and, together with the Notes Collateral, the "**Completion Date Collateral**"). The Completion Date Collateral, together with the Issue Date Collateral, is referred to as the "**Collateral**." The Shared Collateral will also secure the obligations of the Issuer and the Guarantors under the Senior Facilities Agreement and certain hedging obligations on a first-priority basis. The security interests in the Collateral may be released under certain circumstances. Subject to the terms of the indenture governing the Notes and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness.

Escrow of Proceeds; Special Mandatory

Pending consummation of the Acquisition, the Initial Purchasers will,

Redemption	concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds from the Offering into the Escrow Account in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the escrowed proceeds will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement promptly following the escrow release. In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) the Investors cease to beneficially own and control a majority of the issued and outstanding capital stock of the Issuer or (e) a default or event of default arises with respect to the Issuer, Auris Luxembourg III S.à r.l. or BidCo on or prior to April 27, 2015, the Notes will be subject to a "special mandatory redemption." The "special mandatory redemption price" of the Notes will be equal to 100% of the aggregate initial issue price of the Notes plus accrued and unpaid interest from the Issue Date to such special mandatory redemption date and additional amounts, if any. In the event that the "special mandatory redemption price" payable upon such "special mandatory redemption" exceeds the amount of the escrowed property, EQT VI Limited will be required to fund the accrued and unpaid interest, and additional amounts, if any, owing to the holders of the Notes, pursuant to a guarantee it will provide. In the alternative, EQT VI Limited will deposit in the Escrow Account on the Issue Date an amount equal to the accrued and unpaid interest through April 20, 2015.
Additional Amounts	All payments by or on behalf of the Issuer or any Guarantor (or any surviving entity) under or with respect to the Notes or any Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, withholding or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature, unless required by law. If any withholding or deduction for or on account of any taxes imposed by any relevant taxing jurisdiction is required, the Issuer, the Guarantor or surviving entity, as the case may be, will pay such additional amounts as may be necessary to ensure that the net amount received by each holder of the Notes after such withholding or deduction will be not less than the amount the holder would have received if such taxes had not been required to be withheld or deducted, subject to certain exceptions. See "*Description of the Notes—Payment of Additional Amounts*."
Optional Redemption of Notes	Prior to January 15, 2018, the Issuer may redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of such Notes plus the applicable "make-whole" premium set forth in this offering memorandum, plus accrued and unpaid interest to the redemption date. On or after January 15, 2018, the Issuer may redeem all or a portion of the Notes at the redemption prices set forth in this offering memorandum under the caption "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest to the redemption date. In addition, at any time prior to January 15, 2018, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings at 108.000% of the principal amount of the Notes, plus accrued and unpaid interest; *provided* that at least 60% of the originally issued aggregate principal amount of the Notes remains outstanding immediately after each such redemption and each such redemption occurs

	within 180 days after the date of the relevant equity offering. Please see "*Description of the Notes—Optional Redemption*."
Optional Redemption for Taxation Reasons	In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption. Please see "*Description of the Notes—Redemption for Taxation Reasons*."
Change of Control	Upon the occurrence of certain events constituting a "change of control," the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash of 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. See "*Description of the Notes—Change of Control*."
Certain Covenants	The indenture will contain covenants that, among other things, limit the ability of the Issuer and its restricted subsidiaries to: • incur additional debt and issue guarantees and preferred stock; • make certain payments, including dividends and other distributions, with respect to outstanding share capital; • repay or redeem subordinated debt or share capital; • create or incur certain liens; • impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Issuer; • make certain investments or loans, including participating in joint ventures, or make capital expenditures; • sell, lease or transfer certain assets, including shares of any of our restricted subsidiaries; • guarantee certain types of our other indebtedness without also guaranteeing the Notes; • effect a merger or consolidation of, or sell, all or substantially all of our assets or all of the assets of certain companies within the Group; and • enter into certain transactions with affiliates. Each of these covenants is subject to a number of important limitations and exceptions as described under "*Description of the Notes—Certain Covenants*."
Transfer Restrictions	The Notes and the Guarantees have not been, and 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, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.
Use of Proceeds	The Issuer will (i) fund the consideration payable for the Acquisition and (ii) pay the estimated fees and expenses incurred in connection with the Offering, entry into the Senior Facilities Agreement and the Acquisition, through the issuance of the Notes, drawings under Facility B of the Senior Facilities Agreement and the Equity Contribution.
No Established Market for the Notes	The Notes will be new securities for which there is no existing market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure

	you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and to list the Notes on the Official List of the Luxembourg Stock Exchange.
Governing Law	The indenture, the Notes and the Guarantees are governed by the laws of the State of New York. The Intercreditor Agreement is governed by English Law. The application of the provisions of articles 86 to 94-8 (inclusive) and 98 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, is hereby expressly excluded.
Trustee	Deutsche Trustee Company Limited.
Paying Agent, Escrow Agent and Security Agent	Deutsche Bank AG, London Branch.
Registrar, Transfer and Listing Agent	Deutsche Bank Luxembourg S.A.

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section of this offering memorandum before making a decision whether to invest in the Notes.

SUMMARY HISTORICAL CONDENSED COMBINED FINANCIAL INFORMATION AND OTHER FINANCIAL DATA

The following tables present the summary historical financial information and other financial data of Siemens Audiology Solutions as of and for the fiscal years ended September 30, 2012, 2013 and 2014, which have been extracted or derived from the Combined Financial Statements, included elsewhere in this offering memorandum, as well as from our and Siemens Audiology Solutions' internal reporting systems. The Combined Financial Statements were prepared in accordance with IFRS and have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

You should read the information summarized below in conjunction with the information contained in "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and the Combined Financial Statements included elsewhere in this offering memorandum.

	Fiscal year ended September 30,		
	2012	2013	2014
	(€ in millions)		
Data from the Combined Statements of Income			
Revenue	650.3	668.7	690.4
Cost of goods sold	(285.8)	(297.5)	(290.3)
Gross profit	**364.4**	**371.2**	**400.1**
R&D expenses	(54.4)	(46.3)	(45.7)
Selling and general administration expenses	(226.3)	(223.2)	(229.2)
Other operating income	0.5	0.3	1.1
Other operating expenses	(0.4)	(0.6)	(0.3)
Interest income	2.0	1.8	1.8
Interest expenses	(3.3)	(3.0)	(3.6)
Other financial income (expenses), net	(0.1)	0.1	(0.1)
Income before income taxes	**82.4**	**100.4**	**124.1**
Income taxes	(41.3)	12.2	(15.8)
Net income	**41.1**	**112.6**	**108.3**

	Fiscal year ended September 30,		
	2012	2013	2014
Change in revenue (compared to prior fiscal year)	—	2.8%	3.2%
Gross margin (gross profit as a percentage of revenue)	56.0%	55.5%	57.9%
R&D expenses (as a percentage of revenue)	8.4%	6.9%	6.6%
Selling and general administration expenses (as a percentage of revenue)	34.8%	33.4%	33.2%

	Fiscal year ended September 30,		
	2012	2013	2014
	(€ in millions)		
Data from the Combined Statements of Cash Flows:			
Net cash flows provided by (used in)			
operating activities	110.6	116.7	140.2
investing activities	(94.4)	62.3	(14.4)
financing activities	(14.2)	(179.3)	(121.7)

	As of September 30,		
	2012	2013	2014
	(€ in millions)		
Working Capital:			
Inventories	60.2	64.1	66.2
Trade receivables	100.8	103.1	101.4
Trade payables	(46.4)	(47.6)	(51.0)

	As of September 30,		
	2012	2013	2014
	(€ in millions)		
Trade working capital	**114.6**	**119.6**	**116.6**
Current provisions	(24.7)	(27.7)	(28.6)
Other current assets	9.1	9.5	11.0
Other current liabilities	(58.2)	(54.0)	(58.5)
Net working capital	**40.8**	**47.4**	**40.5**

	As of September 30,		
	2012	2013	2014
	(€ in millions)		
Data from the Combined Statements of Financial Position:			
Assets			
Current assets	363.4	271.7	282.0
Total assets	**571.5**	**469.7**	**491.9**
Liabilities and equity			
Total current liabilities	293.2	286.8	279.9
Total liabilities	360.0	355.2	361.5
Total equity	211.5	114.5	130.4
Total liabilities and equity	**571.5**	**469.7**	**491.9**

	As of and for the fiscal year ended September 30,		
	2012	2013	2014
	(€ in millions, unless otherwise specified)		
Other Financial Data:			
EBITDA(1)	109.8	126.6	150.3
Adjusted EBITDA(1)(2)	123.5	141.6	154.5
Pro forma Adjusted EBITDA(1)(3)			156.9
Pro forma net senior secured debt(4)			785.0
Pro forma net total debt(5)			1,060.0
Pro forma cash interest expense(6)			66.3
Capital expenditure	30.8	25.0	18.8
Ratio of *pro forma* net senior secured debt to *pro forma* Adjusted EBITDA(1)(3)(4)			5.0x
Ratio of *pro forma* net total debt to *pro forma* Adjusted EBITDA(1)(3)(5)			6.76x
Ratio of *pro forma* Adjusted EBITDA to *pro forma* cash interest expense(1)(3)(6)			2.4x

(1) EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA are not terms used in the Combined Financial Statements, which are prepared in accordance with IFRS. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for certain items we consider to be non-recurring. *Pro Forma* Adjusted EBITDA is defined as Adjusted EBITDA adjusted to reflect historical costs charged by Siemens for activities that will no longer be performed or required or have been absorbed into existing functions of the Target and its subsidiaries as if such measures had been effected on October 1, 2013. See footnote (3) for information on the limitations of this measure. In evaluating EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA, we encourage you to evaluate each adjustment and the reasons why we consider it appropriate as a method of supplemented analysis.

We present EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Our management also believes that EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA are relevant measures for assessing our performance because they are adjusted for certain items which are non-recurring or which management believes are not indicative of our underlying operating performance. EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating result as reported under IFRS. EBITDA, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. You should be aware that we are likely to incur expenses similar to certain of the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. See "*Presentation of Financial and Non-IFRS Financial Measures—Non-IFRS Financial Measures*" for information on the limitations of these measures as analytical tools.

The reconciliation of net income to EBITDA is as follows:

	Fiscal year ended September 30,		
	2012	2013	2014
		(€ in millions)	
Net income	41.1	112.6	108.3
Income taxes	41.3	(12.2)	15.8
Interest income	(2.0)	(1.8)	(1.8)
Interest expenses	3.3	3.0	3.6
Other financial income (expenses), net	0.1	(0.1)	0.1
Depreciation and amortization[(a)]	26.0	25.1	24.3
EBITDA	**109.8**	**126.6**	**150.3**

(a) Sum of depreciation of property, plant and equipment and amortization of intangible assets, each as shown in the notes to the Combined Financial Statements.

(2) Adjusted EBITDA is defined as EBITDA adjusted for certain costs we consider to be non-recurring. The reconciliation of EBITDA to Adjusted EBITDA is as follows:

	Fiscal year ended September 30,		
	2012	2013	2014
		(€ in millions)	
EBITDA	**109.8**	**126.6**	**150.3**
Implementation of ERP system[(a)]	5.3	7.2	2.8
Cost of litigation[(b)]	1.4	4.1	(0.7)
Retention bonus accrual[(c)]	—	—	1.1
Personnel restructuring[(d)]	2.3	1.4	1.0
Normalize UK lease[(e)]	—	1.1	—
Lease break[(f)]	—	0.6	—
Site relocation[(g)]	—	0.6	—
Integration costs[(h)]	6.1	0.2	—
Sales tax provision[(i)]	0.2	(0.2)	—
U.S. past service benefit[(j)]	(1.6)	—	—
Adjusted EBITDA	**123.5**	**141.6**	**154.5**

(a) We are in the process of rolling out a new ERP system across most countries, which is expected to be completed by the fiscal year ending September 30, 2017. The adjustment removes all expenses related to the one-off implementation.

(b) Litigation costs primarily relate to a provision made for a class action brought by a group of previous shareholders of HearUSA in connection with our acquisition of HearUSA. The matter was preliminarily settled in August 2014 and the settlement is expected to be approved by the court in December 2014 and the provision of €0.7 million will be released after the case is settled.

(c) A retention bonus plan has been established in connection with the Acquisition, and in accordance with the Acquisition Agreement, the Seller will reimburse BidCo for all payments made under the retention bonus plan. The Combined Financial Statements for the fiscal year ended September 30, 2014 include an accrual for the cost of the retention bonus plan as of September 30, 2014, but did not include a corresponding receivable as the Acquisition Agreement was not yet signed as of that date.

(d) Restructuring costs for the fiscal year ended September 30, 2012 related to the closure of certain facilities. Restructuring costs for the fiscal year ended September 30, 2013 were incurred to relocate certain production support facilities to be closer to our production facilities. Severance payments were incurred in the fiscal year ended September 30, 2014.

(e) Represents the expense for a legal provision in the Combined Financial Statements pending the resolution of a claim brought by the landlord of a facility in the United Kingdom following the break of the lease agreement discussed in (f) below.

(f) Relates to relocation and lease break costs for the termination of a lease agreement in the United Kingdom following the opening of our European manufacturing center in Poland.

(g) Relates to restructuring expenses in connection with the merger of the operations of our permanent establishment in the Netherlands and Siemens Audiologie Techniek B.V.

(h) Costs incurred in connection with the acquisition and integration of HearUSA and the acquisition of a distributor in Turkey.

(i) Relates to the creation and release of a provision for sales taxes that were made in different periods. The release followed the successful appeal against the initial tax notice.

(j) Release of part of the pension provision resulting from the recalculation of the pension obligation for the fiscal year ended September 30, 2012.

(3) *Pro Forma* Adjusted EBITDA is defined as Adjusted EBITDA adjusted to reflect historical costs charged by Siemens for activities that will no longer be performed or required or have been absorbed into existing functions of the Target and its subsidiaries, as if such measures had been effected on October 1, 2013. We may not be able to achieve all of these cost savings for a number of reasons. This cost saving estimate is based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating cost savings are inherently uncertain and are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the cost savings estimate. (See "*Risk Factors—Risks Relating to the Acquisition—The withdrawal from the Siemens Group may lead to the loss of business opportunities and higher procurement costs*.") The reconciliation of Adjusted EBITDA to *Pro Forma* Adjusted EBITDA is as follows:

	Fiscal year ended September 30,
	2014
	(€ in millions)
Adjusted EBITDA	**154.5**
Standalone cost adjustment[(a)]	2.4
***Pro Forma* Adjusted EBITDA**	**156.9**

(a) In the fiscal year ended September 30, 2014, Siemens Group charged Siemens Audiology Solutions €17.7 million for various services provided by Siemens Group. These services related to functions such as tax, human resources, legal, treasury services and office rental. Siemens Audiology Solutions has identified, on an individual item basis, €2.4 million of expenses incurred out of the €17.7 million that are, among others, affected by the size and structure of the Siemens Group. These expenses are incurred for activities that will no longer be performed or required or have been absorbed into existing functions of the Target and its subsidiaries as if such measures had been effected on October 1, 2013.

(4) *Pro forma* net senior secured debt reflects the aggregate principal amount of borrowings under our Senior Facilities Agreement on a *pro forma* basis after giving effect to the Acquisition. For this purpose, we are assuming no cash or cash equivalents on the Completion Date as the Acquisition has been structured on a cash-free, debt-free basis. Actual cash or cash equivalents as at the Completion Date are likely to be different. See footnote (1) under "*Capitalization*."

(5) *Pro forma* net total debt reflects the aggregate principal amount of our total financial liabilities (excluding other financial liabilities and capitalized transaction costs), less cash and cash equivalents, on a *pro forma* basis after giving effect to the Acquisition. For this purpose, we are assuming no cash or cash equivalents on the Completion Date as the Acquisition has been structured on a cash-free, debt-free basis. Actual cash and cash equivalents as of the Completion Date are likely to be different. See footnote (1) under "*Capitalization.*"

(6) *Pro forma* cash interest expense reflects the gross interest expense, which is calculated using the cash interest expense in connection with our *pro forma* net total debt (after giving effect to the Acquisition as if it had occurred on October 1, 2013 and including assumed interest rates for the Term Loan Facility B but excluding any amounts drawn under the Revolving Credit Facility on the Completion Date for the reason described under footnote (1) under "*Capitalization*"). *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would actually have been had the Transactions occurred on such date or purport to project our interest rate for any future period or financial condition at any future date.

RISK FACTORS

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

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum.

Risks Relating to Our Industry and Business

We operate in a highly competitive industry and competitive pressures could have a material adverse effect on our business.

The worldwide market for hearing instruments is competitive in terms of pricing, product quality, product innovation, time-to-market and customer service among the six major competitors in the industry, who together control more than 90% of market share. We face strong competitors, some of which may have greater resources or a stronger financial profile that may better enable them to exploit changes in our industry on a cost-competitive basis. Specific competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact our market share. Our main competitors, such as Sonova and William Demant, are well-established operators in the hearing instrument market. The risk that new players may enter the market could also be facilitated if, as a consequence of regulatory changes, the qualifications required to sell hearing instruments becomes less stringent. Recent trends of manufacturers' forward-integration into the retail market for hearing instruments in certain countries may accelerate, reducing our access to the independent dispensers channel, and eroding our competitive position. We face downward price pressure from certain customers, especially governments, key accounts and customers in certain geographic areas. These factors alone or in combination may have a material adverse effect on our business, results of operations and financial condition.

Our industry's product cycles range from two to three years, and we may not be able to develop or exploit new technologies in time to remain competitive.

The hearing instruments industry has in the past experienced rapid shifts to new key technologies, for example the switch from analogue to digital hearing instruments in the 1990s, that disrupted existing market patterns and led to a large-scale market realignment among customers and our competitors. For us to remain competitive, it is essential to develop and bring to market new technologies or to find new applications for existing technologies at an increasing speed. If we are unable to meet customer demands for new technology, or the technologies we introduce are viewed less favorably than our competitors, our results of operations and future prospects may be negatively affected. To meet our customers' needs in these areas, we must continuously design new, and update, existing products and invest in and develop new technologies. For example, our platforms generally have a duration of approximately three years before new products containing new technology come to the market. In the fiscal year ended September 30, 2014, we derived approximately 56% of our revenue from products launched within the past two fiscal years. Our operating results depend to a significant extent on our ability to anticipate and adapt to technological changes in the hearing instruments market, to maintain innovation leadership, to maintain a strong product pipeline and to reduce the costs of producing high-quality new and existing hearing instruments. Any inability to do so could have a material adverse effect on our business, results of operations and financial condition.

Adapting our production capacities to evolving patterns of demand is expensive, time-consuming and subject to significant uncertainties. We may not be able to adequately predict consumer trends and be unable to adjust our production in a timely manner.

We do business on a global basis and market our products through several distinct distribution channels. As our regional markets and distribution channels are subject to, and tend to react quite differently to, general economic developments and innovation milestones, we face the risk of significant changes in the demand for our products. Adapting to such evolving patterns of demand is expensive, as it requires, if demand decreases, capacity and cost reductions involving restructuring costs or, if demand increases, capital expenditures to set up new or reopen or ramp-up production lines or cost increases to hire and train production personnel and strengthen the sales force. Adapting to changes in demand, by necessity, also lags behind the actual developments as it takes time to identify the change the market is undergoing and for any measures taken to gain traction. Finally, capacity adjustments are inherently risky as there is imperfect information and market trends may rapidly intensify, ebb or even reverse. We have in the past not always been, and may in the future not be, able to timely predict trends in demand and consumer behavior or to take appropriate measures to mitigate risks and exploit opportunities resulting from such trends. Any inability in the future to identify or to adequately and effectively react to changes in demand could have a material adverse effect on our business, results of operations and financial condition.

Prices for our products have historically been subject to price erosion. The prices for our products tend to decline over time and we need to compensate price declines by new product introductions, productivity improvements, changes in channel mix and strict cost controls in order to avoid a deterioration of our results of operation.

The hearing instruments industry generally is characterized by price erosion after a product has been on the market for an extended period of time. One of the results of the rapid innovation that is exhibited by the hearing instruments industry is that pricing pressure, especially on products containing older technology, can be intense. In order to profitably supply these products, we must reduce our production costs in line with the lower net sales we can expect to receive per unit. Usually, this is accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, we will not be able to make a profit from the sale of these products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may incur losses on such products.

Alternative technologies, therapies or the discovery of a cure for hearing loss could adversely affect our business, financial condition and results of operations.

If medical research were to lead to the discovery of a cure for the various forms of hearing loss as an alternative to the hearing instrument such as by surgical techniques, the use of pharmaceuticals or breakthrough bio-technological innovations or therapies, our profitability could suffer through a reduction in sales. The discovery of a cure for the various forms of hearing loss, the development of self-fitting hearing instruments, other alternatives to hearing instruments, such as personal sound amplifiers or unexpected manufacturing platforms could result in a decreased use of our products and, accordingly, could have a material adverse effect on our business, results of operations and financial condition.

Accelerated consolidation and formation of purchasing groups by retailers increases the pricing pressure on our products.

As many audiology retailers are consolidating to create new entities with greater market power, the importance of our key accounts for our business is increasing. Consolidation is the result of, for example, mergers, acquisitions and the formation of purchasing groups. In consequence, the number and size of the key accounts increases and so does the average purchasing power they command. They use their leverage to negotiate price reductions or other concessions. This has reduced the relative strength we historically enjoyed vis-à-vis most independent dispensers and resulted, and will likely continue to result, in pressure on ASPs, and may adversely affect our business results of operation. Failure to retain or to maintain the number of units sold to or revenue generated by our independent dispensers channel, or inability to grow this customer group, could have a material adverse effect on our business, results of operations and financial condition.

Our access to independent dispensers in the open market may be reduced through forward integration or through horizontal consolidation.

In addition to being one of the largest distribution channels of hearing instruments, the independent dispensers market is also characterized by the highest ASPs of all market channels, which makes it an important distribution channel for us. In recent years, however, some of our competitors have pursued strategies of vertical integration and rapidly expanded their activities in the retail market. This has provided them with direct access to end-users and increased their control over distribution and pricing while reducing the size of the market accessible through independent dispensers. Likewise, horizontal integration of the market through the expansion of franchise and chain distributors has also reduced the independent dispensers market by consolidating dispensers under key accounts. As a growing percentage of the retail market becomes manufacturer-controlled or consolidated under a key account, our access to independent dispensers has decreased. We have made a limited move to forward integrate into the retail market, which generally keeps us out of competition with our key accounts, but may have the effect of limiting our potential customer base because we are not competing for the manufacturer-controlled segment of the market as aggressively as some of our competitors. We are currently exploring our strategic options with a view to defend or grow our market shares and maintain pricing levels, and may take steps to continue to forward integrate in retail markets we consider particularly attractive through bolt-on acquisitions, particularly in the United States. Any such move may involve significant capital expenditures and the intrinsic risks of entering a new market. Further reduced access to the retail market, or a failed pursuit of any forward integration strategy on our own, could have a material adverse effect on our business, results of operations and financial condition.

The existence of adequate coverage and reimbursement is important for sales of our products. Inadequate coverage and reimbursement policies for our products could affect the adoption of our products and our future revenue.

Successful sales of our products depend, in part, on the availability of adequate coverage and reimbursement from third-party payors. Adequate coverage and reimbursement from third-party payors, including governmental payors, such as Medicare and Medicaid in the United States, therefore, is important for obtaining product acceptance and widespread adoption in the marketplace. While hearing instruments, including our products, are not typically covered by public insurance and other government healthcare programs in the United States and other countries, we cannot assure you that we will remain unaffected by cost-cutting initiatives implemented by governments around the world, which could have a material adverse effect on our business, results of operations and financial condition.

In the United States, coverage and reimbursement for medical devices vary among payors. In addition, payors continually review new technologies for possible coverage and can, without notice, deny coverage for these new products and procedures. Some governmental and private third-party payors do not currently cover or reimburse our products. Further, third-party payors who currently cover and reimburse customers for our products may in the future choose to decrease current levels of reimbursement or eliminate reimbursement altogether, either of which will cause our business to suffer.

In Germany, coverage and reimbursement for medical devices vary among statutory health insurance funds (“**SHIF**”) and private health insurance funds as payors. Besides, the individual agreements between the SHIF and the audiologists may contain different reimbursement rates. SHIF insured patients are generally entitled to hearing instruments that are necessary to compensate a hearing loss but limited to a maximum reimbursement amount, which has been increased to €733.59 (excluding VAT) for hearing impaired patients and to €786.86 (excluding VAT) for nearly deaf patients over the last two years. However, as the prices of hearing instruments often exceed the reimbursement rates, the insured have to pay the difference at their own expense. Private health insurance reimbursement rates vary by policy but the reimbursement amounts are typically more favorable for the patients.

According to a 2009 verdict of the European Court of Justice (the “**ECJ**”), it is very likely that agreements between the SHIF and the audiologists which are equal to or exceed the threshold of €207,000 (as of now) will be required to be tendered. As a manufacturer of hearing aids, we are not directly affected but our prices could also be influenced by changes in the market strategy of wholesalers or audiologists.

In addition, in the United States and in certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the regulatory and healthcare systems in ways that could impact our ability to sell our products profitably, if at all. In the United States in recent years, new legislation has been proposed and adopted at the federal and state levels that is effecting major changes in the healthcare system. While the goal of healthcare reform is to expand coverage to more individuals, it also involves increased government price controls, additional regulatory mandates and other measures designed to constrain medical costs. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the “**Affordable Care Act**”), significantly impacts the medical device industry. Among other things, the Affordable Care Act imposed an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States; established a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research; and created an independent payment advisory board that will submit recommendations to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate. Other legislative changes have also been proposed and adopted since the Affordable Care Act was enacted, which included, among other things, reductions to Medicare payments to providers of 2% per fiscal year.

We expect that market demand, government regulation and third-party coverage and reimbursement policies will continue to limit the amounts that federal and state governments and other third-party payors will pay for healthcare products and services, which could adversely impact our business, results of operations, financial condition and prospects.

Our production facilities are subject to various different sets of health, labor, safety and environmental standards, and any changes in these laws and regulations may affect our ability to continue production in a cost-efficient environment.

Our operations are subject to various supranational, national, regional and local laws and regulations relating to the protection of the environment, health, labor standards and safety. These laws and regulations govern, among other things, hazardous substances; emission and discharge of materials; the health and safety of employees; and labor standards more generally. These laws and regulations are complex, change frequently, are often subject to public review and comment and have tended to become more stringent over time. Even though we have in the past incurred and will in the future incur significant ordinary course costs to comply with these laws, regulations and permits, our operations may not be at all times in compliance with them. A failure to comply could result in governmental fines and other sanctions, the temporary or permanent shutdown of production facilities, third-party claims and/or negative publicity. Any new legislation and regulation may impose significant and costly new obligations on us. Given all of the foregoing, future costs and liabilities relating to compliance with environmental and health and safety laws, regulations and permits could have a material adverse effect on our business, results of operations and financial condition.

Our employees may engage in improper business conduct that could expose us to regulatory action and reputational harm.

Conducting our business in an ethically acceptable manner is important to our reputation, status with regulators and business prospects. A major part of our revenue is derived under contracts with government agencies, such as the National Health Service in the United Kingdom, and consequently we are regularly conducting business with public officials and other politically exposed persons. We have policies in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, tax evasion and any other criminal or otherwise unacceptable conduct. However, such policies may be insufficient or our employees may not adhere to their letter and spirit. If any of our personnel is found to have engaged in illegal or unethical acts, or we are found not to have taken effective steps to manage and mitigate the risk or to address allegations or findings, of inappropriate conduct in our business, this may damage our reputation, result in criminal, regulatory or civil sanctions, impair our ability to participate in business with national healthcare providers and insurers and may result in formal or informal exclusions from such business. Any of the foregoing factors, alone or in combination, may have a material adverse effect on our business, results of operations and financial condition.

The United States Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act 2010 (the "**Bribery Act**"), the Organization for Economic Co-Operation and Development ("**OECD**") Anti-Bribery Convention and other applicable anti-corruption laws in other relevant jurisdictions prohibit companies and their intermediaries from offering or making improper payments (or giving anything of value) to government officials and/or persons in the private sector for the purpose of influencing them or obtaining or retaining business and require companies to keep accurate books and records and maintain appropriate internal controls. The Bribery Act also prohibits such payments or financial or other advantages being made, offered or promised to or from commercial parties and makes it a criminal offence for a commercial organization to fail to prevent bribery by an associated person (*i.e.*, someone who provides services on behalf of the organization) intending to obtain or retain business or an advantage in the conduct of business on its behalf.

Our activities in certain countries create the risk of unauthorized payments or offers of payments or other financial or other advantages by one of our employees, associated persons or our agents, to the extent that we use or have used agents, that could be in violation of applicable anti-corruption laws. In 2007 and 2008, we introduced our current compliance system, which through our business conduct guidelines sets out general principles and guidelines for fair, legal and appropriate conduct in the context of business transactions, focusing on, among other topics, anti-corruption, donations and sponsoring, government procurement and conflicts of interest. Additionally, we established a complex procedure for compliance checks of potential business partners, implemented a Business Partner Policy and created a Code of Conduct for our suppliers. Although we have policies, procedures and internal controls in place to monitor internal and external compliance, we cannot assure you that our policies and procedures will protect us from governmental investigations or inquiries surrounding actions of our employees or any agents that we might use or, in the past, have used. In the future, there may be allegations of employees or agents acting in a way that is in contravention of our requirements in relation to bribery, competition and third-party partners and it is possible that such allegations might emerge in relation to past conduct, in any case potentially resulting in major reputational and financial damage to the business. In addition, allegations of instances of misbehavior on the part of former agents, current or former employees or others acting on our behalf or on the part of public officials or other third-parties doing or considering business with us could emerge. While we endeavor to monitor such press reports and investigate matters that we believe warrant an investigation in keeping with the requirements of our compliance program, and if necessary make disclosures to relevant authorities, any adverse publicity that such allegations attract might have a negative impact on our reputation and lead to increased regulatory scrutiny of our business practices.

If we or individuals or entities that are or were related to us are found to be liable for violations of applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we or other individuals or entities could suffer from civil and criminal penalties or other sanctions, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to risks related to conducting operations in multiple countries.

We currently operate manufacturing facilities located in Singapore, China and Indonesia as well as in Australia, Brazil, Canada, Germany, India, Italy, Japan, Poland, South Korea and the United States. Because of the international scope of our activities, we are subject to a number of risks and challenges, many of which are beyond our control. These include, among other things, political, social and economic instability, or corruption; inconsistent regulations and unexpected changes in government policies and regulations or difficulty in securing necessary regulatory approvals; difficulties in enforcing intellectual property rights; increases in transportation and other shipping costs; devaluations and fluctuations in currency exchange rates such as the recent fluctuation of the Japanese Yen against the U.S. dollar and the euro; the potential for the nationalization of companies; uncertainties in and the revocation of property titles; tariffs and other trade protection measures; disruptions to operations due to strikes or governmental action such as the recent widespread labor strikes in Indonesia; the inability to collect payments or longer payment cycles; restrictions on the ability to own or operate foreign subsidiaries; restrictions on the ability to repatriate dividends from subsidiaries; and the imposition or increases of price controls or withholding and other taxes on remittances and other payments by foreign subsidiaries. The management of a decentralized international business requires compliance with the legislative and regulatory requirements of many different jurisdictions, including tax rules, employment and environmental legislation. For example, where local tax rules are complex or their applicability is uncertain, compliance with such rules may lead to unforeseen tax consequences. In addition, structuring decisions and local legal compliance may be more difficult due to conflicting laws and regulations, including those relating to, among other things, employment, health and safety, public procurement, competition and environmental protection. Our international sales are also subject to various jurisdictions' economic sanctions, export control and anti-corruption laws and regulations, which increase the risk that we may become subject to significant penalties for violating such laws. As a globally operating organization, we conduct *de minimis* business with customers in countries, such as Iran, Myanmar and Syria, that are subject to increasingly expansive export control regulations, embargoes, economic sanctions or other forms of trade restrictions. New or expanded export control regulations, embargoes, economic sanctions or other forms of trade restrictions may result in a curtailment of our existing business in such countries and in amendments to our policies. Failure to comply with these laws could expose us to civil and criminal prosecution and penalties, the imposition of export or economic sanctions against us and reputational damage. Any of these factors could require us to change our current operational structure and could have a material adverse effect on our business, results of operations and financial condition.

Our business may be negatively affected by changes in international economic conditions.

Our business environment is, to some degree, influenced by conditions in the domestic and global economies. In times of economic downturn, we could experience lower demand and a more challenging market environment for our product offering resulting from a decline in consumer and business confidence, increased unemployment and difficulties experienced by providers of cost reimbursement. While our market has generally shown resilience during economic downturns, sales of our high-end products tend to be more cyclical and during periods of economic challenges customers may "trade down" from higher priced products to lower priced products. If we were not successful in adapting our production and cost structure to the market environment, we may experience further adverse effects that may be material to our results of operations and financial condition. For example, in addition to a general decline in demand, the strained budgets of many insurers and national healthcare providers put pressure on them to contain healthcare costs and reimbursement rates. This may make it more difficult for patients to obtain funding and as a result they may modify, delay or cancel plans to purchase our hearing instruments. Any of the foregoing factors may cause a decrease in the number of units sold or a reduction in the average selling price we are able to generate from our products could have a material adverse effect on our business, results of operations and financial condition.

We depend on certain customer relationships, some of which are essential for our ability to access certain markets and customer groups and to maintain cost leadership.

For the fiscal year ended September 30, 2014, our ten largest customers accounted for 26% of our revenue, with our largest customer generating 7.1% of our revenue. Although contractual agreements provide the basis for the majority of our long-term relationships with our customers, there can be no assurance that we will continue to be able to sell our products to our customers or sell on terms as favorable as in the past, or at all. We cannot assure you that we will be able to maintain these customer relations. For example, global contracts representing 10% of our total revenue are up for renewal in 2015 and we cannot assure you that we will be successful in continuing these commercial relationships. Our most important customers consist mostly of public institutions, which procure our hearing instruments for government-sponsored health schemes, and large retailers that sell our products to end-users via their distribution networks. Their sheer size and purchase power, and ability to extract favorable commercial terms, are key characteristics of the members of this customer group. See "—*Accelerated consolidation and formation of purchasing groups by retailers increases the pricing pressure on our products*." Additionally, government-sponsored healthcare programs are under increasing pressure to control or to cut costs, which may lead to us having to accept less favorable terms if they elect to renew their contracts.

Our commercial relations with the majority of our customers are conducted through contracts that have a typical duration of two to five years. A significant proportion of our contracts with our customers do not stipulate any purchase obligations and can be terminated at short notice. Switching suppliers could be labor-intensive and costly for many of our customers, primarily due to training and productivity costs associated with staff and applicable regulatory requirements, which could require a run-up period of several months. However, it is possible that customers could terminate their contracts with us at short notice, or that they cease to purchase certain products or purchase fewer products than they have in the past, or to the extent expected. For example, two key contracts were not renewed in the fiscal year ended September 30, 2014 and we cannot assure you that we will not lose further contracts in the future. Any loss of key contracts or accounts could require us to change our current operational structure and could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to maintain positive working relationships with the key members of the hearing instruments market, such as audiologists, national healthcare providers and hearing instruments dispensers.

In the healthcare industry, the person responsible for providing product approvals or recommendations and the person ultimately paying for the product are often different. The individuals making recommendations, such as audiologists, exercise considerable influence on the acceptance by endorsers and success of hearing instruments and are gatekeepers to the market. Negative publicity surrounding our products, caused by product defects, recalls, regulatory investigations, legal proceedings or other events, could have a negative impact on how these gatekeepers view our products. We believe we have strong relationships with the gatekeepers to hearing instruments, but if we are unable to maintain our strong relationships with the gatekeepers to the hearing instruments market and to continue to receive their advice and input regarding, and approval of, our new hearing instruments, the development and marketing of our products could suffer, which could have a material adverse effect on our business, results of operations and financial condition.

Our production facilities in low-cost countries may become less competitive because of rising labor costs or intensified regulation.

Our key serial production sites are located in low-cost countries, such as China, Indonesia and Singapore. Our manufacturing employees in these countries represented 50% of our worldwide production personnel and 25% of our total workforce as of September 30, 2014. These serial production sites manufactured all BTE instruments in the fiscal year ended September 30, 2014, and supplied the standard components used in assembling our ITE devices. We believe our low-cost serial production capabilities in China, Indonesia and Singapore represent a major competitive advantage to us and are essential to our business model. As increasing wages and tighter regulation are inherent to the maturing of an economy, we may face a shift in our cost structure and business environment that adversely impacts results of operations and prospects. For example, in recent years our labor costs in these countries, and particularly in China, have risen significantly and are expected to increase further. In addition, because we source more than 40% of our procurement cost from low-cost countries, any change in costs and regulation in such countries may also increase the prices for our supplies. Any of the foregoing factors could depress our margins, require us to make significant capital expenditures and have a material adverse effect on our business, results of operations and financial condition.

We rely on the timely supply of components and products and could suffer if suppliers fail to meet their delivery obligations, raise prices or cease to supply us components or products.

We rely on approximately 1,750 suppliers for many of the components that we use in the manufacture of our products, including for microphones, transducers, receivers and various accessories. This reliance on third-parties adds additional risks to our manufacturing process that are beyond our control. In addition, many of the components suppliers also provide components and products to our competitors. The industry’s reliance on a few key components and product suppliers subjects us to the risk that in light of an increased demand, our suppliers may fail to provide supplies to us in a timely manner while they continue to supply our competitors or seek to supply components at a higher cost. The failure of our suppliers to deliver components or products in a timely fashion could have disruptive effects on our ability to produce our products in a timely manner, or we may be required to find new suppliers at an increased cost. Furthermore, we generally do not enter into long-term commitment contracts with our suppliers, but rather enter into framework agreements as a basis for individual orders. The terms of such framework agreements are typically up to three years and in most cases do not contain any firm purchase commitments. We can make no assurance that we will be able to renew such supply agreements. If we are unable to renew certain supply agreements, our access to key components could be reduced, which could hurt our business. Additionally, our reputation and the quality of our products are in part dependent on the quality of the components that we source from third-party suppliers. If we are unable to control the quality of the components supplied to us or to address known quality problems in a timely manner, our reputation in the market may be damaged and sales of our products may suffer. As a result, we may experience a material adverse effect on our business, results of operations and financial condition.

Certain of the product components needed to manufacture our hearing instruments are only available from a limited number of suppliers.

Several of our suppliers provide customized products for our hearing instruments and accessories, including microphones, transducers, receivers and chips. For example, Sonion A/S and Knowles Electronics LLC are the exclusive suppliers of our transducers and we rely on Infineon Technologies AG for our chips. Although there might be several potential suppliers for our components, as our components are highly customized, there is a risk that these components might not be readily substituted by similar products of other suppliers or that any substitution may take time to implement. Additionally, various suppliers are currently the sole supplier for certain components necessary to manufacture our hearing instruments, including our chips and remote controls, and we may be unable to find an alternative supplier. Even if we do identify new suppliers, we may experience increased costs and product shortages as we transition our product requirements to alternative suppliers. If any of these limited suppliers cease to supply us with their products (due to bankruptcy or other reasons), or any of the foregoing events occurs, we could experience a material adverse effect on our business, results of operations and financial condition.

If manufacturers and suppliers are unable to procure raw materials, semi-finished products and finished products at terms or within timeframes acceptable to us, our business may suffer.

We are dependent on the availability of raw materials necessary to manufacture the products we sell. We rely on third-party manufacturers and suppliers to identify and purchase quality raw materials, semi-finished goods and finished goods while seeking to preserve our quality standards. If our suppliers or third-party manufacturers experience shortages, limited access or increased costs of certain raw materials and other semi-finished or finished goods, it may result in production delays or delays in deliveries of our products to our customers. Production by one or more manufacturers or suppliers may 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. Any shortage, delay or interruption in the availability of our products may negatively affect our ability to meet consumer demand. As a result, our business may be unable to offer a satisfactory experience to customers, which could have a material adverse effect on our business, results of operations and financial condition.

Our business requires moderate levels of capital investments, which we may be unable to fund.

Our business requires moderate levels of capital investments, including R&D and maintenance and expansionary expenditures, and has a relatively high fixed cost. For example, to the extent that we experience any manufacturing problems, we may be required to make capital expenditures even though we may not have available resources at such time and we may not be able to meet customer demand, which would result in a loss of revenue. Furthermore, we may not be able to make such capital expenditures if we do not generate sufficient cash flow from operations, have funds available for future borrowing under our Revolving Credit Facility to cover these capital expenditure requirements or if we were restricted from incurring additional debt to cover such expenditures, or as a result of a combination of these factors. If we are unable to meet our capital expenditure plans, we may not be able to maintain our manufacturing capacity, which may negatively impact our competitive position. If we are unable to meet our maintenance or expansionary capital expenditure plans, our manufacturing capacity may decrease. Any of the foregoing factors may have a material adverse effect on our business, results of operations and financial condition.

We need to attract and retain strong executives and other personnel and we are dependent on highly qualified and sophisticated R&D personnel to succeed with our product development initiatives.

Our ability to operate our business and implement our strategies depends, in part, on the continued contributions of our directors, senior management, scientists, engineers and other R&D personnel. In general, the recruitment of audiologists and others in the field of audiology is highly competitive dure to a scarcity of people with the appropriate training and experience In addition, our future growth and success also depend on our ability to attract, recruit, develop and retain skilled managerial, sales, administration, operating and technical personnel. We will continue to review, and where necessary, strengthen our senior management as the needs of the business develop, including through internal promotion and external hires. The unplanned loss of the services of any of our directors or members of senior management could adversely affect our business until a suitable replacement can be found. The loss of any of our key researchers or developers could have a material adverse effect on our business unless and until we find a qualified replacement. There may be a limited number of persons with the requisite competencies to serve in these positions and we cannot assure you that we would be able to locate or employ such qualified personnel on terms acceptable to us or at all. Therefore, the unplanned loss of one or more of our key personnel, or our failure to attract and retain additional key personnel, could have a material adverse effect on our business, results of operations and financial condition.

We have obligations to our employees relating to retirement and other obligations.

In our Combined Financial Statements, the defined benefit obligations of our pension plans exceeded the fair value of the plan assets by €49.1 million, as of September 30, 2014, with €40.0 million of such deficit being in respect of the German pension schemes. In connection with the Acquisition, the Seller is required, in respect of the German pension schemes, to fund the pension deficit. To the extent the pension deficit is not funded, the purchase price will be reduced accordingly (in which case the Investors expect to contribute the amount of such reduction to the Issuer to apply against the pension deficit). In respect of our remaining pension deficit (€9.2 million), the Seller will either fund the pension deficit, reduce the purchase price by the amount of the pension deficit (in which case the Investors expect to contribute the amount of such reduction to the Issuer to apply against the pension deficit) or some combination thereof. The foregoing adjustments may change depending on the change in fair value of pension plan assets between September 30, 2014 and the Completion Date. There can be no assurance that we will not incur a pension deficit in the future. We are part of the pension insurance association (*Pensionssicherungsverein*) in Germany, which guarantees pension payments to employees of the participating companies in the event of the bankruptcy of an employer company. The bankruptcy of one or more of the participating companies could result in the other participating companies of the association, including our participating companies, having to pay an increased insurance premium. In addition, the actuarial methodology and assumptions for the periodic actuarial valuations for cash funding purposes may be different from those used for accounting purposes. Among the key assumptions inherent in our actuarially calculated pension obligation and pension cost are mortality rates, the discount rate and the inflation rate. If actual experience in relation to these factors deviates from our assumptions or the actual return on invested plan assets is lower than anticipated due to changing market or economic conditions, our pension plan obligations could increase materially. The size of future required pension contributions could result in us dedicating an increasing level of our cash flows from operations to making the contributions, which could have a material adverse effect on our business, results of operations and financial condition.

Our effective tax rate may increase.

As a multinational company, we are subject to taxation in numerous foreign jurisdictions. Our effective tax rate is subject to fluctuation from one period to the next because the income tax rates for each year are a function of many factors, including: (i) taxable income levels and the effects of a mix of profits (losses) earned by us and our subsidiaries in numerous tax jurisdictions with a broad range of income tax rates; (ii) our ability to utilize deferred tax assets; (iii) taxes, refunds, interest or penalties resulting from tax audits; (iv) the magnitude of various credits and deductions as a percentage of total taxable income; (v) the satisfaction of certain requirements to maintain tax treatment under special development tax initiatives; and (vi) changes in tax laws or the interpretation of such tax laws. Changes in the mix of these items may cause our effective tax rate to fluctuate between periods. Further, we anticipate that a portion of our interest expense will not be deductible going forward. The foregoing could have a material adverse effect on our business, results of operations and financial condition.

Government authorities may question our tax positions or transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business.

We conduct operations with our subsidiaries pursuant to transfer pricing arrangements. Transfer prices are prices that one company in a group of related companies charges to another member of the group for goods, services or the use of property. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm's length and that contemporaneous documentation is maintained to support the transfer prices. While we believe we have proper transfer pricing arrangements, our transfer pricing procedures are not binding on applicable tax authorities. Tax laws are continually changing and are subject to the interpretation of government agencies, which from time to time review and audit our business in the jurisdictions in which we operate throughout the world. If regulators challenge our tax positions, corporate structure, transfer pricing arrangements or intercompany transfers, we may be subject to fines and payment of back taxes and our effective tax rate may increase, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to examinations and challenges by tax authorities in various jurisdictions, and changes in tax laws or regulations, or the application thereof, could materially and adversely affect our business.

Our tax returns are prepared in accordance with the relevant tax legislation and prevailing case law. Certain tax positions we take are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. Challenges made by tax authorities to our application of tax rules may result in adjustments to the timing or amount of taxable income or deductions. If any such challenges are made and are not resolved in our favor, they could have an adverse effect on our financial condition and result of operations. Additionally, changes in tax laws or rules or the application thereof could increase the amount of tax we must pay. Any adverse examination, challenge by tax authorities or change in tax regulations could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to currency fluctuation risks in several different countries that could adversely affect our profitability.

We currently operate our manufacturing facilities in Singapore, China and Indonesia as well as in Australia, Brazil, Canada, Germany, India, Italy, Japan, Poland, South Korea and the United States and sell our products into approximately 95 countries. As a result, our businesses are subject to currency fluctuation risks. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Currency fluctuations*." Our results of operations may be affected by foreign currency exchange rate fluctuations, such as the recent depreciation of the Japanese yen against the euro. We are therefore, to a certain extent, exposed to currency fluctuation when we convert currencies that we may receive for our products into currencies required to repay our indebtedness, purchase materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Our business's largest production and R&D hubs are in Singapore, Germany, China, the United States and Indonesia while our sales are global. This means that while income is generated in various currencies, costs are mainly in U.S. dollars, Singapore dollars and euros. When we are unable to match sales received in foreign currencies with costs paid in the same currency, our results of operations are consequently impacted by currency exchange rate fluctuations. Although we use derivatives to hedge our exposure to currency and interest rate fluctuations, there can be no assurance that this hedging activity will be sufficient or effective. Any negative effects from currency exposure could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to foreign exchange and translation risks, which may reduce our operating results.

We are exposed to foreign exchange risk through the translation of our functional currencies, which include the U.S. dollar, British pound, Singapore dollar and Japanese yen, to the euro in our financial statements. Our income or expense is reported in the relevant local currency and translated into euro at the applicable currency exchange rate for inclusion in our financial statements. Due to the foregoing, changes in exchange rates between our local currencies and the euro could lead to significant changes in our reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. Although we may seek to manage our foreign exchange exposure, there can be no assurance that such arrangements will be entered into or available at all times when we wish to use them or that they will be sufficient to cover the risks, which could have a material adverse effect on our business, results of operations and financial condition.

The production and sale of defective products could adversely affect our business, financial condition and results of operations.

We make hearing instruments that include highly complex electronic components, the sale of some of which may be sourced from external third-parties, and there is an inherent risk that defects may occur in the production of any of our products. Under consumer product legislation in many countries, we may be forced to recall or repurchase defective products and more restrictive laws and regulations relating to these matters may be adopted in the future. For example, in 2012 we recalled one of our BTE products due to a problem with a charger that was provided by a third-party supplier. While we were able to recover part of the cost of this recall from the supplier, we still incurred approximately €1 million cost. We also face exposure to product liability claims in the event that any of our devices are alleged to have resulted in personal injury or damage to property, or otherwise to have caused harm. Depending on how widespread the alleged defect actually is, we may incur significant liabilities in recalling the device in question or in defending claims brought by customers or end-users. In addition, any product recall or claim that results in significant adverse publicity could have a negative effect on our reputation. As such, the production and sale of defective products could have a material adverse effect on our business, results of operations and financial condition.

Repair or replacement costs due to guarantees we provide on our products could adversely affect our business, financial condition and results of operations.

We provide product guarantees to our customers, both as a result of contractual and legal provisions and for marketing purposes. The term of the warranty provided depends on the product and the consumer. Existing and future product guarantees place us at the risk of incurring future repair and/or replacement costs. As of September 30, 2014, we had provisions of €25.7 million relating to warranties, of which €15.6 million were current. Substantial extraordinary amounts of product guarantee claims could have a material adverse effect on our business, results of operations and financial condition.

Any interruption in the operations of our manufacturing facilities may adversely affect our business, financial condition and results of operations.

We conduct regular maintenance on all our operating equipment. However, our manufacturing operations are subject to risks, including, among other things, severe weather and natural disasters (such as earthquakes, tsunamis and hurricanes), fires and explosions, accidents, mechanical failures, unscheduled downtimes, civil unrest, strikes, transportation interruptions, unpermitted discharges or releases of toxic or hazardous substances, other environmental risks, sabotage or terrorist attacks. A mechanical failure or disruption affecting any major operating line may result in a disruption to our ability to supply customers, and standby capacity may not be available. The potential impact of any disruption would depend on the nature and extent of the damage caused to such facility. There can be no assurance that alternative production capacity will be available in the future in the event of a major disruption or, if it is available, that it could be obtained on favorable terms. A disruption in such circumstances could have a material adverse effect on our business, results of operations and financial condition.

We rely upon the uninterrupted operation of our production workflows and available IT processes.

The operation of our production plants and the transfer of data between our subsidiaries and the different market organizations, the distribution and service partners and financial institutions depend on the efficient and uninterrupted operation of our IT landscape. IT landscapes are generally susceptible to disruptions, damages, power failure, computer viruses, hacking attempts by third-parties, fire and other events. Although we have implemented certain measures to protect ourselves against such events, the operational breakdowns or interruptions of these systems may happen, which could impair our ability to maintain our efficient production and supply processes and guarantee sufficient controlling. In addition, operational breakdowns or interruptions could lead to production stoppage, which in turn could result in lower revenue and unexpected costs. If one or more of these risks materialize, this could have a material adverse effect on our business, results of operations and financial condition.

A deterioration in our relationships with our employees or trade unions or a failure to extend, renew or renegotiate our collective bargaining agreements on favorable terms could have an adverse impact on our business.

As of September 30, 2014, we employed approximately 5,000 full-time employees. Maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. As a result, any deterioration of the relationships with our employees, unions and other employee representatives could have a material adverse effect on our business, results of operations and financial condition. See "*Our Business—Employees*."

Certain of our employees are covered by national collective bargaining agreements, most of whom are located in Germany. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of our employees, such as maximum working hours, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and company-specific agreements also contain provisions that could affect our ability to restructure our operations and facilities or terminate employees. We may not be able to extend existing company-specific agreements, renew them on their current terms or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions. We may also become subject to additional company-specific agreements or amendments to existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase our operating costs and have an adverse effect on our business, results of operations and financial condition.

Additionally, material disruption to our business as a result of strikes, work stoppages or other labor disputes could disrupt our operations, result in a loss of reputation, increased wages and benefits, or otherwise have a material adverse effect on our business, results of operations and financial condition.

We may be unable to realize cost savings that we expect will result from the Acquisition and we may be unable to implement our business strategies.

Our future financial performance and success depends on our ability to implement our business strategies successfully. In particular, we may not be able to realize certain cost savings that we expect will result from the Acquisition. We continue to focus on cost reduction initiatives, improving operating efficiencies and generating cost savings. We cannot assure you that we will be able to successfully implement our business strategies or that implementing these strategies will sustain or improve, and not harm, our results of operations. In particular, we may not be able to increase our manufacturing efficiency or asset utilization or achieve other cost savings, such as the operational efficiency measures we are currently implementing in our serial production facilities. In addition, the costs involved in implementing our strategies may be significantly greater than we currently anticipate. Moreover, the capital expenditure that we estimate for use in such capacity expansion projects may be insufficient to cover the actual cost. We may experience cost overruns, and the cost of capacity expansion projects could have a material adverse effect on our business, results of operations and financial condition.

We may face increased administrative, financial and related expenses as a result of operating as an independent company.

As a division of the Siemens Group, we historically had access to a wide range of information technology, tax, human resources, legal, treasury services and facilities services from the Siemens Group. In connection with our separation from Siemens, we will need to create our own information technology, financial, administrative and other support systems or contract with third-parties to replace functions and services previously provided by Siemens. We have entered or intend to enter agreements before completion of the Acquisition with Siemens AG or certain of its subsidiaries under which Siemens AG or certain of its subsidiaries will provide certain transitional services to us for a limited period. Current ongoing negotiations with Siemens AG envisage that we may ultimately enter into more than 30 transitional service agreements, the majority of which will cover the provision of IT services. Overall, future transitional service agreements may be entered into for services in the areas of IT infrastructure, IP administration, IT ERP, IT application management, HR, environment, health & safety and finance, all of which may be provided by Siemens AG or certain of its subsidiaries for periods of three to nine months. However, these services may not be sufficient to meet our needs, and, after these agreements with Siemens expire, we may not be able to replace these services at all or obtain these services at prices and on terms as favorable as we currently have.

As a result, we may incur increased administrative expenses as a stand-alone company, including expenses for services that will continue to be provided by the Siemens Group pursuant to services agreements. As a substantially smaller company, we may also lose the benefit of some economies of scale that Siemens was able to achieve with respect to administrative operations. We have limited experience operating as a stand-alone entity, and it is possible that these increased costs will be materially higher than anticipated. In the future, we will also no longer benefit from funding previously provided by the Siemens Group or from external financing supported by collateral provided by Siemens Group (*e.g.*, guarantees). Without further support activities of Siemens and dependent on our own credit quality, our future financing and our providing guarantees as security for our contractual obligations towards third-parties will become more difficult and more expensive as an independent company. Any of the foregoing developments may have a material adverse effect on our business, results of operations and financial condition.

Our historical results may not be representative of our future results as a separate, stand-alone company.

The Combined Financial Statements and the other financial information we have included in this offering memorandum has been derived from the Siemens accounting records for the respective periods. It is based on the entities that were historically part of the Siemens audiology business and has not been adjusted for the anticipated post-sale structure of the business. The Combined Financial Statements have been audited, but do not necessarily reflect what our results of operations, financial condition and cash flows would have been had we operated as a separate, stand-alone company outside of the Siemens Group during the periods presented in this offering memorandum. The historical costs and expenses reflected in the Combined Financial Statements include costs for certain corporate functions historically provided to us by Siemens, including legal, finance, human resources and other administrative functions. These costs are based on contracts between us and Siemens the terms of which were determined through arm's length negotiations. Moreover, the Combined Financial Statements and the other historical financial information included in this offering memorandum do not necessarily indicate what our results of operations, financial condition, cash flows or costs and expenses will be in the future. In particular, the Combined Financial Statements do not reflect the costs to us of borrowing funds as a separate entity. See "—*We may face increased administrative, financial and related expenses as a result of operating as an independent company.*" Any of the foregoing factors may have a material adverse effect on our business, results of operations and financial condition.

Our membership in organizations that share patents and other intellectual property among its members could be challenged.

We are subject to a variety of anti-trust risks and similar legislation in the jurisdictions in which we operate. The hearing instruments industry is made up of a small number of market participants, with the top six competitors accounting for more than 90% of market share. With the small number of dominant market participants, future acquisitions may be subject to merger control approval. In addition, we are subject to legislation in many of the jurisdictions in which we operate relating to unfair competitive practices and similar behavior. There can be no assurance that we will not be subject to allegations of, or regulatory investigations or proceedings into, such practices.

For example, we are a shareholder, along with several other industry participants, in the Hearing Instrument Manufacturers Patent Partnership ("**HIMPP**"), a company that (i) acquires patents available in the open market and licenses those patents to its shareholders and interested third-parties, which allows for the effective licensing and management of technologies, and (ii) opposes third-party patents that could be potentially dangerous to a majority of HIMPP members, which provides a cost efficient basis to counteract possible threats. Although the company that holds these patents does not restrict licensing to its shareholders, there is a risk that if challenged, this arrangement could be seen as an anti-competitive barrier to entry for new participants. Additionally, we are a member of the Hearing Instrument Manufacturers' Software Association ("**HIMSA**"), which is a software sharing consortium between major market participants in the hearing instruments industry. HIMSA operates as a private company to develop software for hearing instrument fitting and hearing loss measurement. The market for hearing instruments is made up of a very small number of competitors, which increases the risk that these intellectual property and software sharing arrangements could face enhanced scrutiny from antitrust regulators. In the event that such allegations are made or investigations or proceedings initiated (irrespective of merit), we may be required to devote significant management resources to defending such allegations. In the event that such allegations are proved, we may be subject to significant fines, damages awards and other regulatory action, which could impact our cash flows and have a material adverse effect on our business, results of operations and financial condition.

The laws of certain jurisdictions in which we operate may not protect our intellectual property rights sufficiently.

The laws of many jurisdictions, in particular developing countries, may not protect our intellectual property rights to the same extent as the laws of the countries within the European Union and of the United States. If we cannot adequately protect our intellectual property rights in these foreign countries, our competitors may be able to compete more successfully against us, which could have a material adverse effect on our business, results of operations and financial condition.

We may be required to protect our intellectual property through patent protection and litigation.

Intellectual property rights, particularly patents and trade secrets, play a significant role in product development and differentiation in the hearing instruments market. These proprietary rights are essential to our business. and our ability to compete effectively with other companies in the market is greatly enhanced by the ability to access any successful technology through cross-trading intellectual property rights. We also rely upon trade secrets, know-how, continuing technological innovations and licensing rights to develop, maintain and strengthen our competitive position. We pursue a policy of generally obtaining patent protection in key jurisdictions for patentable subject matter in our proprietary devices and also attempt to review third-party patents and patent applications to the extent publicly available to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities and monitor the patent claims of others.

Our patent portfolio includes approximately 1,800 issued national patents, with an average duration until expiration of 12 years, and approximately 600 pending applications for national patents. However, we may decide as part of our patent portfolio management to abandon patents earlier. We may be unsuccessful in our applications for any pending or future patent applications. Any current or future patents issued or licensed to us may be challenged, invalidated or circumvented, and the rights granted thereunder may not provide a competitive advantage to us or prevent competitors from entering markets that we currently serve.

We have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other intellectual property rights of others from competitors or non-practicing entities. Furthermore, we may become involved in costly litigation brought against us regarding intellectual property rights. If any such claims are asserted against us, we may seek to obtain a license under the third-party's intellectual property rights. We cannot assure you that we will be able to obtain any or all of the necessary licenses on satisfactory terms, if at all. In the event that we cannot obtain a license, these parties may file lawsuits against us seeking damages or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted. Such lawsuits could result in an increase in the costs of selling certain of our products, our having to partially or completely redesign our products or stop the sale of some of our products and cause damage to our reputation. Any litigation could require significant financial and management resources regardless of the merits or outcome, and we cannot assure you that we would prevail in any litigation. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

Furthermore, litigation may provoke third-parties to assert claims against us and may put our patents and other intellectual property rights at risk of being invalidated or interpreted narrowly and our patent applications at risk of being unsuccessful. We are occasionally subject to patent infringement claims that are made for large amounts of money in an attempt to extort a settlement from us. We actively defend ourselves against these claims as they arise, but doing so can still require significant amounts of our time and result in costly legal defense bills. For example, in September 2008, Vivatone Hearing Systems, LLC (now known as Auditory Licensing Company LLC, or "**ALC**") sued us, and several other hearing instruments manufacturers, for alleged infringement of a patent related to a certain hearing instrument. In July 2010, after ALC had been assigned two additional patents of similar nature, several of our co-defendants filed for declaratory judgment in order to prevent ALC from filing a second suit asserting infringement of these additional patents. All proceedings were eventually postponed pending reexamination of all three patents before the Patent Office. Thus far, two of the three patents have been found invalid. In June 2014, ALC filed a Notice of Appeal of the Patent Office's rejection of the outstanding patent. The litigation is currently pending in the District Court of Connecticut, but all related litigation has been postponed pending resolution of invalidity challenges. While we believe that we will succeed on the claim and do not expect any significant negative effects to our business, the patents at issue are essential to our products, and a negative ruling in this case may have a material adverse effect on our business, results of operations and financial condition.

We may initiate litigation to enforce our patents, protect our trade secrets and know-how, or determine the enforceability, scope and validity of the proprietary rights of others. Any lawsuits that we initiate could be expensive, time-consuming and divert management's attention from other business concerns. In addition, we may not prevail in lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially valuable. In addition, any successful infringement proceedings may be economically worthless for us if they take too much time and the intellectual property right, or the product developed on the basis of it, becomes obsolete.

We are subject to risks from legal and arbitration proceedings and may be prevented from pursuing our business activities or require us to incur additional costs in defending against claims or paying damages.

We are currently, and have been in the past, subject to legal disputes and regulatory proceedings in connection with our business activities involving, among other things, improper delivery of goods and services, product liability, product defects, intellectual property infringement, termination of business relationship, and/or alleged or suspended violations of applicable laws in various jurisdictions. For example, our patent infringement litigation with ALC is currently ongoing. See "—*We may be required to protect our intellectual property through litigation*." Although we maintain liability insurance in amounts we believe to be consistent with industry practice, we may not be fully insured against all potential damages that may arise out of any claims to which we may be party in the ordinary course of our business (though we are not aware of any such claims at present). A negative outcome of these proceedings might prevent us from pursuing certain activities and/or require us to incur additional costs in order to do so and pay damages.

The outcome of pending or potential future legal and arbitration proceedings is difficult to predict with certainty. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments, which could have a material adverse effect on our business, results of operations and financial condition. In addition, the costs related to litigation and arbitration proceedings may be significant and any legal or arbitration proceedings could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Regulatory Environment

We operate in a regulated industry and changes in regulation or the implementation of existing regulation could affect our operations.

Our products and our business activities are subject to rigorous regulation in the jurisdictions in which we operate. In particular, these laws govern: (i) coverage and reimbursement by the national health services or by private health insurance services for the purchase of hearing instruments; (ii) the supply of hearing instruments to the public and, more specifically, the training and qualifications required to practice the profession of hearing instrument fitting specialist; and (iii) the development, testing, manufacturing, labeling, premarket clearance or approval, and marketing, advertising, promotion, export and import of our hearing instruments. Accordingly, our business may be affected by changes in any such laws and regulations and, in particular, by changes to the conditions for coverage, the way in which reimbursement is calculated, the ability to obtain national health insurance coverage, or the role of the ear, nose and throat specialists.

While the various agencies that enforce the European Union's Medical Device Directive, the Japanese Ministry of Health, Labor and Welfare and the U.S. Food and Drug Administration are the regulatory bodies affecting us most prominently, there are numerous other regulatory schemes at the international, national and sub-national levels to which we are subject. These regulations can be burdensome and subject to change on short notice, exposing us to the risk of increased costs and business disruption, and regulatory premarket clearance or approval requirements may affect or delay our ability to market our new products. We cannot guarantee that we will be able to obtain marketing clearance or approval for our new products, or enhancements or modifications to existing products. If we do, such clearance or approval may take a significant amount of time and require the expenditure of substantial resources. Further, such clearance or approval might involve stringent testing procedures, modifications, repairs or replacements of our products and could result in limitations on the proposed uses of our products. Regulatory authorities and legislators have been recently increasing their scrutiny of the healthcare industry, and there are ongoing regulatory efforts to reduce healthcare costs that may intensify in the future. Our business is also sensitive to any changes in tort and product liability laws.

Regulations pertaining to our products have become increasingly stringent and more common, particularly in developing countries whose regulations approach standards previously attained only by some OECD countries, and we may become subject to more rigorous regulation by governmental authorities in the future. Conversely, however, the regulation of hearing instruments as medical devices provides a barrier to entry for new competitors. For example, if certain of our products were made subject to less stringent regulation by the FDA in the United States, then products similar to ours might be marketed and sold more freely, and our products may become commoditized. If the markets in which we operate become less regulated, those barriers to entry may be eliminated or reduced, which could have a material adverse effect on our business, results of operations and financial condition.

Both before and after a product is commercially released, we have ongoing responsibilities under various laws and regulations. If a regulatory authority were to conclude that we are not in compliance with applicable laws or regulations, or that any of our hearing instruments are ineffective or pose an unreasonable risk for the end-user, the authority may ban such hearing instruments, detain or seize adulterated or misbranded hearing instruments, order a recall, repair, replacement, or refund of such instruments, and require us to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. A regulatory authority may also impose operating restrictions, enjoin and restrain certain violations of applicable law pertaining to medical devices, and assess civil or criminal penalties against our officers, employees, or us. The regulatory authority may also recommend prosecution by law enforcement agencies. Any governmental law or regulation, existing or imposed in the future, or enforcement action taken may have a material adverse effect on our business, results of operations and financial condition.

If we fail to comply with FDA or other regulatory requirements, we may be required to suspend production or institute a recall of our products or be subject to other enforcement actions, which could result in higher costs and a loss of revenue.

We are required to manufacture and market many of our products, both in the United States and internationally, in compliance with statutes such as the Federal Food, Drug and Cosmetic Act and the implementing regulations of government agencies such as the FDA. In particular, we are required to comply with the FDA's Quality System Regulation, or QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products. The FDA audits compliance with the QSR through periodic announced and unannounced inspections of manufacturing and other facilities. The FDA may conduct inspections or audits at any time. In the European Economic Area, we are required to manufacture and market many of our products in compliance with the EU Directives concerning medical devices (as implemented into the respective national laws and regulations of the EU Member States) and the implementing regulations of government agencies such as in Germany the Federal Institute for Medicinal Products and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*), the Federal Paul-Ehrlich Institute (*Paul-Ehrlich-Institut*) and competent German state authorities. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. In particular, the legal manufacturer has to implement an effective Quality Management System, which includes inter alia the following elements: product design, production, documentation, personnel training and qualification, labeling and packaging controls, handling, storage, distribution and installation of medical devices.

We have implemented quality assurance and other systems and practices that are intended to comply with such applicable regulations.

Although we believe that we have adequate processes in place to ensure compliance with regulatory requirements, if we have significant non-compliance issues or fail to timely and adequately respond to any adverse inspectional observations or product safety issues, or if any corrective action plan that we propose in response to observed deficiencies is not sufficient, the FDA or other regulatory bodies could force us to stop manufacturing or selling our products or take other enforcement action against us, which could delay production of our products and may include:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearance or conformity assessments of new or modified products;
- withdrawing 510(k) clearances or conformity assessment certifications that have already been granted; or
- criminal prosecution.

In addition, the FDA and other regulatory bodies could require us to recall products if there is a reasonable probability that use of the products would cause serious, adverse health consequences or death. Such actions by the FDA and other regulatory bodies may have a material adverse effect on our business, results of operations and financial condition.

If we fail to comply with U.S. or foreign federal and state healthcare regulatory laws, we could be subject to penalties, including, but not limited to, administrative, civil and criminal penalties, damages, fines, disgorgement, exclusion from participation in governmental healthcare programs, and the curtailment of our operations, any of which could adversely impact our reputation and business operations.

We are subject to numerous U.S. federal and state healthcare regulatory laws, including, but not limited to, anti-kickback, false claims data, privacy and security, physician payment transparency, licensure, corporate practice and fee-splitting laws. Our relationships with healthcare providers and entities, third-party payors, including government healthcare programs such as Medicaid, patients, group purchasing organizations and our international distributors are subject to scrutiny under these laws. The laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering, or paying remuneration, directly or indirectly, in cash or in kind, in exchange for or to induce either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service for which payment may be made, in whole or in part, under federal healthcare programs such as Medicare and Medicaid. A person or entity can be found guilty of violating the statute without actual knowledge of the statute or specific intent to violate it. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act;

- the federal civil False Claims Act, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other third-party payors that are false or fraudulent; knowingly making using, or causing to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the government; or knowingly making, using, or causing to be made or used, a false record or statement to avoid, decrease or conceal an obligation to pay money to the federal government;

- the federal criminal False Claims Act, which imposes criminal fines or imprisonment against individuals or entities who make or present a claim to the government knowing such claim to be false, fictitious or fraudulent;

- the civil monetary penalties statute, which imposes penalties against any person or entity who, among other things, is determined to have presented or caused to be presented, a claim to a federal healthcare program that the person knows, or should know, is for an item or service that was not provided as claimed or is false or fraudulent;

- the federal Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, which created federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity can be found guilty of violating these statutes without actual knowledge of the statutes or specific intent to violate them;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans and healthcare clearinghouses as well as their business associates that perform services for them that involve individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information, including mandatory contractual terms as well as directly applicable privacy and security standards and requirements;

- the federal physician sunshine requirements under the Affordable Care Act, which require certain manufacturers of drugs, devices, biologics, and medical supplies to report annually to the U.S. Department of Health and Human Services information related to payments and other transfers of value to physicians, other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members. The period between August 1, 2013 and December 31, 2013 was the first reporting period, and manufacturers were required to report aggregate payment data by March 31, 2014, and to report detailed payment data and submit legal attestation to the accuracy of such data by June 30, 2014. Thereafter, manufacturers must submit reports by the 90th day of each subsequent calendar year;

- national accreditation and state licensure and certification requirements, as applicable, for our HearUSA hearing care centers and the audiologists and other healthcare professionals we employ or contract with to provide professional services in such centers;

- state corporate practice and fee-splitting prohibitions which generally prohibit lay entities or persons from engaging in the practice of certain professions, including audiology, and the sharing fees received for professional services, such as hearing exams, with non-professional or business interests, respectively. These laws are intended to prevent unlicensed persons or entities from interfering with or inappropriately influencing the licensed professional's judgment;

- the Federal Trade Commission Act and similar laws regulating advertisement and consumer protections;
- the federal Foreign Corrupt Practices Act of 1997, which prohibits corrupt payments, gifts or transfers of value to foreign officials; and
- foreign or U.S. state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; U.S. state laws that require device companies to comply with the industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and U.S. state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures.

Foreign laws and regulations in this regard may vary greatly from country to country. For example, the advertising and promotion of our products is subject to EEA Directives concerning misleading and comparative advertising and unfair commercial practices, as well as other EEA Member State legislation governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals. We are also subject to healthcare fraud and abuse regulation and enforcement by the countries in which we conduct our business. These healthcare laws and regulations vary significantly from country to country. If our operations are found to be in violation of any of these healthcare laws and regulations, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the reimbursement programs, and the curtailment or restructuring of our operations.

In Germany, such laws and regulations include, but are not limited to, the fifth volume of the Social Security Code, or SGB V, the state rules for professional conduct of physicians (*Berufsordnungen für Ärzte*), the Criminal Code (*Strafgesetzbuc*h), the Medical Product Advertisement Act (*Heilmittelwerbegesetz*) and the Unfair Competition Act (*Gesetz gegen den unlauteren Wettbewerb*):

- both, the SGB V as well as the state rules for professional conduct of physicians, aim to ensure the independence of physicians. In particular, the regulations proscribe to promise, grant, receive or offer any payment or other advantage for the recommendations of physicians as well as the prescription or supply of medical aids or devices;
- the Unfair Competition Act prohibits unfair business practices. Thus, infringements of the SGB V as well as the state rules for professional conduct of physicians do not only bear the consequences stated in the respective regulations but also constitute an infringement of the Unfair Competition Act;
- the German government is currently preparing a draft piece of legislation that will significantly extend the application of the criminal anti-bribery provisions in the healthcare sector, by making the corruption and corruptibility of doctors in private practice, SHIF doctors (*Vertragsärzte*) and other healthcare professionals a criminal offence. To date, the applicability of the bribery provisions set out in the German Criminal Code to the healthcare sector is limited. The draft is expected to be published in January 2015; and
- generally, the Medical Product Advertisement Act restricts the offer and granting of gifts or other advantages in connection with promotional activities.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available under such laws, it is possible that some of our business activities could be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Additionally, as a result of these investigations, healthcare providers and entities may have to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business. In addition, state authorities that enforce state corporate practice and fee-splitting prohibitions may successfully challenge our existing organization and contractual arrangements. A review or action by regulatory authorities or courts in states that have enacted such laws could force us to terminate or modify our relationships with audiologists and other licensed health care professionals or revise them in a manner that could be materially adverse to our business.

If our operations are found to be in violation of any of the laws described above or any other government regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in federal and state healthcare programs and the curtailment or restricting of our operations, any of which could harm our ability to operate our business and our financial results.

Risks Relating to the Acquisition

We may not be successful in establishing a brand identity.

Historically, the Target conducted business primarily under the Siemens brand name. Following the Acquisition, we may continue to use the "Siemens" trademark over the medium term for product sales and service warranties for products sold under the "Siemens" trademark. We believe the value of the Siemens brand name is recognized by our suppliers, customers and potential employees. We will need to expend significant time, effort and resources to establish a new brand name in the marketplace. We cannot guarantee that our rebranding will successfully replicate the brand awareness and reputation that we benefit from under our existing brand. If our efforts to establish a new brand identity are unsuccessful, this could have a material adverse effect on our business, results of operations and financial condition.

We do not currently control the day-to-day operations of the Target and will not control such operations until completion of the Acquisition.

The Issuer will not obtain full control of the day-to-day operations of the Target until completion of the Acquisition and no assurances can be made that during the interim period the Target's business will be operated in the same way that we would operate it if we had sole control. The information contained in this offering memorandum has been derived from public sources and, in the case of historical information relating to the Target, has been provided to us by the Target, and we have relied on such information supplied to us in its preparation. Further, the process of implementing the Acquisition has required, and will likely continue to require, substantial amounts of the Target management's time and focus, which could adversely affect their ability to operate the business.

In addition, prior to the Completion Date, the Target will not be subject to the covenants described in "*Description of the Notes*," to be included in the indenture. As such, we cannot assure you that, prior to such date, the Target will not take an action that would otherwise have been prohibited by the indenture had those covenants been applicable.

The Target may have liabilities that are not known to us.

The Target may have certain liabilities (including contingent liabilities) that were not uncovered by us in the course of performing due diligence investigations into the Target. Any such undiscovered liabilities of the Target, individually or in the aggregate, could have a material adverse effect on the Target's business, financial condition and results of operations. Further, after completion of the Acquisition, additional information may come to light about the Target that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws. In conducting our due diligence, we have been required to rely on resources available to us, including public information, information provided by the seller and third-party advisers. There can be no assurance that the due diligence we have undertaken has revealed or highlighted all relevant facts necessary or helpful in evaluating the Acquisition.

Furthermore, there can be no assurance as to the adequacy or accuracy of information provided during the due diligence exercise or that such information will be accurate or remain accurate in the period from the conclusion of the due diligence exercise until the completion of the Acquisition. The due diligence process is inherently subjective. If the due diligence investigation failed to identify material information regarding the Acquisition, we may later be forced to write down or write off certain assets, significantly modify the business plan for the Target or incur impairment or other charges. Similarly, in the event certain risks, which may or may not be identified during due diligence, occur, it may lead to a loss of property, loss of value and, potentially, subsequent contractual and statutory liability to various parties.

Certain of the Target's agreements may contain change of control provisions that if triggered, provide a right of termination.

Certain of the Target's agreements may be subject to change of control provisions. If the Completion Date occurs, such counterparties may seek to exercise these rights, which could result in the termination or amendment of the applicable contract. We are still in the process of assessing in which cases consent from the relevant counterparties should be obtained, and are, where this appears adequate from a commercial perspective, seeking the consents of all relevant counterparties in order to continue the commercial relationship with them. In the event of any such termination there can be no assurance that we would be able to successfully replace the services or orders that were provided under the relevant contract at attractive prices or at all. Likewise, if we were required to amend any such contract we can provide no assurance that the terms of such amendment will not be materially adverse to us or will not otherwise impact our business or operations. Accordingly, any termination or amendment of a significant contract as a result of the changes of control following the Acquisition could materially or adversely affect our business and ability to provide services to our customers. It is also possible that our material supply contracts could be terminated or amended in other circumstances. In addition, we will need to reapply for certain governmental permits and licenses due to the change of control. If we fail to become a party to a material contract, permit or license that historically has formed part of our business or any such arrangement is terminated, this could have a material adverse effect on our business, results of operations and financial condition.

If the conditions to the escrow are not satisfied, the Issuer will be required to redeem Notes, which means that you may not obtain the return you expect on the Notes.

The gross proceeds from the Offering will be held in a segregated escrow account pending receipt of an officer's certificate, which will include, among other things, certification of the satisfaction of certain conditions, some of which are outside of our control. If the conditions to the Offering are not satisfied, then the Notes will be subject to a "special mandatory redemption" as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes.

The escrow funds will be limited to the gross proceeds from the Offering and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date for the Notes to the date of "special mandatory redemption." EQT VI Limited, one of the Investors, will provide a guarantee of the amount of any additional funds required to complete any special mandatory redemption. Recourse to these funds may require successful enforcement action on such guarantee.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition or, in certain cases, the terms of the Acquisition or the financing thereof, between the closing of this Offering and the release of the escrow proceeds, will have no effect on your rights as a purchaser of the Notes.

Siemens has agreed to indemnify us for certain liabilities following the Acquisition. However, there can be no assurance that we will be able to enforce any claims under this indemnity against Siemens.

In connection with our separation from Siemens, Siemens has agreed to indemnify us, subject to certain limitations, for certain liabilities. Nonetheless, third-parties could seek to hold us responsible for any of the liabilities Siemens has agreed to retain, and there can be no assurance that we will be able to enforce our claims under the indemnity against Siemens. Moreover, even if we ultimately succeed in recovering any amounts for which we are held liable from Siemens, we may be temporarily required to bear these losses ourselves. Each of these risks could have a material adverse effect on our business, results of operations and financial condition.

The withdrawal from the Siemens Group may lead to the loss of business opportunities and higher procurement costs.

In the past, we benefited to some extent from the business activities of the Siemens Group. The Acquisition could diminish this cooperation and we might in the future lose the business opportunities we previously enjoyed because our business partners took into consideration other business opportunities relating to the entire Siemens Group when they entered into business relations with us. We have historically been able to take advantage of Siemens' size and purchasing power in procuring goods, technology, financing and other services, including insurance, pension plans and legal and audit services. Following our separation from Siemens, we will be a smaller and less diversified company than Siemens. As a separate, stand-alone company, we may be unable to obtain goods, technology and services at prices and on terms as favorable as those available to us prior to the separation from Siemens. Further, we can expect to incur costs over the next few years to replace certain IT platforms and services currently provided by Siemens AG (including pursuant to the Transitional Services Agreement). Both loss of business and sourcing benefits based on us no longer being part of the Siemens Group could have a material adverse effect on our business, results of operations and financial condition. See "—*Risks Relating to our Industry and Business—We may face increased administrative, financial and related expenses as a result of operating as an independent company*."

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

We are a wholly owned subsidiary of Auris Luxembourg I S.A., a public limited liability company (*société anonyme*) organized and established under the laws of the Grand Duchy of Luxembourg having its registered office at 23, Rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B183.386, which has the following ultimate principal shareholders: EQT VI Limited, Santo Holding (Deutschland) GmbH and Siemens. EQT and certain co-investors (with EQT holding more than 50% in Auris Holding Guernsey Limited) and Santo currently expect to own, directly or indirectly, approximately 75.3% and 22.5%, respectively, of the ordinary and preference share capital of Auris Luxembourg I S.A. (excluding the Siemens Super Preference Equity) as of the Completion Date. Siemens will subscribe for €200 million of Siemens Super Preference Equity. See "*Principal Shareholders*." Certain members of management and the board of directors will hold up to 2.2% of the ordinary and preference share capital of Auris Luxembourg I S.A. The final equity distribution is subject to change prior to the Completion Date. The interests of our principal shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due.

Our principal shareholders have, directly or indirectly, the power, among other things, to alter our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve any other changes to our operations. Our principal shareholders control our decisions to enter into any corporate transaction and can prevent any transaction that requires shareholder approval, regardless of whether others believe that the Acquisition is in our best interests.

Our principal shareholders could require us to pursue acquisitions, divestitures, financings, dividend distributions or other transactions (so long as permitted by the indenture, the Senior Facilities Agreement and the Intercreditor Agreement) that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. If the interests of our principal shareholders conflict with our interests, the interests of other shareholders or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests, the interests of other shareholders or the interest of the holders of the Notes, we and you could be disadvantaged. In addition, our principal shareholders may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us.

Risks Relating to the Notes and Our Structure

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes.

We have a significant amount of debt and significant debt service obligations. As of September 30, 2014, on a *pro forma* basis after giving effect to the Acquisition, we would have had an aggregate principal amount of €1,060 million of long-term debt outstanding, of which €785 million equivalent would be senior indebtedness (either senior debt incurred by our subsidiaries, debt secured on assets that do not secure the Notes or secure the Notes on a junior-ranking basis or debt incurred by non-Guarantor subsidiaries) and of which €275 million would have been unsecured indebtedness represented by the Notes. In addition, we will be able to borrow up to €75 million under the Revolving Credit Facility, of which we expect to have €30 million to €40 million temporarily drawn at the Completion Date. See "*Capitalization*." We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the indenture. See "*Description of the Notes*" and "*Description of Other Indebtedness*."

The degree to which we are leveraged could have important consequences to our business and holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes or other indebtedness;
- requiring the dedication of a substantial portion of our cash flow from operations to the repayment of the principal of our indebtedness and interest on such indebtedness, thereby reducing the availability of such cash flow;
- limiting our ability to raise additional debt or equity capital or increase the cost of any such funding to fund working capital, capital expenditures, acquisitions, debt service requirements, business ventures, or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, general adverse economic conditions or changes in our business and the competitive environment and the industry in which we do business; and
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged.

These consequences could have a material adverse effect on our business, prospects, financial condition and results of operations and our ability to satisfy our obligations under the Notes.

Despite our current level of debt, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture and the Senior Facilities Agreement will contain restrictions governing the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we or our subsidiaries incur new debt or other obligations, the related risks that we face, as described in "—*Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes*" and elsewhere in these "*Risk Factors*," could increase. In addition, the indenture and the Senior Facilities Agreement will not prevent us from incurring obligations that do not constitute indebtedness as defined under those agreements. We may increase our debt for various reasons which could include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt we refinance, funding distributions to our shareholders or for general corporate purposes. Furthermore, we will be permitted to designate our restricted subsidiaries under the indenture as unrestricted subsidiaries (as defined under "*Description of the Notes—Certain Definitions*"), and such unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the indenture and engage in other activities in which restricted subsidiaries may not engage.

For further information regarding our leverage and for more information about our outstanding indebtedness, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of Other Indebtedness*."

We require a significant amount of cash to service our debt and sustain our operations, and our ability to generate sufficient cash depends on many factors beyond our control.

We are subject to the normal risks associated with debt financings, including the risk that our cash flow will be insufficient to meet required payments of principal and interest on debt and the risk that indebtedness will not be able to be renewed, repaid or refinanced when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness.

Our ability to make payments on, or repay or refinance, our debt, and to fund working capital and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors discussed in these "Risk Factors," many of which are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on the satisfaction of the covenants in the indenture and the Senior Facilities Agreement and our other debt agreements and other agreements we may enter into in the future. See "*Description of Other Indebtedness—Senior Facilities Agreement*" for more information, including a description of the financial covenant we are subject to in relation to the Revolving Credit Facility. We cannot assure you that our business will generate sufficient cash flow from operations or that future debt and equity financings will be available to us in an amount sufficient to enable us to pay our debt, including the Notes, or to fund our other liquidity needs.

Prior to repayment of the Notes, we will be required to refinance or repay certain other debt, including debt under the Senior Facilities Agreement. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." We cannot assure you that we will be able to refinance or repay any of our debt, including the Notes, on commercially reasonable terms or at all. This risk is exacerbated by the disruptions in the capital markets that have continued since the last financial crisis and have resulted in tightened lending requirements and in some cases the inability to refinance indebtedness. 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. If we are unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as:

- selling assets;
- obtaining additional debt or equity capital;
- restructuring or refinancing all or a portion of our debt on or before maturity;
- foregoing opportunities such as joint ventures or acquisitions of other businesses; or
- reducing or delaying our business activities and capital expenditures.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. Any failure to make payments on our debt, including the Notes, on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the Senior Facilities Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. There can be no assurance that any assets that we may elect to sell can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations, which could cause an event of default under our debt and result in:

- our debt holders declaring all outstanding principal and interest to be due and payable;
- the lenders under our Senior Facilities Agreement being able to terminate their commitments to lend us money and foreclose against the assets securing our borrowings; and
- our being forced into bankruptcy or liquidation, which could result in you losing your investment in the Notes.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The indenture will restrict, among other things, our ability to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the Issuer;
- make certain investments or loans, including participating in joint ventures, or make capital expenditures;
- sell, lease or transfer certain assets, including shares of any of our restricted subsidiaries;
- guarantee certain types of our other indebtedness without also guaranteeing the Notes;
- effect a merger or consolidation of, or sell, all or substantially all of our assets or all of the assets of certain companies within the Group; and
- enter into certain transactions with affiliates.

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

In addition, we are subject to affirmative and negative covenants contained in the Senior Facilities Agreement, including a requirement with respect to the providers of the Revolving Credit Facility to maintain a specified ratio of consolidated total net debt to consolidated EBITDA. See "*Description of Other Indebtedness*." Our ability to meet financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the Senior Facilities Agreement. Upon the occurrence of any event of default under the Senior Facilities Agreement, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of such facilities and elect to declare all amounts outstanding, together with accrued interest, immediately due and payable, and proceed to take action available under the collateral granted to them or take other remedies under the Senior Facilities Agreement which are available during the continuance of an event of default. In addition, any default under the Senior Facilities Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-payment default or cross-acceleration provisions, including the indenture. If our creditors, including the creditors under the Senior Facilities Agreement, accelerate the payment of those amounts, we cannot assure you that our cash flow or 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. If we are unable to repay those amounts, our creditors could proceed against the collateral that secures the debt under the Senior Facilities Agreement and take certain other action to recover their liabilities.

In addition, if an unexpected change to accounting standards occurs or we fail to correctly interpret a new or modified accounting standard, we may be unable to comply with our maintenance covenants under the Senior Facilities Agreement.

The Issuer is a holding company that has no revenue generating operations of its own and will depend on payments from its subsidiaries to meet its obligations, including making payments on the Notes.

The Issuer is a holding company with no business operations or revenue generating operations on its own. The only significant assets of the Issuer on the Issue Date will consist of cash in its bank accounts, its interest in the Escrow Account and the equity interests it holds in its direct subsidiary, Auris Luxembourg III S.à r.l. Following any release of funds from the Escrow Account, the only significant assets of the Issuer are expected to be the cash in its bank accounts, amounts owed to the Issuer under intercompany loans and the equity interests it holds in Auris Luxembourg III S.à r.l. Following the Acquisition, the Issuer's material liabilities are expected to be the Notes and drawings under, or guarantees of, the Senior Facilities Agreement. As such, the Issuer will be dependent upon cash flows from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations. These obligations include the Issuer's operating expenses and interest and principal on its current and any future debt, including the Notes. If the cash the Issuer receives from its subsidiaries is insufficient to fund any of these obligations, or if a subsidiary is unable to pay dividends to the Issuer, the Issuer may be required to raise cash through the incurrence of additional debt, the issuance of equity or the sale of assets.

The amount of dividends and distributions available to the Issuer will depend on the profitability and cash flow of its subsidiaries, which, in turn, will be affected by all of the factors discussed in these "*Risk Factors*" and elsewhere in this offering memorandum. Even if our subsidiaries have sufficient cash available, they may be restricted or prevented from distributing or advancing upstream loans to the Issuer to make payments in respect of its indebtedness, including the Notes. Applicable laws may limit the amounts that certain of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. Such laws include financial assistance rules, corporate benefit laws, requirements that dividends must be paid out of reserves available for distribution and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. Certain of our subsidiaries operate in jurisdictions highly regulated by local central banks or international regulations. In these countries, the ability of our subsidiaries to transfer funds to their parent companies or the Group treasury in the form of cash dividends, loans or advances may be limited. We believe that these limitations have not had and are not expected to have a material impact on our ability to meet our cash obligations. Goodwill impairment and other non-cash charges in our combined income statement, as well as charges recognized directly in equity, such as actuarial losses, foreign exchange rate adjustments and losses on hedges, if incurred, could potentially reduce our operating subsidiaries' reserves available for distribution and thus reduce or prevent distributions to the Issuer. Applicable tax laws may also subject such payments to further taxation.

In addition, various agreements governing our debt may restrict, and in some cases, prevent the ability of our subsidiaries to move cash within the restricted group. Although the indenture will limit the ability of our restricted subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with the Issuer's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Issuer's subsidiaries will provide the Issuer with sufficient dividends, distributions or loans to fund payments on the Notes when due. See "*Description of Other Indebtedness*" and "*Description of the Notes*."

The inability to transfer cash among entities within our restricted group would mean that even if the entities, in aggregate, have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from the entity or entities with funds to the entity owing the obligations. In addition, you will not have any direct claim on the cash flows or assets of any of the Issuer's direct or indirect subsidiaries that are not Guarantors. Such subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available to the Issuer for these payments.

Each of the Guarantees will be subordinated to the Guarantors' existing and future senior debt.

The Guarantees will each be the senior subordinated obligations of the Guarantors and:

- contractually subordinated in right of payment to all existing and future senior obligations of the respective Guarantor, including, where applicable, such Guarantor's obligations under the Senior Facilities Agreement;
- *pari passu* in right of payment with all existing and future senior subordinated obligations of that Guarantor;
- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Guarantee; and
- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the Senior Facilities Agreement), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Guarantees on an equal and ratable or senior basis.

Although the indenture contains restrictions on the ability of a Guarantor to incur additional debt, any additional debt incurred may be substantial and senior to that Guarantor's guarantee of the Notes. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Notes*."

In addition, no enforcement action with respect to the Guarantees (or any future guarantee of the Notes, if any) may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to the Guarantors in relation to our senior debt (provided that the Trustee or Security Agent on its own behalf and on behalf of the holders of the Notes will be limited to taking the same action against that same Guarantor as that being taken in relation to our senior debt); (ii) certain insolvency, liquidation or other similar events with respect to a Guarantor have occurred and such actions are taken with respect to such Guarantor (subject to certain limited exceptions), (iii) there is a default on the Notes outstanding after a period of 179 days (or earlier in limited circumstances) from the date the agents with respect to our senior debt received written notice of such default or (iv) the holders of our senior debt consent to the enforcement action. See "*Description of Other Indebtedness—Intercreditor Agreement*."

Upon any distribution to the creditors of a Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up or insolvency procedure of such Guarantor, the holders of senior debt of such Guarantor will be entitled to be paid in full before any payment may be made with respect to the Guarantor's Guarantee. As a result, holders of the Notes may receive less, ratably, than the holders of senior debt of the Guarantors, including the lenders under our Senior Facilities Agreement.

Moreover, certain proceeds received by the Trustee or holders of the Notes must be turned over to the Security Agent pursuant to the Intercreditor Agreement to apply for the benefit of the holders of senior debt of such Guarantors. In addition, if a payment default on any senior debt of the Guarantor has occurred and is continuing, such Guarantor may not make any payment in respect of its Notes Guarantee until such default is cured or waived, and certain other defaults with respect to the senior debt entitle the holders of such senior debt to block certain payments on the Notes for a period of 179 days (subject to certain exceptions). See "*Description of Other Indebtedness—Intercreditor Agreement*."

As of September 30, 2014, on a *pro forma* basis after giving effect to the Acquisition, we would have had an aggregate principal amount of €1,060 million of long-term debt outstanding, of which €785 million equivalent would be senior indebtedness (either senior debt incurred by our subsidiaries, debt secured on assets that do not secure the Notes or secure the Notes on a junior-ranking basis or debt incurred by non-Guarantor subsidiaries) and of which €275 million would have been unsecured indebtedness represented by the Notes. In addition, we will be able to borrow up to €75 million under the Revolving Credit Facility, of which we expect to have €30 million to €40 million temporarily drawn at the Completion Date. See "*Capitalization*." We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the indenture.

The Notes and Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.

On the Issue Date, only the Issue Date Guarantors will guarantee the Notes. Within 90 days of the Completion Date, the Completion Date Guarantors will guarantee the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of such subsidiary's indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of such subsidiary before any assets are made available for distribution to its parent entity and the creditors of the Issuer and the Guarantors (including holders of the Notes) will have no right to proceed against such subsidiary's assets. As such, the Notes and Guarantees will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries. Our non-Guarantor subsidiaries currently represent a sizable portion of Siemens Audiology Solutions' revenue, EBITDA and total assets and the covenants in the Notes will permit these non-Guarantors to incur additional indebtedness, which may also be secured, and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries. In the future the revenue, EBITDA and total assets of such entities could increase, possibly substantially.

The entities included in the Combined Financial Statements that are not Completion Date Guarantors generated 40% of our revenue and 15% of our EBITDA for the fiscal year ended September 30, 2014 and held 34% of our total assets as of September 30, 2014.

The value of the Collateral securing the Notes and the Guarantees may not be sufficient to satisfy the Issuer's obligations under the Notes and the Guarantors' obligations under the Guarantees, and the Collateral securing the Notes and the Guarantees may be reduced or diluted in certain circumstances.

On the Completion Date, the Notes and the Guarantees will be secured by (i) a first-priority pledge of the shares in the Issuer, (ii) a second-priority pledge of the shares in Auris Luxembourg III S.à r.l. and (iii) a second-ranking pledge of the Notes Proceeds Loan made by the Issuer to Auris Luxembourg III S.à r.l. and any other liabilities owed by Auris Luxembourg III S.à r.l. to the Issuer. In the event of liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceedings, the proceeds from the sale of the Collateral securing debt under the Notes and the Guarantees may not be sufficient to satisfy all, or any portion of, the Notes and the Guarantees. The value of the Collateral and the amount that may be received upon a sale of Collateral will depend upon many factors including, among others, the liquidity of the Collateral, the ability to sell the Collateral in an orderly sale, market and economic conditions, whether the business is sold as a going concern and the availability of buyers.

No appraisal of the fair market value of the Collateral has been made in connection with the Offering. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. The value of the Collateral could be impaired in the future as a result of changing economic and market conditions, our failure to successfully implement our business strategy, competition and other factors. The Collateral may include intangible or other illiquid assets that by their nature may not have a readily ascertainable market value or may not be readily saleable or, if saleable, there may be substantial delays in their liquidation. The shares pledge over Auris Luxembourg III S.à r.l. may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to such entity because all of the obligations of such entity (subject to the release mechanism in the Intercreditor Agreement) must be satisfied prior to distribution.

The proceeds from a sale of Notes Collateral would be distributed to satisfy debt and all other obligations under any debt secured by a *pari passu* lien on the Notes Collateral concurrently with the distribution of such proceeds in respect of the Notes. The Notes Collateral may also secure additional debt to the extent permitted by the terms of the indenture (including additional Notes) and the agreements governing our other debt. Your rights to the Notes Collateral would be diluted by any increase in the debt secured by the Notes Collateral. To the extent that holders of other secured debt or third-parties enjoy liens (including statutory liens), whether or not permitted by the indenture or the security documents governing the Notes Collateral, such holders or third-parties may have rights and remedies with respect to the Notes Collateral securing the Notes and the Guarantees that, if exercised, could further reduce the proceeds available to satisfy the obligations under the Notes and the Guarantees.

Pursuant to the Intercreditor Agreement, the creditors under the Senior Facilities Agreement and certain hedge counterparties (and the creditors of certain future permitted senior debt) will have priority over the holders of Notes with respect to the proceeds from the Shared Collateral. Holders of the Notes may not be able to recover on the Shared Collateral that is also pledged or assigned as security for the Senior Facilities Agreement and certain hedging arrangements (and such other creditors) because such creditors will have a prior claim on all proceeds realized from any enforcement of such Shared Collateral and any distressed disposal with respect to such Shared Collateral, and the Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Notes. If the proceeds realized from the enforcement of such Shared Collateral or such sale or sales exceed the amount owed under the related financing arrangements, any excess amount of such proceeds will be paid to the Trustee or Security Agent on behalf of itself and the holders of the Notes (and any creditors ranking *pari passu* with the Notes). If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Notes (and such *pari passu* debt), the holders of Notes will not fully recover (if at all) under such Shared Collateral. See "*—Claims of the secured creditors of the Issuer and the Guarantors will have priority with respect to the Shared Collateral over the claims of holders of the Notes to the extent of the value of the assets securing such indebtedness*" and "*Description of Other Indebtedness—Intercreditor Agreement*."

As a result of the foregoing, liquidating the Collateral securing the Notes and the Guarantees may not produce proceeds in an amount sufficient to pay any amounts due on the Notes and the Guarantees. We cannot assure you of the value of the Collateral or that the net proceeds received upon a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding would be sufficient to repay any amounts due on the Notes and the Guarantees. If the proceeds of the Collateral were not sufficient to repay amounts outstanding under the Notes and the Guarantees, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets. The Intercreditor Agreement will provide for detailed enforcement mechanisms with respect to the Shared Collateral. See "*Description of Other Indebtedness—Intercreditor Agreement*."

Claims of the secured creditors of the Issuer and the Guarantors will have priority with respect to the Shared Collateral over the claims of holders of the Notes to the extent of the value of the assets securing such indebtedness.

Although the Notes will have the benefit of a first-priority pledge over the Issuer's shares and will have the benefit of certain structural security interests on a second-ranking basis, the Notes will not be secured by any other assets of the Issuer or its subsidiaries. See "*Description of the Notes—Security*." The Senior Facilities Agreement and certain hedging obligations (and the creditors of certain future permitted senior debt) will be secured on a first-priority basis over the Shared Collateral that also secures the Notes and by a significant portion of the assets of the Target's material subsidiaries and other members of the Target group. See "*Description of Other Indebtedness*."

Claims of the secured creditors of the Issuer and the Guarantors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes (other than with respect to the Notes Collateral or to the extent such assets in the future also secure the Notes and/or the relevant Guarantees on an equal and ratable basis or priority basis). As such, the Notes and Guarantees will be effectively subordinated to any secured indebtedness and other secured obligations of the Issuer or the relevant Guarantor (including obligations with respect to the Senior Facilities Agreement) to the extent of the value of the assets securing such indebtedness or other obligations (other than with respect to the Notes Collateral or to the extent such assets in the future also secure the Notes and/or the relevant Guarantees on an equal and ratable basis or priority basis). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Issuer or any Guarantor that has secured obligations, holders of secured indebtedness will have priority claims to the assets of the Issuer or such Guarantor that constitute their collateral (other than with respect to the Notes Collateral or to the extent such assets in the future also secure the Notes and/or the relevant Guarantees on an equal and ratable basis or priority basis). Subject to the limitations referred to under the caption "—*Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*," the holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the Issuer (other than with respect to the Notes Collateral), or in the case of a Guarantor, the relevant Guarantor (other than with respect to the Shared Collateral), and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Issuer or the relevant Guarantor. If any of the secured indebtedness of the Issuer or the relevant Guarantor becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes or the relevant Guarantee. As a result, holders of Notes may receive less, ratably, than holders of senior secured indebtedness of the Issuer or the relevant Guarantor.

As of September 30, 2014, on a pro forma basis after giving effect to the Acquisition, we would have had an aggregate principal amount of €1,060 million of long-term debt outstanding, of which €785 million equivalent would be senior indebtedness (either senior debt incurred by our subsidiaries, debt secured on assets that do not secure the Notes or secure the Notes on a junior-ranking basis or debt incurred by non-Guarantor subsidiaries) and of which €275 million would have been unsecured indebtedness represented by the Notes. In addition, we will be able to borrow up to €75 million under the Revolving Credit Facility, of which we expect to have €30 million to €40 million temporarily drawn at the Completion Date. See "*Capitalization*." We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the indenture.

The rights to enforce remedies with respect to the Shared Collateral securing the Notes and the Guarantees are limited as long as any senior secured debt is outstanding.

The security interests in all of the Shared Collateral securing the Notes and each Guarantee will rank behind the first-priority security interests in such Shared Collateral in favor of the creditors under the Senior Facilities Agreement and any indebtedness that is permitted to be incurred and secured by the Shared Collateral and that is permitted to rank *pari passu* with the Senior Facilities Agreement, as well as in favor of institutions with whom we may enter into certain hedging arrangements. The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Senior Facilities Agreement, certain additional senior debt and certain hedging arrangements and will (subject to certain limited exceptions) act with respect to such Shared Collateral only at the direction of the relevant instructing group until amounts outstanding are paid in full and discharged. Until the expiration of a standstill period on enforcement of such Shared Collateral on behalf of holders of the Notes, the creditors under the Senior Facilities Agreement, certain additional senior debt and institutions who are counterparties to certain of our hedging arrangements will have (subject to certain limited exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such Shared Collateral, subject to prior notification of the Trustee. See "*Description of Other Indebtedness—Intercreditor Agreement*." Such restrictions do not, however, apply to the Notes Collateral.

As a result, the holders of the Notes will not be able to enforce the Shared Collateral, or otherwise independently pursue the remedies of a secured creditor under the relevant security documents, until the expiration of the applicable standstill period for so long as any amounts under the Senior Facilities Agreement, certain of our hedging arrangements and/or certain additional senior debt remain outstanding. In addition, even on the expiration of such standstill period, enforcement action against any Guarantor or assets of such Guarantor cannot be taken if at such time the senior secured creditors are taking steps to enforce on collateral granted over the shares in such Guarantor, or any holding company of such Guarantor, and the proposed action by the holders of the Notes might be reasonably likely to adversely affect such enforcement or the amount of the proceeds to be derived therefrom. The creditors under the Senior Facilities Agreement and certain additional senior debt, and the institutions who are counterparties to certain of our hedging arrangements may have interests that are different from the interests of holders of the Notes, and they may 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. This may affect the ability of holders of the Notes to recover under the Shared Collateral if the proceeds from the Shared Collateral, after having satisfied obligations under the Senior Facilities Agreement, certain of our hedging arrangements and certain additional senior debt are less than the aggregate amount outstanding under the Notes.

In addition, if the agent under the Senior Facilities Agreement or any agent with respect to certain future additional debt has instructed the Security Agent to sell either some or all of our subsidiaries or any direct or indirect parent entity of such subsidiary (other than the Issuer or the Issuer's parent entities) or other assets through an enforcement of their security interests or otherwise in accordance with the terms of the Intercreditor Agreement, the borrowing liabilities, the Guarantees from any such Guarantor that is sold and any Guarantee issued and the security over any such assets securing the Notes (including any Shared Collateral) will be automatically released (subject to the provisions described in the Intercreditor Agreement). Following such a sale, the Trustee and the holders of the Notes will have no claims in relation to such entity and its direct and indirect subsidiaries under the Notes or any Guarantee. See "*Description of Other Indebtedness—Intercreditor Agreement*" for further information.

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

Under various circumstances, the Guarantees will be released and under various other circumstances, the Issuer and the Guarantors will be entitled to instruct the Security Agent to release the security interests in respect of the Collateral securing the Notes.

In addition, the Guarantees will be subject to release as contemplated under the Intercreditor Agreement. Unless consented to, the Intercreditor Agreement provides that the security agent or certain creditors named therein shall not, in an enforcement scenario, exercise their rights to release the relevant Guarantees unless, with respect to the relevant sale or disposal:

- the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, an independent investment bank or an internationally recognized firm of accountants or a reputable independent third party professional firm has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement;
- subject to limited exceptions, all present and future obligations owed to the creditors under certain senior finance documents by a member of the Group are unconditionally released and discharged or sold or disposed of concurrently with such sale and all collateral under the Security Documents in respect of the sold assets is simultaneously and unconditionally released and discharged concurrently with such sale; and
- such sale or disposal (including any sale or disposal of any claim) is made:

  a) pursuant to a public or private auction or other competitive process satisfying the terms of the Intercreditor Agreement;

  b) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court; or

  c) where an independent investment bank or an internationally recognized firm of accountants or a reputable independent third party professional firm which is regularly engaged in providing valuations in respect of the relevant type and size of the assets concerned selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement (although there shall be no obligation to postpone any such sale or disposal in order to achieve a higher price) provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Upon any release of a Guarantee by a Guarantor in connection with an enforcement sale as described above, the creditors of such Guarantor would be entitled to be paid in full before any payment may be made to the holders of the equity of such Guarantor, if at all. See "*Description of the Notes*" and "*Description of Other Indebtedness—Intercreditor Agreement.*"

Furthermore, we will be permitted to require the release and/or re-taking of any lien on any Collateral to the extent otherwise permitted by the terms of the indenture, the Security Documents, the Intercreditor Agreement or any additional intercreditor agreement. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Collateral and thus reduce your recovery under the Notes.

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

The Collateral will be subject to any and all exceptions, defects, encumbrances, liens, security interests, loss of legal perfection and other imperfections permitted under the indenture, the Senior Facilities Agreement and Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens, security interests, loss of legal perfection and other imperfections.

The existence of any such exceptions, defects, encumbrances, liens, security interests, loss of legal perfection 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 first-priority 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 Luxembourg.

The security interests of the Security Agent may be subject to practical problems generally associated with the realization of security interests in 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. We cannot assure you 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. Furthermore, the enforcement of a security interest by the Security Agent may require the completion of judicial proceedings in the jurisdiction that is released for such security interest. There is no assurance that the Security Agent will successfully complete such judicial proceedings in a timely manner or that other practical problems relating to the foreclosure of Collateral will be overcome by the Security Agent at all or without a material delay. Accordingly, the Security Agent may not have the ability to foreclose upon those assets and the value of the Collateral may significantly decrease.

The security interests in the Collateral will not be granted directly to the holders of the Notes and the holders of the Notes will have limited rights to enforce remedies under the Security Documents.

The security interests in the Collateral that will secure our obligations under the Notes will not be granted directly to the holders of the Notes but will be granted in favor of the Security Agent. The Trustee for the Notes will enter into the Intercreditor Agreement with, among others, the Security Agent and representatives of the other indebtedness secured by the Shared Collateral, including the Senior Facilities Agreement. Other creditors may become parties to the Intercreditor Agreement in the future.

Among other things, the Intercreditor Agreement will govern the enforcement of the security documents governing the Shared Collateral, the sharing in any recoveries from such enforcement and the release of the Shared Collateral by the Security Agent. 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 Shared Collateral, or the Notes Collateral, securing the Notes, except through the Security Agent. In addition, in certain circumstances, creditors under the Senior Facilities Agreement will have the right to direct the Security Agent in enforcement actions with respect to the Shared Collateral. See "*—The rights to enforce remedies with respect to the Shared Collateral securing the Notes and the Guarantees are limited as long as any senior secured debt is outstanding*."

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral, and the granting of the security interests in the Collateral may be subject to hardening periods for such security interests in accordance with the law.

We will be obliged, pursuant to the Security Documents, to take certain perfection steps as promptly as practicable in respect of the Collateral and as promptly as practicable following receipt of a request from the Security Agent in respect of such security subject to the Security Documents. In addition, 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 grantor thereof or other entities as applicable, of the security. The liens on the Collateral may not be perfected with respect to the Notes if we or the Security Agent are not able to or do not take the actions necessary to perfect any such 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. Neither the Trustee nor the Security Agent will have an obligation to monitor the acquisition of additional property or rights that constitute Collateral or take any action in relation to the perfection of any security interest therein.

Additionally, the indenture and the Security Documents entered into in connection with the Notes will not require us to take actions that might improve the perfection or priority of the liens 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.

The granting of security interests in connection with the issuance of the Notes and the entry into the Senior Facilities Agreement may be subject to hardening periods for such security interests. The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated, depending on the applicable laws. At each time, 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, it may be deemed ineffective towards the bankruptcy estate and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods and the aforementioned limitations may apply. See "*Limitations On Validity And Enforceability Of The Security And The Guarantees*."

Enforcing your rights as a holder of the Notes may prove difficult, and the insolvency laws of the United States, England and Wales, Luxembourg, Germany, Japan and Singapore may not be as favorable to you as insolvency laws of jurisdictions with which you may be familiar and may preclude noteholders from recovering payments due on the Notes.

The Issuer is organized under the laws of Luxembourg and the Guarantors are organized under the laws of Delaware, United States, England and Wales, Luxembourg, Germany, Japan and Singapore. In addition, the Intercreditor Agreement, Security Documents and Escrow Agreement will be governed by the laws of England and Wales, and the Notes, the Guarantees and the indenture will be governed by the laws of the State of New York.

Future subsidiaries of the Issuer may be incorporated in other jurisdictions and are or may be subject to the insolvency laws of such jurisdictions. Moreover, pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**"), if a company conducts business in more than one Member State of the European Union, the insolvency laws of the Member State (other than Denmark) in which such company's center of main interests is found may apply, which could be the laws of a Member State different from the jurisdiction of incorporation. There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third-parties. The point at which this issue will be determined is at the time when the relevant insolvency proceedings are opened. The determination of where we or our subsidiaries have our or their center of main interests would be a question of fact on which the courts of the different EU Member States may have differing and even conflicting views. It should also be noted that no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, center of main interests is not a static concept and may change from time to time.

In the event of a bankruptcy, insolvency or similar event involving the Issuer or one or more of the Guarantors, proceedings could be initiated in any, all or any combination of the above jurisdictions or other jurisdictions where the respective company's assets are located. Such jurisdictions may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar, and may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. Proceedings in these jurisdictions are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. In addition, any conflict between them could call into question whether, and to what extent, the laws of any particular jurisdiction should apply and there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another, which may adversely affect your ability to enforce your rights under the Notes and the Guarantees in those jurisdictions or limit any amounts that you may receive. Further, the grant of the Guarantees by the respective Guarantors may be subject to challenge in the relevant local insolvency proceedings. See "—*Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Service Of Process And Enforcement Of Judgments*" with respect to certain of the jurisdictions mentioned above. For a more detailed description of the insolvency laws of the United States, England and Wales, Luxembourg, Germany, Japan and Singapore, see "*Limitations On Validity And Enforceability Of The Security And The Guarantees*."

Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

As of the Issue Date, the Issue Date Guarantors will guarantee the payment of the Notes on a senior subordinated basis, and within 90 days after the Completion Date, the Completion Date Guarantors will guarantee the payment of the Notes on a senior subordinated basis. Each Guarantee will provide holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuer and Auris Luxembourg I S.A. will secure the payment of the Notes by granting security under the relevant Security Documents. However, the indenture will provide that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise limited or ineffective under applicable law or causing the officers of the Guarantor to incur personal civil or criminal liability, and enforcement of each Guarantee will be subject to certain generally available, and 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. See "*Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations*."

These laws and defenses include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, related third-party transactions, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee 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 any Guarantee against any Guarantor.

Although laws differ among jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee or security provider's grant of security interests, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee or enforcement proceeds applied under a Security Document to the relevant Guarantor or security provider or to a fund for the benefit of the Guarantor's or security provider's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee or security interest under a Security Document was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or security provider or, in certain jurisdictions, when the granting of the Guarantee or security interest under a Security Document has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor or security provider was insolvent when it granted the relevant Guarantee or security interest under a Security Document;

- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee or security interests and the Guarantor or security provider: (i) was insolvent or rendered insolvent because of the relevant Guarantee or security interest; (ii) was undercapitalized or became undercapitalized because of the relevant Guarantee or security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was not validly established or authorized or otherwise contravenes the relevant Guarantor's or security provider's articles of association or similar organizational documents;

- the relevant Guarantee or Security Documents was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee or Security Document was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future Guarantee or security interests granted by any of our subsidiaries pursuant to the indenture.

We cannot assure you which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" at the relevant time or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Guarantee was issued or security interests were granted, that payments to holders of the Notes constituted preferences, transactions at an undervalue, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or
- it cannot pay its debts as they become due.

The liability of each Guarantor under its Guarantee is limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, it is uncertain what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, transaction at an undervalue, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of a relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee which has not been declared void. If any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor.

We may not be able to obtain the funds required to repurchase the Notes upon a change of control.

The indenture will contain provisions relating to certain events constituting a "change of control" of the Issuer. Upon the occurrence of certain events constituting a change of control, we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase.

If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Senior Facilities Agreement, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default, or acceleration of the debt, under the Senior Facilities Agreement and agreements governing our 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. The source of funds for any repurchase required will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets or sales of equity or funds provided by subsidiaries. The ability of the Issuer to receive cash from its 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 subsidiaries' then existing debt instruments. If we would require third-party financing to make an offer to repurchase the Notes upon a change of control, we cannot assure you that we will be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the indenture, which would, in turn, constitute a default under the Senior Facilities Agreement. See "*Description of the Notes—Optional Redemption— 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. Except as described under "*Description of the Notes—Optional Redemption— Change of Control*," the indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" in the indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the 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.

Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

A portion of our indebtedness, including borrowings under the Senior Facilities Agreement, bears interest at per annum rates equal to EURIBOR and LIBOR, in each case adjusted periodically, plus a margin. Interest rates could rise significantly in the future, thereby increasing our interest expense associated with these obligations, reducing cash flow available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we intend to enter into certain hedging arrangements designed to fix a portion of these rates and may continue to do so there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms, in particular to the extent that the term of the hedge would not match the term of the borrowings. In addition, hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements, that hedges might not be available for the full amount or term of the borrowings, that break clauses might be required or that hedges will limit any benefit that we might otherwise receive from favorable movements in interest rates.

You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency.

The Notes will be denominated and payable in euro. If you are a pounds sterling, U.S. dollar or other non-euro investor, an investment in the Notes will entail currency exchange-related risks due to, among other factors, possible significant changes in the value of the euro to pounds sterling, U.S. dollar or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the euro against pounds sterling, U.S. dollar or other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign currency exchange gains or losses, if any. See "*Certain Tax Considerations—United States*."

If we are deemed to be or become a foreign financial institution and the current grandfathering rule ceases to apply, a 30% U.S. federal withholding tax under FATCA may apply to the Notes, and there would be no gross-up in respect of such tax.

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. federal income tax on payments of interest on certain debt instruments and the gross proceeds from the disposition of such debt instruments. However, because we are a non-U.S. entity that is not engaged in a U.S. trade or business, this potential withholding under FATCA applies to interest payments on and gross proceeds from the disposition of the Notes only if we are considered a "foreign financial institution." Moreover, even if we were treated as a foreign financial institution, the Notes would be "grandfathered" from FATCA unless (i) they are "materially modified" (for U.S. federal income tax purposes) after the date that is six months on or after the date on which applicable final Treasury regulations are filed (the "FATCA Grandfathering Date") or (ii) we issue additional Notes after the FATCA Grandfathering Date that are subject to FATCA and, because such additional Notes are indistinguishable from the original Notes (because such additional Notes have the same CUSIP or ISIN as original Notes), an applicable withholding agent treats the original Notes as also becoming subject to FATCA.

Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes, including the effect of any current or future intergovernmental agreements between the United States and an applicable non-U.S. government. In the event any withholding under FATCA is required with respect to any interest payments on and gross proceeds from the disposition of the Notes, there will be no additional amounts payable to compensate for the withheld amount.

If a payment were to be made or collected through an EU Member State that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, no person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Taxation Directive**"), Member States are required to provide to the tax or other relevant authorities of another Member State details of certain payments of interest (or similar income) paid or secured by a person within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at the rate of 35% (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). However, during that transitional period, withholding will not apply under the Taxation Directive to a payment if the beneficial owner of that payment authorizes exchange of information instead. The Luxembourg Government has abolished the withholding system with effect from January 1 2015, in favor of automatic information exchange under the Directive.

A number of non-EU countries and territories, have adopted similar measures (either provision of information or transitional withholding).

On March 24, 2014, the Council of the European Union adopted a council directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Taxation Directive to include certain additional types of income and establish procedures to look through entities to prevent the circumvention of the Taxation Directive by the use of intermediaries. Member States are required to apply these new requirements from January 1, 2017.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will be required under the indenture to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

The transferability of the Notes may be limited under applicable securities laws, which may adversely affect their liquidity and value.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws or laws of any other jurisdiction, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes are not being offered for sale in the United States except to “qualified institutional buyers” in accordance with Rule 144A, and we have not agreed to or otherwise undertaken to register the Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer). In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “*Notice to Investors*.”

You may be unable to enforce judgments obtained in U.S. courts against the Issuer.

The Issuer, certain of the Guarantors and their respective subsidiaries are organized outside of the United States. Most of our directors and executive officers and most of the directors and executive officers of the Guarantors are non-residents of the United States and most of their respective assets will be 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 the Issuer, the non-U.S. Guarantors or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is uncertainty as to whether the courts of many foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the non-U.S. Guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws. See “*Service Of Process And Enforcement Of Judgments*.”

The Notes will initially be held in book-entry form, and therefore you 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 form and held through Euroclear and Clearstream. We refer to beneficial interests in such global notes as “Book-Entry Interests.”

Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book-Entry Interests only in very limited circumstances. Owners of Book-Entry Interests will not be considered owners of the 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 Deutsche Bank AG, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, such 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 Euroclear and Clearstream, none of the Issuer, the Guarantors, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts by Euroclear and Clearstream or to owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the indenture.

Unlike holders of the Notes themselves, owners of Book-Entry Interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book-Entry Interest, you will be reliant on the common depositary (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. See "*Book-Entry; Delivery And Form*."

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

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

• the liquidity of any market in the Notes;

• your ability to sell your Notes; or

• the prices at which you may be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including the liquidity of the market for the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third-party recommendations. Historically, the market for non-investment grade securities has from time to time been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes will depend on the number of holders of the Notes and may be adversely affected by a general decline in the market for similar securities. In addition, the trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained, and any disruption in the trading market for the Notes may have a negative effect on your investment regardless of our prospects and financial performance. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting of the Notes (whether or not for an alternative admission to listing on another stock exchange), as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The indenture will provide that, if at any time following the date of the indenture, the Notes receive a rating of Baa3 or better by Moody's or a rating of BBB– or better from Standard & Poor's or Fitch and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the indenture will not apply to the Notes:

• "*Certain covenants—Limitation on Restricted Payments*";

• "*Certain covenants—Limitation on Indebtedness*";

• "*Certain covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

• "*Certain covenants—Limitation on Affiliate Transactions*"

- “*Certain covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- “*Certain covenants—Limitation on Additional Guarantees*”; and
- clause (3) of the first paragraph of the covenant described under “*Merger and Consolidation—The Issuer*”.

Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below Baa3 or BBB–, as applicable, the foregoing covenants will be reinstituted as of and from the date of such rating decline. If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, 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.

The Notes may not become, or remain, listed on the Official List of the Luxembourg Stock Exchange.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange within a reasonable period after the Issue Date, the Issuer cannot assure you that the Notes will become or remain listed. If the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the Issuer determines that it cannot maintain such listing, the Issuer may cease to maintain such listing on the Official List of the Luxembourg Stock Exchange.

The Luxembourg financial sector supervisory commission (*Commission de Surveillance du Secteur Financier*) has not reviewed or approved this offering memorandum or any other document related to the Offering and has not recommended or endorsed the purchase of the Notes. Neither this offering memorandum nor any other document related to the Offering may be distributed to the public in Luxembourg except for the sole purpose of the admission to trading of the Notes on the Euro MTF market of the Luxembourg Stock Exchange and to listing of the Notes on the Official List of the Luxembourg Stock Exchange. The Notes may not be publicly offered for sale in Luxembourg and no steps may be taken which would constitute or result in a public offering in Luxembourg as defined in the Prospectus Law, unless:

- a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier in accordance with the Prospectus Law) and implementing Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the “**Prospectus Directive**”), as amended by the Law of July 3, 2012 which has implemented in Luxembourg law the 2010 PD Amending Directive; or
- if Luxembourg is not the home Member State, the Commission de Surveillance du Secteur Financier has been notified by the competent authority in the home Member State that the prospectus has been duly approved in accordance with the Prospectus Directive and the 2010 PD Amending Directive; or
- the offer is made to “qualified investors” as described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or
- the offer benefits from any other exemption to, or constitutes a transaction otherwise not subject to, the requirement to publish a prospectus.

This document is intended for the use of the offeree(s) and it is intended for, and may not be reproduced or used for any other purpose. Listing of any of the Notes on the Luxembourg Stock Exchange does not imply that a public offering of any of the Notes in Luxembourg has been authorized.

THE TRANSACTIONS

The Acquisition of Siemens Audiologische Technik GmbH

Auris Holding GmbH, as purchaser ("**BidCo**"), and Siemens Beteiligungen Inland GmbH, as seller (the "**Seller**"), *inter alios*, have entered into the Acquisition Agreement regarding the acquisition of the Siemens Audiology Shares, which was announced on November 6, 2014. Under the terms of the Acquisition Agreement, BidCo will acquire all of the issued and outstanding capital stock of Siemens Audiologische Technik GmbH as of the consummation of the Acquisition (the "**Completion Date**"). The consummation of the Acquisition pursuant to the Acquisition Agreement will be subject to (i) obtaining merger control clearances under the laws of the European Union, the United States of America and Brazil and (ii) the nonexistence of any judgment, injunction, order or other decision by any competent court or governmental authority (other than antitrust authority) which prohibits the consummation of the Acquisition (together, the "**Acquisition Conditions**"). Merger control clearances have been obtained in the United States of America and Brazil and are still pending in the European Union. If the Acquisition Conditions have not been fulfilled by April 20, 2015, the Acquisition Agreement may be terminated by either the Seller or BidCo. In connection with obtaining the approvals of the applicable competition authorities, we may agree to divest certain of our assets or operations. We currently do not expect that we will be required to divest assets or operations that generate a significant portion of our revenue. See "*Risk Factors—Risks Related to the Acquisition.*"

Pursuant to the Acquisition Agreement, BidCo will acquire all of the issued and outstanding capital stock of Siemens Audiologische Technik GmbH for approximately €2.15 billion subject to certain purchase price adjustments. Of the purchase price, €200 million will not be paid in cash, but will be contributed by Siemens (after assignment of the respective portion of the total purchase price claim from the Seller to Siemens) into Auris Luxembourg I S.A. in exchange for the Siemens Super Preference Equity. Further, the Seller will be entitled to additional consideration of up to €100 million if, at certain points in the future, certain thresholds for the return on investment are achieved. If the Seller becomes entitled to receive this additional consideration, it will be paid by Auris Luxembourg I S.A. and will not be an obligation of the Issuer or its subsidiaries.

The Acquisition Agreement includes customary restrictions on the activities of the Target prior to the Completion Date, including restrictions on the incurrence of additional indebtedness, as well as limited representations, warranties and covenants that are subject to limitations and exclusions.

The Financing of the Acquisition

We plan to (i) fund the consideration payable for the Acquisition and (ii) pay the estimated fees and expenses incurred in connection with the Offering, entry into the Senior Facilities Agreement and the Acquisition, through the issuance of the Notes, drawings under Facility B of the Senior Facilities Agreement and the Equity Contribution. See "*Use of Proceeds*."

USE OF PROCEEDS

We estimate that the aggregate gross proceeds of the Offering will be €275 million. Pending the consummation of the Acquisition, the gross proceeds will be deposited into the Escrow Account in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes. We plan to (i) fund the consideration payable for the Acquisition and (ii) pay the estimated fees and expenses incurred in connection with the Transactions through the issuance of the Notes, drawings under Facility B of the Senior Facilities Agreement and the Equity Contribution.

The following table illustrates the estimated sources and uses of funds relating to the Acquisition. The amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ from the estimated amounts depending on several factors, including, among other things, the timing of the consummation of the Acquisition, the actual amount of fees and expenses incurred in connection with the Transactions, purchase price adjustments and exchange rate fluctuations. Any changes in these estimates may affect the amount of the Equity Contribution.

Sources	(€ in millions)	Uses	(€ in millions)
Senior Facilities Agreement[(1)]	785.0	Cash enterprise value of Acquisition[(4)]	2,105.0
Notes offered hereby[(2)]	275.0	Estimated Transaction fees and expenses[(5)]	45.0
Equity Contribution[(3)]	1,090.0		
Equity	890.0		
Siemens Super Preference Equity	200.0		
Total sources	**2,150.0**	**Total uses**	**2,150.0**

(1) Represents the estimated euro equivalent total aggregate amount of Facility B under the Senior Facilities Agreement. Facility B is expected to be borrowed in two tranches consisting of euro and US dollars and therefore the actual euro equivalent amount of Facility B at the Completion Date may differ due to exchange rate fluctuations. In addition, we expect between €30 million and €40 million of cash will be unavailable for distribution to the Seller by our subsidiaries due to local law restrictions on the Completion Date (the "**Unavailable Cash**"). As a result, we expect to make a drawing under our Revolving Credit Facility on the Completion Date in an amount equivalent to the amount of Unavailable Cash with the proceeds of such drawing to be paid to the Seller in lieu of the Unavailable Cash. We intend to apply the Unavailable Cash, as it becomes available to the Issuer following the Completion Date, to fully repay the Revolving Credit Facility drawing.

(2) Represents the aggregate principal amount of the Notes.

(3) The Equity Contribution will be made by Auris Holding Guernsey Limited, Santo Holding (Deutschland) GmbH and Siemens, among others. Auris Holding Guernsey Limited and Santo Holding (Deutschland) GmbH, among others, will subscribe for €890 million of ordinary shares and preference shares with voting rights in Auris Luxembourg I S.A. Siemens will subscribe for €200 million of Siemens Super Preference Equity.

(4) The cash enterprise value reflects the purchase price of €2.15 billion as agreed in the Acquisition Agreement adjusted to reflect our current estimate of expected net debt (including net receivables/payables owed to or from the Seller) on the Completion Date and to reflect other adjustments under the Acquisition Agreement including, but not limited to, adjustments relating to pension deficits, working capital, associates and minorities.

(5) Represents the estimated fees, discounts, commissions, advisory fees, other professional fees and other costs and expenses incurred in connection with the Transactions.

CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization of the Issuer on an unaudited, as adjusted basis after giving effect to the Transactions, including the Acquisition and the Offering, as if these events had occurred on September 30, 2014. The historical combined financial information of Siemens Audiology Solutions as of September 30, 2014 has been derived from the audited Combined Financial Statements included elsewhere in this offering memorandum and has not been adjusted to reflect the impact of the Acquisition.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Other Indebtedness*" and the Combined Financial Statements appearing elsewhere in this offering memorandum. Except as set forth below, there have been no other material changes to our capitalization since September 30, 2014.

	Siemens Audiology Solutions Historical	Issuer as adjusted
	(€ in millions)	
Cash and cash equivalents[1]	**12.0**	**—**
Debt		
Revolving Credit Facility[1]	—	—
Facility B[2]	—	785.0
Notes offered hereby[3]	—	275.0
Total long-term debt	**—**	**1,060.0**
Other financial liabilities[4]	9.6	9.6
Capitalized transaction costs[5]	—	(31.4)
Total financial liabilities	**9.6**	**1,038.2**
Equity		
Equity[6]	130.4	876.4
Siemens Super Preference Equity[7]	—	200.0
Total equity	**130.4**	**1,076.4**
Total capitalization	**140.0**	**2,114.6**

(1) As adjusted cash and cash equivalents are shown as nil as the Acquisition has been structured on a debt-free and cash-free basis. Actual cash and cash equivalents on the Completion Date will be different as we expect that cash will be left on balance sheet (either in accordance with the terms of the Acquisition Agreement or by agreement between the Investors and the Seller) for, *inter alia*, funding current payments, netting against debt left outstanding, funding pension deficits or paying fees and expenses that will be paid following the Completion Date. In addition, we expect between €30 million and €40 million of cash will be unavailable for distribution to the Seller by our subsidiaries due to local law restrictions on the Completion Date. As a result, we expect to make a drawing under our Revolving Credit Facility on the Completion Date in an amount equivalent to the amount of Unavailable Cash with the proceeds of such drawing to be paid to the Seller in lieu of the Unavailable Cash. We intend to apply the Unavailable Cash as it becomes available to the Issuer following the Completion Date, to fully repay the Revolving Credit Facility drawing.

(2) Represents the estimated euro equivalent total aggregate amount of Facility B under the Senior Facilities Agreement. Facility B is expected to be borrowed in two tranches consisting of euro and US dollars and therefore the actual euro equivalent amount of Facility B at the Completion Date may differ due to exchange rate fluctuations.

(3) Represents the aggregate principal amount of the Notes.

(4) Other financial liabilities is the sum of short-term debt and current maturities of long-term debt, other current financial liabilities plus non-current other financial liabilities, each as shown in the statements of financial position of the Combined Financial Statements. We expect these liabilities will remain in place following completion of the Acquisition.

(5) As adjusted capitalized transaction costs represent the estimated financing fees, discounts and commissions incurred in connection with the execution of the Senior Facilities Agreement, borrowings under Facility B, and the issuance of the Notes, that are expected to be capitalized. For purposes of the above table, we have assumed that no other fees, costs and expenses (including advisory fees and other professional fees) incurred in connection with the Transactions will be capitalized.

(6) As adjusted equity represents the €890.0 million portion of the Equity Contribution contributed by the Investors, certain members of the management board and the board of directors and other investors, adjusted for estimated decreases in equity relating to estimated transaction fees and expenses of €13.6 million that are not capitalized.

(7) In connection with the Acquisition, Siemens will be issued the Siemens Super Preference Equity upon the Completion Date for a gross subscription price of €200 million, which will not be paid in cash but by way of contribution of a corresponding portion of the total purchase price to be paid in connection with the Acquisition (after assignment of the respective portion of the total purchase price from the Seller to Siemens). The shares are non-voting.

SELECTED COMBINED FINANCIAL INFORMATION

The Issuer was incorporated on October 13, 2014 for the principal purpose of consummating the Acquisition and has no business operations or revenue generating operations on its own. Other than the unaudited condensed opening balance sheet of the Issuer, no historical financial information relating to the Issuer is available. The only significant assets of the Issuer on the Issue Date will consist of cash in its bank accounts, its interest in the Escrow Account and the equity interests it holds in its direct subsidiary, Auris Luxembourg III S.à r.l. Following the release of funds from the Escrow Account, the only significant assets of the Issuer are expected to be the cash in its bank accounts, amounts owed to the Issuer under intercompany loans and the equity interests it holds in Auris Luxembourg III S.à r.l. We do not present in this offering memorandum any financial information or financial statements of the Issuer, except under “Listing and General Information”. Unless specified otherwise, the combined financial information included in this offering memorandum relates to Siemens Audiology Solutions.

The following tables present the summary historical financial information and other financial data of Siemens Audiology Solutions as of and for the fiscal years ended September 30, 2012, 2013 and 2014, which have been extracted or derived from the audited Combined Financial Statements, included elsewhere in this offering memorandum, as well as from our internal reporting systems.

Prospective investors below should read the selected financial data presented below in conjunction with “*Use of Proceeds*,” “*Capitalization*,” “*Summary Historical Condensed Combined Financial Information and Other Financial Data*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Combined Financial Statements, included elsewhere in this offering memorandum.

	Fiscal year ended September 30,		
	2012	**2013**	**2014**
		(€ in millions)	
Data from the Combined Statements of Income			
Revenue	650.3	668.7	690.4
Cost of goods sold	(285.8)	(297.5)	(290.3)
Gross profit	**364.4**	**371.2**	**400.1**
R&D expenses	(54.4)	(46.3)	(45.7)
Selling and general administration expenses	(226.3)	(223.2)	(229.2)
Other operating income	0.5	0.3	1.1
Other operating expenses	(0.4)	(0.6)	(0.3)
Interest income	2.0	1.8	1.8
Interest expenses	(3.3)	(3.0)	(3.6)
Other financial income (expenses), net	(0.1)	0.1	(0.1)
Income before income taxes	**82.4**	**100.4**	**124.1**
Income taxes	(41.3)	12.2	(15.8)
Net income	**41.1**	**112.6**	**108.3**

	Fiscal year ended September 30,		
	2012	**2013**	**2014**
Change in revenue (compared to prior fiscal year)	—	2.8%	3.2%
Gross margin (gross profit as a percentage of revenue)	56.0%	55.5%	57.9%
R&D expenses (as a percentage of revenue)	8.4%	6.9%	6.6%
Selling and general administration expenses (as a percentage of revenue)	34.8%	33.4%	33.2%

	Fiscal year ended September 30,		
	2012	**2013**	**2014**
		(€ in millions)	
Data from the Combined Statements of Cash Flows:			
Net cash flows provided by (used in)			
operating activities	110.6	116.7	140.2
investing activities	(94.4)	62.3	(14.4)

	Fiscal year ended September 30,		
	2012	2013	2014
		(€ in millions)	
financing activities	(14.2)	(179.3)	(121.7)

	As of September 30,		
	2012	2013	2014
		(€ in millions)	
Working Capital:			
Inventories	60.2	64.1	66.2
Trade receivables	100.8	103.1	101.4
Trade payables	(46.4)	(47.6)	(51.0)
Trade working capital	**114.6**	**119.6**	**116.6**
Current provisions	(24.7)	(27.7)	(28.6)
Other current assets	9.1	9.5	11.0
Other current liabilities	(58.2)	(54.0)	(58.5)
Net working capital	**40.8**	**47.4**	**40.5**

	As of September 30,		
	2012	2013	2014
		(€ in millions)	
Data from the Combined Statements of Financial Position:			
Assets			
Current assets	363.4	271.7	282.0
Total assets	**571.5**	**469.7**	**491.9**
Liabilities and equity			
Total current liabilities	293.2	286.8	279.9
Total liabilities	360.0	355.2	361.5
Total equity	211.5	114.5	130.4
Total liabilities and equity	**571.5**	**469.7**	**491.9**

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

We encourage you to read the following discussion in conjunction with the section entitled "Selected Combined Financial Information" as well as with our Combined Financial Statements included elsewhere in this Offering Memorandum. The following discussion includes forward-looking statements that, although based on assumptions that we consider reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled "Forward Looking Statements" and "Risk Factors."

Overview

We are a pure play manufacturer of hearing instruments with more than 100 years of experience in audiology. With more than three million units manufactured annually, we believe we are the largest global manufacturer by volume and third largest global manufacturer by revenue in the fiscal year ended September 30, 2014. Our innovative and technologically advanced hearing instruments and complementary diagnostics workflow solutions and service have helped build our market-leading positions in Asia, Europe and North America. We are headquartered in Singapore and employ approximately 5,000 employees. In the fiscal year ended September 30, 2014, we generated revenue of €690.4 million (an increase of 3.2% compared to the fiscal year ended September 30, 2013), *Pro Forma* Adjusted EBITDA of €156.9 million (22.7% *Pro Forma* Adjusted EBITDA margin) and incurred capital expenditure of €18.8 million (2.7% of revenue).

We offer a broad and competitive range of innovative, high-quality hearing instrument products across all price categories and instrument types, serving consumers with varying degrees of hearing loss. Our product portfolio comprises BTE, ITE and RIC devices and related accessories, diagnostic tools and services. Our recent innovations include our micon product family, based upon our proprietary micon technology platform, which has been a key driver of our revenue growth since its launch in 2012, and our binax product family, based upon our proprietary binax technology platform, a binaural hearing system launched in October 2014.

We market our products to a fragmented base of over 2,500 customers through multiple distribution channels. In the fiscal year ended September 30, 2014, independent dispensers generated the largest share of our revenue (approximately 37%) followed by key accounts (approximately 29%), distributors (approximately 22%) and public funded healthcare systems (approximately 12%). Our customers include well-known companies such as Amplifon, Audionova and Costco and government agencies such as the NHS, VA and Australian Hearing in Australia. We have a global and low-cost manufacturing footprint. Our serial production of BTE devices is located in Asia, while we manufacture customized ITE instruments at sites closer to our end-users, allowing us to reduce lead times and maintain high customer service. Approximately 2,700 of our employees work in manufacturing, including approximately 1,000 in low-cost countries such as China, Indonesia and Poland. Our R&D teams are consolidated at two principal locations in Singapore and Germany.

Recent Developments

In October 2014, we launched our newest and most advanced generation of products based on our proprietary binax technology platform, one of the most innovative platforms in the market and the first based on binaural hearing. Since its launch, the binax platform has received strong positive feedback by customers and industry experts.

Although full financial results are not available for October 2014, we estimate that our revenue in this month increased compared to the same period for the fiscal year ended September 30, 2014. These expectations are based upon our current management estimates and are subject to change.

Significant Factors Affecting Results of Operations

Volume, pricing, geographic, product and distribution channel mix

Our revenue and gross margins (gross profit as a percentage of revenue) are primarily a function of the number of hearing instrument units we sell and the prices at which we sell such products.

Our revenue has increased during each of the last three fiscal years in part because we have sold more hearing instrument units than in the respective previous fiscal years, largely due to underlying market growth, the launch of the XCEL platform in April 2011 and the introduction of the micon platform in October 2012.

We divide our products into five performance levels—premium, advanced, standard, essential and basic—and vary our product mix in different regions. Generally, we are able to charge adequate prices for our products and offer more technologically advanced products in developed markets compared to emerging markets. France, for example, has traditionally been a “high-end” market for us with a strong share of independent dispensers and purchasing groups.

The table below shows the evolution of our revenue by geography from the fiscal year ended September 30, 2012 to the fiscal year ended September 30, 2014.

	Japan	Germany	France	United Kingdom	North America	Other	Total Revenue
Revenue % of fiscal year 2012 revenue	11.0%	17.7%	8.4%	3.8%	34.2%	24.9%	100.0%
Revenue % of fiscal year 2014 revenue	8.4%	16.8%	10.0%	4.8%	35.5%	24.5%	100.0%
Absolute revenue growth fiscal years 2012-2014 (in € millions)	(13)	1	14	8	23	7	40
CAGR fiscal years 2012-2014	(9.8)%	0.4%	12.1%	15.2%	5.0%	—	3.0%
CAGR fiscal years 2012-2014 (local currency, unless otherwise indicated)	5.3%	0.4%	12.1%	14.7%	7.6%	—	6.4%[(a)]

(a) The total CAGR for the fiscal years 2012-2014 has been derived by converting the non-euro revenue in Japan, the United Kingdom, North America and others, as applicable, over the periods indicated into euros and adding them to the euro revenue in Germany, France and others, as applicable, in each case on a constant currency basis.

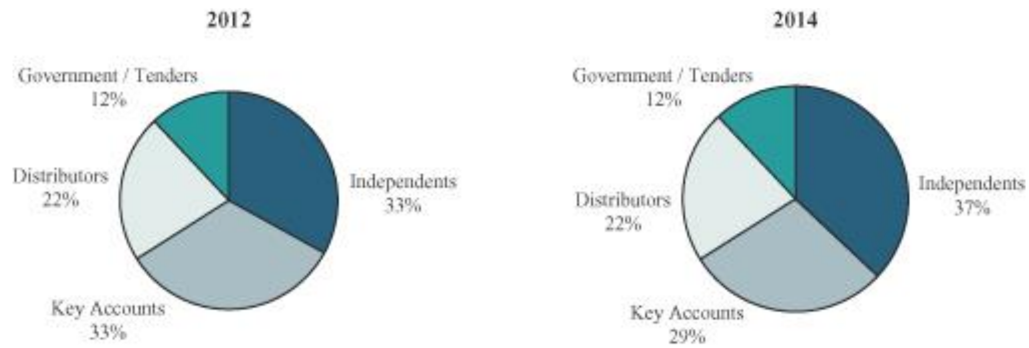
Between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014, we increased our revenue in France by €14 million, due in part to higher average selling prices and unit growth following the successful launch of micon. In North America, we increased revenue by €23 million during the same periods, due in part to higher prices and a shift in revenue mix towards independent dispensers. In contrast, we are typically subject to pricing pressure in countries where the government pays for or reimburses all or a significant part of the cost of our products, such as in the United Kingdom, Australia and Germany.

Despite this revenue growth, we operate in a competitive industry and face constant pressure to reduce our selling prices, and we expect such pricing pressure to continue in the future. Accordingly, we endeavor to continue to innovate and introduce new products at relatively high ASPs, proactively manage our distribution channels, and carefully manage and reduce our costs in order to maintain operating margins and our competitive position. For example, in 2011 we launched the XCEL platform, followed by micon in 2012 and binax in 2014, each with a full range of product families. Our ASPs are driven by the launch or phasing out of other product platforms, which typically have life-cycles of approximately three to four years, in line with our current business model. New product platforms are launched with higher ASPs, which subsequently reduce after the launch year to further increase units sold before other new platform launches occur. The impact on year-on-year ASPs changes on a group-wide basis is a combination of (i) new launches which have high ASPs and relatively low volumes and (ii) maturing platforms with high volumes and comparatively lower ASPs that account for a higher proportion of revenue in any given year. During the periods under review, we launched a number of new platforms, which helped to improve overall ASPs and improve gross margins.

In order to improve our competitive position, we also aim to continuously improve our operational efficiency. During the last three years, our management team has managed and reduced our costs by closing seven ITE manufacturing plants and successfully reorganized our production facilities to: (i) rationalize production capacity, (ii) increase the share of manufacturing in low-cost countries and (iii) increase automation to reduce operating costs and lead times. In addition, our engineering and manufacturing teams also work on various product cost-optimization projects to reduce manufacturing costs and improve supply chain logistics. Taken together, these actions enable us to offer more competitive prices to our customers without affecting operating margins. However, there can be no assurance that we will continue to achieve sufficient cost savings in the future because new product lines can initially be less profitable than established product lines given that it can take up to 12 months after product launch to benefit from economies of scale and advertising expenses are often higher during product launch periods. These and other factors could affect our ability to offer more competitive prices to our customers.

Our revenue and gross margin also varies according to the distribution channels through which we sell our products. During the periods under review, we enhanced our channel strategy and started to focus more on profitable growth in the independent dispenser segment, from which we typically achieve higher average selling prices, and de-emphasized pure unit volume growth. For example, between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014, we strengthened our focus on independent dispensers, which resulted in improvement in our profitability.

The table below shows how our revenue by channel has changed between the fiscal years ended September 30, 2012 and 2014.



Source: Management accounts

Cost of components and raw materials

Our contracts with suppliers are typically for a specified duration and subject to renegotiation upon renewal. These contracts generally have fixed prices for a certain period of time. We attempt to align our supplier requirements with the projected demand from our customers, and provisions relating to volume estimates may impact our ability to effectively increase or decrease our supply purchases in accordance with actual production requirements. We purchase most of our supplies through a centralized purchasing function, which allows us to better manage our supply chain and achieve more favorable pricing terms. In the fiscal year ended September 30, 2014, raw material and components related to hearing instruments comprised approximately 32% of our cost of goods sold. Further, in order to reduce cost of sales and lead times, we have increased the level of automation in our production facilities since the fiscal year ended September 30, 2012. Between the fiscal year ended September 30, 2013 and the fiscal year ended September 30, 2014, we increased the share of automation from approximately 14% to approximately 31% of total units.

Currency fluctuations

Our reporting currency is the euro and the substantial majority of our revenue is denominated in euro, U.S. dollar and Japanese yen. The majority of our costs are denominated in euro, U.S. dollars, Singapore dollars and, to a lesser degree, Japanese yen. Our U.S. dollar costs relate to employee-related costs and marketing and selling costs, especially in the United States. Our Japanese yen costs relate to employee-related costs and marketing and selling costs, especially in Japan. Our Singapore dollar costs relate to costs of manufacturing and employee-related costs, especially in Singapore.

As a result of these U.S. dollar, Japanese yen and Singapore dollar denominated costs, we are exposed to exchange rate risks. If the euro depreciates relative to the Singapore dollar, this has the negative effect of increasing our costs and decreasing our net income to the extent not hedged. An appreciation of the euro has a positive impact on our cost in Singapore dollars and U.S. dollars to the extent not hedged, therefore increasing our net income. We generate substantial revenues denominated in U.S. dollars and Japanese yen as well as other currencies. If the euro appreciates relative to the U.S. dollar or Japanese yen or other currencies, this has the negative effect of decreasing our revenue relative to our costs and decreasing our net income to the extent not hedged. A depreciation of the euro against the U.S. dollar or Japanese yen has a positive effect on our revenue in U.S. dollars, Japanese yen and other currencies to the extent not hedged.

The following table shows the exchange rates of the U.S. dollar, Japanese yen and Singapore dollar as used in the Combined Financial Statements. Between the fiscal years ended September 30, 2012 and September 30, 2014, we generated revenue at a CAGR of 3.0% on a reported basis and at a CAGR of 6.4% on a constant currency basis.

		Spot exchange rate			**Annual average rate**		
		€1 quoted into currencies specified below			**€1 quoted into currencies specified below**		
		September 30,			**Fiscal year ended September 30,**		
Currency	**ISO Code**	**2012**	**2013**	**2014**	**2012**	**2013**	**2014**
U.S. dollar....................	USD	1.293	1.3505	1.2583	1.3034	1.3126	1.3568
Singapore dollar............	SGD	1.585	1.696	1.606	1.647	1.633	1.706
Japanese yen	JPY	100.37	131.78	138.11	102.46	120.97	138.88

Whenever possible, we attempt to purchase our supplies in U.S. dollars and euros using the cash we generate from sales in those currencies. Sales generated in other currencies are typically hedged into Singapore dollars, which ensures that we are able to finance the labor, materials and other costs associated with our research and development and manufacturing operations in Singapore.

Development and Commercialization of Proprietary Products

There are several components associated with the development and commercialization of our proprietary products that impact our results of operations.

Research and development

While the in-house development of proprietary products is associated with a certain amount of risk and cost, these proprietary products are necessary to compete in our industry. We invest substantial time, effort and financial resources into R&D to maintain a pipeline of marketable proprietary products. Our research and development spending has been primarily focused on platform development, automated production and software. During the periods under review, we have consolidated our research and development teams at two principal locations in Germany (focused on platform development) and Singapore (focused on product development) to improve efficiency and drive synergies. In the fiscal years ended September 30, 2012, 2013 and 2014, our research and development expenses in our combined statements of income equaled 8.4%, 6.9% and 6.6% of our revenue, respectively. In the fiscal years ended September 30, 2012, 2013 and 2014, the additions to capitalized development costs amounted to €2.7 million, €3.6 million and €2.8 million, respectively.

Sales and Marketing

In order to ensure the successful launch of a new product into the market, we incur substantial expenses for the build-up of the appropriate sales force and marketing tools in the months leading up to the launch and thereafter. Our selling and general administration expenses were €226.3 million, €223.2 million and €229.2 million in the fiscal years ended September 30, 2012, 2013 and 2014. For example, we incurred significant sales and marketing expenses to support the introduction of our micon platform. Because each of our platforms typically has a lifecycle of approximately three to four years, we expect to incur these types of expenses on a regular basis.

Explanation of Combined Statements of Income Items

Revenue

Revenue is measured at the fair value of the consideration received or receivable for the goods and services provided in the normal course of business, net of discounts and rebates, value added tax and other recoverable sales-related taxes. Revenue includes revenue on sales of products and ordinary revenue from the provision of services.

Cost of goods sold

Our cost of goods sold mainly includes costs relating to inventories sold and consists of variable costs, fixed costs and depreciation and amortization relating primarily to our properties, plants and equipment, internally developed software and other related costs. Our variable cost of sales primarily consists of material, labor, freight, cost of services purchased and related overhead costs. Our fixed cost of sales primarily consists of manufacturing overheads, maintenance costs, rental and related overhead costs. We include amortization of capitalized research and development expenses in this line item.

Research and development expenses

Research and development expenses relate to all research and development projects other than technology platform development projects, for which the costs are capitalized within intangible assets to the extent they qualify for capitalization. Research and development expenses include, but are not limited to, amounts relating to the automation of the BTE manufacturing line, product development that focuses on adapting the technological features provided for each platform, development of new hardware and software for hearing instruments, technology platform development that does not qualify for capitalization and property, plant and equipment maintenance.

Selling and general administration expenses

Selling and general administration expenses primarily consist of salaries paid to our sales employees, commissions paid to our sales employees, marketing and advertising costs, bad debt expense and depreciation relating to office equipment, software and similar assets. Administrative expenses primarily consist of lease expenses relating to our headquarters and other offices, salaries paid to senior management, headquarters and other administrative staff and ordinary course expenses payable in respect of auditing, tax, legal and other consulting services provided to us in connection with the day-to-day operation of our business.

Other operating income

Other operating income primarily consists of income related to the release of a litigation provision and the reversal of a deferred purchase price liability.

Other operating expenses

Other operating expenses primarily consist of expenses relating to our share-matching plan for employees and loss on disposal of assets.

Interest income

Interest income consists of interest income received from the Siemens Group, interest income received from loans and return on plan assets under defined benefit obligations.

Interest expenses

Interest expenses primarily consist of interest expense on borrowings and defined benefit obligations.

Other financial income (expenses), net

Other financial income (expenses), net primarily consists of expenses as a result of allowances and write-offs of finance receivables.

Income taxes

Income taxes represent the sum of current tax and deferred tax under the laws of each jurisdiction in which we do business.

For purposes of the Combined Financial Statements, income taxes have been determined as if the Target's operations in regional companies owned by the Seller were separate tax-paying entities and therefore tax expenses have been computed on a stand-alone basis for each operation of such regional companies. As income taxes are levied on a regional company level, income tax expense determined for the Target's operations within regional companies are reported as a respective withdrawal or contribution and are aggregated in the position "Other changes in equity" within the statements of changes in equity. We believe that this method is reasonable, but not necessarily indicative of the costs that would have been incurred if the Target were a stand-alone tax paying entity.

Results of Operations

The following table sets out combined income and expense information for the fiscal years ended September 30, 2012, 2013 and 2014.

	Fiscal year ended September 30,		
	2012	**2013**	**2014**
		(in thousands of €)	
Revenue	650,265	668,738	690,395
Cost of goods sold	(285,820)	(297,520)	(290,315)
Gross profit	**364,445**	**371,218**	**400,080**
Research and development expenses	(54,415)	(46,279)	(45,659)
Selling and general administration expenses	(226,330)	(223,182)	(229,232)
Other operating income	451	346	1,076
Other operating expenses	(364)	(615)	(307)
Interest income	1,987	1,787	1,829
Interest expenses	(3,280)	(2,983)	(3,573)
Other financial income (expenses), net	(60)	65	(125)
Income before income taxes	**82,434**	**100,358**	**124,089**
Income taxes	(41,326)	12,247	(15,761)

	Fiscal year ended September 30,		
	2012	2013	2014
		(in thousands of €)	
Net income	**41,108**	**112,605**	**108,328**

Comparison of results of operations for the fiscal years ended September 30, 2013 and 2014

Revenue

Revenue increased by €21.7 million, or 3.2%, to €690.4 million for the fiscal year ended September 30, 2014 compared to €668.7 million for the fiscal year ended September 30, 2013, driven primarily by the continued growth in sales of micon products, which were launched in October 2012, and increased sales to independent dispensers, primarily in Germany and France. This increase was partially offset by the loss of two contracts, a decrease in the pricing for a contract renewed in Australia and adverse movements in foreign exchange rates, primarily due to the strengthening of the euro and weakening of the U.S. dollar and Japanese yen.

Cost of goods sold

Cost of goods sold decreased by €7.2 million, or 2.4%, to €290.3 million for the fiscal year ended September 30, 2014 compared to €297.5 million for the fiscal year ended September 30, 2013. Cost of goods sold amounted to 42.1% and 44.5% of revenue during the fiscal years ended September 30, 2014 and 2013, respectively.

The decrease in cost of goods sold as a percentage of revenue was driven by (i) a more favorable group average selling price due to an improved product mix, with the success of our micon platform, and a higher proportion of sales to independent dispensers, (ii) increased automation levels in manufacturing facilities and (iii) positive movements in foreign exchange rates. These positive developments were partially offset by higher costs for materials for more technologically advanced products such as our micon platform and higher production costs due to strikes in Batam, Indonesia, which required us to hire and train replacement workers.

Research and development expenses

Research and development expenses decreased by €0.6 million, or 1.3%, to €45.7 million for the fiscal year ended September 30, 2014 compared to €46.3 million for the fiscal year ended September 30, 2013.

Research and development expenses amounted to 6.6% and 6.9% of revenue in the fiscal years ended September 30, 2014 and 2013, respectively.

Selling and general administration expenses

Selling and general administration expenses increased by €6.1 million, or 2.7%, to €229.2 million for the fiscal year ended September 30, 2014 compared to €223.2 million for the fiscal year ended September 30, 2013, primarily due to higher marketing costs related to increases in HearUSA selling costs and the launch of new products.

Selling and general administration expenses amounted to 33.2% and 33.4% of revenue in the fiscal years ended September 30, 2014 and 2013, respectively.

Other operating income

Other operating income increased by €0.7 million to €1.1 million for the fiscal year ended September 30, 2014 compared to €0.3 million for the fiscal year ended September 30, 2013, primarily due to gains from settlement of ongoing litigation proceedings with former employees and write-offs for deferred purchase prices for acquisitions that did not meet revenue targets under the purchase agreement.

Other operating expenses

Other operating expenses decreased by €0.3 million, or 50.1%, to €0.3 million for the fiscal year ended September 30, 2014 compared to €0.6 million for the fiscal year ended September 30, 2013.

Interest income

Interest income was stable at €1.8 million for the fiscal year ended September 30, 2014 compared to €1.8 million for the fiscal year ended September 30, 2013.

Interest expenses

Interest expenses increased by €0.6 million, or 19.8%, to €3.6 million for the fiscal year ended September 30, 2014 compared to €3.0 million for the fiscal year ended September 30, 2013, due to an increase in interest expense paid to the Siemens Group and increases in interest expenses from pension plans.

The following table provides additional details on our interest expenses for the fiscal years ended September 30, 2013 and 2014:

(in thousands of €, unless otherwise specified)	Fiscal year ended September 30, 2013	Fiscal year ended September 30, 2014	% Change
Interest expense, other than pension	(1,591)	(2,094)	31.6
Interest expense from pension plans	(1,392)	(1,479)	6.3
Interest expenses	**(2,983)**	**(3,573)**	**19.8**

Other financial income (expenses), net

Other financial income (expenses), net decreased by €0.2 million to a net expense of €0.1 million for the fiscal year ended September 30, 2014 compared to a net income of €0.1 million for the fiscal year ended September 30, 2013.

Income before income taxes

Income before income taxes increased by €23.7 million, or 23.6%, to €124.1 million for the fiscal year ended September 30, 2014 compared to €100.4 million for the fiscal year ended September 30, 2013, primarily due to an increase in gross profit of €28.9 million, which was caused by higher revenue of €21.7 million and an increase in gross margin of 2.4%. This was partially offset by an increase in selling and general administration expenses of €6.1 million in the fiscal year ended September 30, 2014 compared to the fiscal year ended September 30, 2013.

Income taxes

Income taxes increased by €28.0 million to a tax expense of €15.8 million for the fiscal year ended September 30, 2014 compared to a tax benefit of €12.2 million for the fiscal year ended September 30, 2013. This increase was primarily due to effects of €35.5 million resulting from a partial release of a provision for tax uncertainties in fiscal year ended September 30, 2013 relating to taxes for prior years. As a result, we recognized a tax benefit of €12.2 million in our combined statements of income for the fiscal year ended September 30, 2013.

Net income

Net income decreased by €4.3 million, or 3.8%, to €108.3 million for the fiscal year ended September 30, 2014 compared to €112.6 million for the fiscal year ended September 30, 2013.

Comparison of results of operations for the fiscal years ended September 30, 2012 and 2013

Revenue

Revenue increased by €18.5 million, or 2.8%, to €668.7 million for the fiscal year ended September 30, 2013 compared to €650.3 million for the fiscal year ended September 30, 2012, driven primarily by the launch of the micon platform, partially offset by adverse movements in foreign exchange rates, primarily due to the weakening of the Japanese yen.

Cost of goods sold

Cost of goods sold increased by €11.7 million, or 4.1%, to €297.5 million for the fiscal year ended September 30, 2013 compared to €285.8 million for the fiscal year ended September 30, 2012. Cost of goods sold amounted to 44.5% and 44.0% of revenue during the fiscal years ended September 30, 2013 and 2012, respectively.

Cost of goods sold as a percentage of revenue increased slightly as a result of higher outsourcing costs due to issues implementing our ERP system and higher amortization of intangibles due to the ERP implementation and the micon platform, which were partially offset by procurement savings in cost of materials.

Research and development expenses

Research and development expenses decreased by €8.1 million, or 15.0%, to €46.3 million for the fiscal year ended September 30, 2013 compared to €54.4 million for the fiscal year ended September 30, 2012, primarily due to one-time costs for the fiscal year ended September 30, 2012 related to software consultancy. Additionally, there was a reduction of expenses due to consolidation of our U.S. R&D activities into our German and Singapore facilities, which was partially offset by severance payments in the fiscal year ended September 30, 2013.

Research and development expenses amounted to 6.9% and 8.4% of revenue in the fiscal years ended September 30, 2013 and 2012, respectively.

Selling and general administration expenses

Selling and general administration expenses decreased by €3.1 million, or 1.4%, to €223.2 million for the fiscal year ended September 30, 2013 compared to €226.3 million for the fiscal year ended September 30, 2012, primarily due to the higher sum of one-time integration costs of €6.1 million and litigation costs of €1.4 million for the fiscal year ended September 30, 2012. In comparison, the one-time integration costs were €0.2 million and litigation costs were €4.1 million for the fiscal year ended September 30, 2013. The integration costs related to the acquisition and integration of HearUSA and the acquisition of a distributor in Turkey.

Selling and general administration expenses amounted to 33.4% and 34.8% of revenue in the fiscal years ended September 30, 2013 and 2012, respectively.

Other operating income

Other operating income decreased by €0.1 million, or 23.3%, to €0.3 million for the fiscal year ended September 30, 2013 compared to €0.4 million for the fiscal year ended September 30, 2012.

Other operating expenses

Other operating expenses increased by €0.3 million, or 69.0%, to €0.6 million for the fiscal year ended September 30, 2013 compared to €0.4 million for the fiscal year ended September 30, 2012.

Interest income

Interest income decreased by €0.2 million, or 10.1%, to €1.8 million for the fiscal year ended September 30, 2013 compared to €2.0 million for the fiscal year ended September 30, 2012, primarily due to the reduction of interest received from Siemens Group.

Interest expenses

Interest expenses decreased by €0.3 million, or 9.1%, to €3.0 million for the fiscal year ended September 30, 2013 compared to €3.3 million for the fiscal year ended September 30, 2012, primarily due to the decrease in interest expense from pension plans, which decreased from €1.8 million for the fiscal year ended September 30, 2012 to €1.4 million for the fiscal year ended September 30, 2013, primarily due to decreased expenses relating to our German pension scheme of €0.3 million. This was partially offset by an increase in other interest expenses of €0.1 million.

The following table provides additional details on our interest expenses for the fiscal years ended September 30, 2012 and 2013:

	Fiscal year ended September 30,		
(in thousands of €, unless otherwise specified)	**2012**	**2013**	**% Change**
Interest expense, other than pension	(1,503)	(1,591)	5.9
Interest expense from pension plans	(1,777)	(1,392)	(21.7)
Interest expenses	**(3,280)**	**(2,983)**	**(9.1)**

Other financial income (expenses), net

Other financial income (expenses), net increased by €0.1 million to a net income of €0.1 million for the fiscal year ended September 30, 2013 compared to a net expense of €0.1 million for the fiscal year ended September 30, 2012, primarily due to the decrease of asset retirement obligations in Japan.

Income before income taxes

Income before income taxes increased by €17.9 million, or 21.7%, to €100.4 million for the fiscal year ended September 30, 2013 compared to €82.4 million for the fiscal year ended September 30, 2012, primarily due to an increase in gross profit of €6.8 million as a result of higher revenue at a relatively stable gross margin and due to a decrease in research and development expenses and selling and general administration expenses of €8.1 million and €3.1 million, respectively.

Income taxes

Income taxes decreased by €53.6 million to a tax benefit of €12.2 million for the fiscal year ended September 30, 2013 compared to a tax expense of €41.3 million for the fiscal year ended September 30, 2012, primarily due to the partial release of a provision for tax uncertainties in the fiscal year ended September 30, 2013, which was recognized in the fiscal year ended September 30, 2012. This resulted in a positive tax impact from taxes for prior years of €35.5 million for the fiscal year ended September 30, 2013 compared with a negative impact from taxes for prior years of €30.2 million for the fiscal year ended September 30, 2012. This was partially offset by lower positive impacts from foreign tax rate differentials and certain tax incentive programs for the fiscal year ended September 30, 2013 compared to the fiscal year ended September 30, 2012.

Net income

Net income increased by €71.5 million, or 173.9%, to €112.6 million for the fiscal year ended September 30, 2013 compared to €41.1 million for the fiscal year ended September 30, 2012.

Liquidity

For the periods presented, we met our working capital requirements primarily through our operating cash flows. Our cash flows are not seasonal and we have had relatively stable cash flow month-to-month over the last two fiscal years. We believe that, following the consummation of the Acquisition, our operating cash flows and borrowing capacity under the Senior Facilities Agreement will be sufficient to meet our requirements, including our capital investment and working capital requirements, and commitments for at least the next twelve months. However, we are leveraged and have significant debt service obligations. Our actual financing requirements will depend on a number of factors, many of which are beyond our control. See "*Risk Factors—Risks Relating to the Notes and Our Structure—Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations under our debt, including the Notes*."

Certain of our subsidiaries operate in jurisdictions highly regulated by local central banks or international regulations. In these countries, the ability of our subsidiaries to transfer funds to their parent companies or our group treasury in the form of cash dividends, loans or advances may be limited. We believe that these limitations have not had and are not expected to have a material impact on our ability to meet our cash obligations.

We held cash and cash equivalents of €8.9 million, €7.6 million and €12.0 million as of September 30, 2012, 2013 and 2014, respectively.

Cash Flow

The following table sets forth combined cash flow information for the fiscal years ended September 30, 2012, 2013 and 2014.

	Fiscal year ended September 30,		
(in thousands of €)	**2012**	**2013**	**2014**
Cash flows from operating activities			
Net income	41,108	112,605	108,328
Adjustments to reconcile net income to cash provided:			
Amortization, depreciation and impairments	26,003	25,118	24,287

(in thousands of €)	Fiscal year ended September 30, 2012	2013	2014
Income taxes	41,326	(12,247)	15,761
Interest (income) expense, net	1,293	1,196	1,744
(Gains) losses on sales and disposals of businesses, intangibles and property, plant and equipment, net	35	169	4
Change in current assets and liabilities:			
(Increase) decrease in inventories	2,360	(9,125)	731
(Increase) decrease in trade and other receivables	(3,240)	(5,700)	4,245
(Increase) decrease in other current assets	1,802	166	(6,633)
Increase (decrease) in trade payables	3,548	8,868	1,079
Increase (decrease) in current provisions	(1,945)	3,634	(140)
Increase (decrease) in other current liabilities	13,065	672	3,017
Change in other assets and liabilities	405	1,049	5,438
Income taxes paid	(16,437)	(10,791)	(19,238)
Interest received	1,227	1,064	1,605
Net cash provided by (used in) operating activities	**110,550**	**116,678**	**140,228**
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	(30,809)	(24,988)	(18,784)
Acquisitions, net of cash required	(2,014)	(5,933)	(7,430)
(Increase) decrease in receivables from financing activities	(61,901)	91,878	10,566
Proceeds from sales of businesses, intangibles and property, plant and equipment	345	1,319	1,248
Net cash provided by (used in) investing activities	**(94,379)**	**62,276**	**(14,400)**
Cash flows from financing activities			
Change in short-term debt and other financing activities	9,573	11,355	(21,914)
Interest paid	(834)	(1,087)	(1,542)
Dividends paid	(22,649)	(189,614)	(98,220)
Dividends paid to non-controlling interests	(304)	—	—
Net cash provided by (used in) financing activities	**(14,214)**	**(179,346)**	**(121,676)**
Effect of exchange rates on cash and cash equivalents	338	(921)	166
Net increase (decrease) in cash and cash equivalents	2,295	(1,313)	4,318
Cash and cash equivalents at beginning of period	6,649	8,944	7,632
Cash and cash equivalents at end of period	**8,944**	**7,632**	**11,950**

Net cash provided by (used in) operating activities

Net cash provided by operating activities was €140.2 million in the fiscal year ended September 30, 2014 compared to €116.7 million in the fiscal year ended September 30, 2013. The increase in net cash provided by operating activities was primarily due to higher gross profit and a more efficient use of working capital, in particular with respect to inventories and trade and other receivables.

Net cash provided by operating activities was €116.7 million in the fiscal year ended September 30, 2013 compared to €110.6 million in the fiscal year ended September 30, 2012. The increase in net cash provided by operating activities was primarily due to higher gross profit.

Net cash provided by (used in) investing activities

Net cash used in investing activities was €14.4 million in the fiscal year ended September 30, 2014, compared to €62.3 million of net cash provided by investing activities in the fiscal year ended September 30, 2013. This development was primarily due to a €81.3 million lower decrease in receivables from financing activities in the fiscal year ended September 30, 2014 compared to the fiscal year ended September 30, 2013. The change in receivables from Siemens Group resulted in a cash inflow of €8.0 million between the fiscal years ended September 30, 2013 and 2014, compared to a cash inflow of €89.1 million between the fiscal years ended September 30, 2012 and 2013. The lower decrease in receivables from financing activities was partly offset by lower additions to intangible assets and property, plant and equipment of €6.2 million in the fiscal year ended September 30, 2014 compared to the fiscal year ended September 30, 2013.

Net cash provided by investing activities was €62.3 million in the fiscal year ended September 30, 2013, compared to €94.4 million of net cash used in investing activities in the fiscal year ended September 30, 2012. This development was primarily due to an increase in cash flows resulting from receivables from Siemens Group. The change in receivables from Siemens Group resulted in a cash inflow of €89.1 million between the fiscal years ended September 30, 2012 and 2013, which was driven by Siemens Medical Instruments Pte. Ltd. (€83 million) and Siemens Audiologische Technik GmbH (€21 million). In addition, the increase resulted from a reduction in additions to intangible assets and property, plant and equipment by €5.8 million.

For a more detailed description of our recent capital expenditure, see "—*Capital Expenditure*."

Net cash provided by (used in) financing activities

Net cash used in financing activities was €121.7 million in the fiscal year ended September 30, 2014, compared to €179.3 million in the fiscal year ended September 30, 2013. This decrease was primarily due to a smaller dividend paid to Siemens AG in the fiscal year ended September 30, 2014 compared to the fiscal year ended September 30, 2013 (€98.2 million and €189.6 million, respectively), which was partially compensated by cash outflows of €21.9 million from a reduction in short-term debt and other financing activities in the fiscal year ended September 30, 2014 compared to a cash inflow from an increase in short-term debt and other financing activities of €11.4 million in the fiscal year ended September 30, 2013.

Net cash used in financing activities was €179.3 million in the fiscal year ended September 30, 2013 compared to €14.2 million in the fiscal year ended September 30, 2012. This increase was primarily due to a higher dividend paid to Siemens AG in the fiscal year ended September 30, 2013 compared to the fiscal year ended September 30, 2012 (€189.6 million and €22.6 million, respectively).

Capital Expenditure

For the fiscal years ended September 30, 2012, 2013 and 2014, we spent €30.8 million, €25.0 million and €18.8 million, respectively, on capital expenditure to support our strategy of profitable growth. Capital expenditure has historically comprised the additions to intangible assets (software and other intangible assets, customer relationships, trademarks, patents and similar rights as well as capitalized development costs) and the additions to property, plant and equipment (land and buildings, technical machinery and equipment, furniture and office equipment as well as advances to suppliers and construction in progress) each as shown in the notes to the Combined Financial Statements.

A significant portion of our capital expenditure in the fiscal year ended September 30, 2012, and to a lesser degree in the fiscal years ended September 30, 2013 and 2014, related to the roll-out of a new ERP system. The table below shows our capital expenditure for such fiscal years after adjusting for the one-off ERP expenditures.

(€ in millions, unless otherwise specified)	**Fiscal year 2012**	**Fiscal year 2013**	**Fiscal year 2014**
Additions to intangible assets	12.5	6.9	4.6
Additions to property, plant and equipment	18.3	18.1	14.2
Capital expenditure	**30.8**	**25.0**	**18.8**
in % of revenue	*4.7%*	*3.7%*	*2.7%*
Less additions to intangible assets related to ERP system	(9.8)	(2.4)	(0.9)
Adjusted capital expenditure	**20.9**	**22.6**	**17.9**
in % of revenue	*3.2%*	*3.4%*	*2.6%*

Our capital expenditure for the fiscal year ended September 30, 2014 principally related to (i) IT and office equipment; (ii) machinery; (iii) land and buildings; and (iv) capitalized development cost. 35% of our capital expenditure in the fiscal year ended September 30, 2014, or €6.7 million, was invested in furniture and office equipment. Capitalized development costs were €2.8 million in the fiscal year ended September 30, 2014.

Our capital expenditure in the fiscal year ended September 30, 2013 principally related to (i) IT and office equipment; (ii) machinery; (iii) land and buildings; and (iv) capitalized development cost. 31% of our capital expenditure in the fiscal year ended September 30, 2013, or €7.8 million, was invested in furniture and office equipment. Capitalized development costs were €3.6 million in the fiscal year ended September 30, 2013.

Our capital expenditure in the fiscal year ended September 30, 2012 principally related to (i) IT and office equipment; (ii) machinery; (iii) software and other intangible assets; and (iv) capitalized developments cost. 38% of our capital expenditure in the fiscal year ended September 30, 2012, or €11.5 million, was invested in furniture and office equipment. Capitalized development costs were €2.7 million in the fiscal year ended September 30, 2012.

We expect our capital expenditure to be approximately €20 million to €25 million in the fiscal year ended September 30, 2015.

Contractual Obligations and Contingent Liabilities

The following table details our remaining contractual maturity for our contractual financial liabilities with agreed repayment periods as of September 30, 2014, after giving *pro forma* effect to the Acquisition. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay.

		Payments due by period		
Contractual Obligations (in millions of €)	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Fixed interest rate instruments				
Notes offered hereby[1]	275	—	—	275
Variable interest rate instruments				
Senior Facilities Agreement[2]	785	8	31	746
Total	**1,060**	**8**	**31**	**1,021**

(1) Represents the aggregate principal amount of the Notes.

(2) Represents the estimated euro equivalent total aggregate amount of Facility B under the Senior Facilities Agreement. Facility B is expected to be borrowed in two tranches consisting of euro and US dollars and therefore the actual euro equivalent amount of Facility B at the Completion Date may differ due to exchange rate fluctuations. We expect to temporarily draw between €30 million and €40 million under the Revolving Credit Facility on the Completion Date. See "*Capitalization*."

We have operating leases for our office buildings, factories, data centers and network infrastructure. The future payment obligations under non-cancellable operating leases were as follows:

	September 30,		
(in thousands of €)	**2012**	**2013**	**2014**
Within 1 year	9,310	10,069	11,462
1 to 5 years	19,884	15,895	18,129
Thereafter	647	2,270	3,665
	29,841	**28,234**	**33,256**

As of September 30, 2012, 2013 and 2014, we had future payment obligations under non-cancellable operating leases of €29.8 million, €28.2 million and €33.3 million, respectively. These amounts represent our obligations during the course of the following years to fulfill our contractual commitments. We believe that such commitments will be met without a material adverse effect on our financial position, results of operations or cash flows.

The increase in payment obligations under non-cancellable operating leases from €28.2 million as of September 30, 2013 to €33.3 million as of September 30, 2014 is primarily due to the increase in a lease commitment to a third-party in the United Kingdom and is partially offset by a reduction of a lease commitment to Siemens regarding real estate in Germany.

The decrease in payment obligations under non-cancellable operating leases from €29.8 million as of September 30, 2012 to €28.2 million as of September 30, 2013 is primarily due to an increase in the lease commitment to Siemens for real estate in Germany and partially offset by an increase in a lease commitment to third-parties in the United States and the United Kingdom.

In our Combined Financial Statements, the defined benefit obligations of our pension plans exceeded the fair value of the plan assets by €49.1 million, as of September 30, 2014, with €40.0 million of such deficit being in respect of the German pension schemes. In connection with the Acquisition, the Seller is required to, in respect of the German pension schemes, to fund the pension deficit. To the extent the pension deficit is not funded, the purchase price will be reduced accordingly, (in which case the Investors expect to contribute the amount of such reduction to the Issuer to apply against the pension deficit). In respect of our remaining pension deficit (€9.2 million), the Seller will either fund the pension deficit, reduce the purchase price by the amount of the pension deficit (in which case the Investors expect to contribute the amount of such reduction to the Issuer to apply against the pension deficit) or some combination thereof. The foregoing adjustments may change depending on the change in fair value of pension plan assets between September 30, 2014 and the Completion Date.

Guarantees

Siemens AG provided a parent company guarantee to a customer for the performance of SHI (Australia) related to a supply agreement from 2007-2012. The agreement was terminated between the parties when entering into a new contract for the provision of hearing devices and related services. As a result, the guarantee now mainly relates to obligations which may result from the performance of the previous agreement (e.g. warranty or liability claims for past supplies). The amounts guaranteed were €44.4 million, €38.0 million and €38.1 million as of September 30, 2012, 2013 and 2014, respectively. Following the Acquisition, we expect to become the guarantor under a similar guarantee and are discussing the appropriate amount to be guaranteed with the customer.

In addition, Siemens Group has issued global letters of support for bank transactions in favor of various entities being acquired in the Acquisition up to an amount of €4.6 million, €4.7 million and €8.5 million as of September 30, 2012, 2013 and 2014, respectively. The actual amounts guaranteed by Siemens Group were €3.6 million as of September 30, 2014 (September 30, 2013: €2.7 million; September 30, 2012: €2.8 million). Following the Acquisition, we intend to use an ancillary facility line under the Senior Facilities Agreement to guarantee outstanding obligations.

Qualitative and Quantitative Disclosures About Market Risk

Credit risk management

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. We may incur losses if the credit quality of our customers deteriorates or if they default on their payment obligations to us. Our exposure to credit risk arises primarily from trade and other receivables. We have a credit policy in place on a country-by-country basis and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the analysis of historical bad debts on a portfolio basis and certain country credit ratings. We do not require collateral in respect of financial assets.

We do not believe that there were any significant concentrations of credit risk as of September 30, 2012, 2013 or 2014. There were no indications as of September 30, 2014 that any material defaults in payment obligations would occur.

Liquidity risk management

Liquidity risks result from our potential inability to meet our financial liabilities, including paying our suppliers. In addition to having implemented effective working capital and cash management, we have implemented short-term and medium-term liquidity forecasts. After the Acquisition, cash pooling will be facilitated through intercompany clearing and we intend to establish an "in-house bank" to provide intercompany financing, currency dealing and cash concentration measures.

Foreign currency risk management

Our international operations may expose us to foreign currency exchange rate risks in the ordinary course of our business, particularly regarding the U.S. dollar and the Singapore dollar. We assess our foreign currency exposure by considering balance sheet items, uncompleted contracts denominated in foreign currencies as well as planned collections and purchases denominated in foreign currencies. We manage net foreign currency exposures by either designating derivative financial instruments to specific transactions or we elect to economically hedge the foreign currency exposure. After the Acquisition, we intend to assign existing hedging deals from Siemens AG to Siemens Medical Instruments Pte. Ltd. and we are currently in the process of establishing our own line of currency hedging with various banks.

The following table shows the approximate change in our profit or loss in response to a 5% weakening of the euro against the U.S. dollar and the Singapore dollar as of the respective balance sheet. This analysis assumed that all other variables, in particular interest rates, remain constant.

(in thousands of €)	Effect on profit or (loss)		
	Fiscal year		
	2012	2013	2014
USD	254	(363)	(92)
SGD	1,000	1,289	(1,261)

Interest rate risk management

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under our credit facilities, all of which currently have floating interest rates. We plan to manage interest rate risk using interest rate swaps. We may be affected by changes in market interest rates at the time we need to refinance any of our indebtedness. We may be affected by mark-to-market losses in the fair value of our outstanding financial debt or interest rate derivatives to the extent that there is a mismatch between them or hedge accounting cannot be applied. See "*Risk Factors—Risks Relating to the Notes and Our Structure—Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow*."

Critical Accounting Policies

Summary of significant account policies

Basis of combination

The Combined Financial Statements includes financial information relating to (i) the Target and 28 of its subsidiaries fully dedicated to the audiology business as well as (ii) the audiology business in two Siemens' regional companies that were indirectly owned by Siemens AG and not the Target as of September 30, 2014, all operating together under common control and under the common management of Siemens Audiology Solutions, all of which will be acquired by BidCo in connection with the Acquisition. For more information, please see note 29 of the Combined Financial Statements.

The Combined Financial Statements have been prepared on a carve-out basis from the Siemens AG consolidated financial statements using the historical results from operations, assets and liabilities and cash flows attributable to Siemens Audiology Solutions and include allocations of expenses, assets and liabilities from Siemens AG. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between companies comprising Siemens Audiology Solutions and all investments and the respective parent's portion of equity of each subsidiary comprising Siemens Audiology Solutions have been eliminated.

Business combinations

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by us is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in net income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured; subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Uniform accounting policies are applied. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). After initial recognition, non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests.

Foreign currency translation

The assets, including goodwill, and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the reporting period, while the combined statements of income are translated using average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized. The combined statements of cash flows are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Under the condition that persuasive evidence of an arrangement exists, revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognized is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty. In case of a right of return, the sale is analyzed on a case-by-case basis to determine whether delivery is considered probable, considering the relevant contractual conditions and other circumstances, as well as historical experience and current forecasts. Only if returns can be reliably estimated at the time of sale is revenue recognized, and a provision for returns is recorded against revenue. In all other cases, revenue is deferred until the right of return lapses or returns can be estimated reliably. We assess our revenue arrangements against specific criteria in order to determine if we are acting as a principal or agent.

Sales of goods and services sometimes involve the provision of multiple elements. In these cases, we determine whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, foremost if the delivered elements have value to the customer on a stand-alone basis, the arrangement is separated and the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

Research and development costs

Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred. Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if (i) development costs can be measured reliably, (ii) the product or process is technically feasible, (iii) the product or process is commercially feasible, (iv) future economic benefits are probable, (v) we intend to complete development and to use or sell the asset and (vi) we have sufficient resources to complete development and to use or sell the asset. The costs capitalized include the cost of materials, direct labor and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in line item "Other intangible assets" as other internally generated intangible assets. Other development costs are expensed as incurred. Capitalized development costs are stated at cost *less* accumulated amortization and impairment losses with an amortization period of generally three years. Amortization expense is included in costs of goods sold.

Goodwill

Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) that suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit, which is the lowest level at which goodwill is monitored for internal management purposes. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating unit that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit to which the goodwill is allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit is recognized. The recoverable amount is the higher of the cash-generating unit's fair value *less* costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit or the group of cash-generating units to which the goodwill is allocated. There was no impairment to goodwill in the fiscal years ended September 30, 2012, 2013 and 2014.

Defined benefit plans and other post-employment benefits

The entitlements of the defined benefit plans are measured by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered, we consider future compensation and benefit increases, because the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases. The assumptions used for the calculation of the defined benefit obligation as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the fiscal year will be based on the discount rate for the respective year multiplied by the net liability at the preceding fiscal year's period-end date. The fair value of plan assets and the defined benefit obligation, and thus the interest income on plan assets and the net interest expenses on defined benefit obligations, are adjusted for significant events during the fiscal year end, such as a supplemental funding, plan changes or business combinations and disposals. The defined benefit obligation includes the present value from the effects of taxes payable by the plan on contributions or benefits relating to services already rendered.

Current service cost and past service cost and settlements for post-employment benefits as well as other administration costs that are unrelated to the management of plan assets are allocated among functional costs following the functional area of the corresponding profit and cost centers. Past service cost and settlement gains (losses) are recognized immediately in profit or loss when the plan amendment, curtailment or settlement occurs. Administration costs that are related to the management of plan assets and taxes directly linked to the return on plan assets and payable by the plan itself are included in the return on plan assets and are recognized in other comprehensive income, net of income taxes. For unfunded plans, we recognize a post-employment benefit liability equal to the defined benefit obligation. For funded plans, we offset the fair value of the plan assets with the defined benefit obligations. We recognize the net amount, after adjustments for effects relating to any asset ceiling, in the line item "Post-employment benefits" or in the line item "Other current assets." Remeasurements comprise actuarial gains and losses, resulting for example from an adjustment of the discount rate, as well as the difference between the return on plan assets and the amounts included in interest income or interest expenses on the net defined benefit liability (asset) and are recognized in other comprehensive income, net of income taxes.

Income taxes

We calculate current taxes based on the profit or loss of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement, unless related to items directly recognized in equity in the period the new laws are enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Key sources of estimation uncertainty

Revenue recognition

We maintain various contractual terms with customers related to the sales of our products. In some cases these contracts include multiple elements for which fair values need to be estimated for purposes of determining the amount of revenue, if any, which should be deferred to future periods. Significant judgment is required to allocate contract consideration to each unit of accounting and determine whether the arrangement is a single unit of accounting or a multiple element arrangement. Depending upon how such judgment is exercised, the timing and amount of revenue recognized could differ significantly. Deferred revenue (current and non-current) as of September 30, 2012, 2013 and 2014 amounted to €10.7 million, €13.6 million and €13.6 million, respectively. Additionally, in some markets the customers are granted a right of return. If returns can be reliably estimated at the time of sale, revenue is recognized and a provision for returns is recorded against revenue. We have estimated and accrued for the amounts to be returned in the subsequent period. This estimate is based on the right of return policies and practices along with historical data, sales trends and the timing of returns from the original transaction dates when applicable. Change in the trend of returns could lead to actual returns being different from the amounts estimated and accrued. Provisions for rights of return as of September 30, 2012, 2013 and 2014 were €8.5 million, €8.9 million and €11.8 million, respectively.

Trade and other receivables

The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, Siemens Audiology Solutions also considers country credit ratings, which are centrally determined based on information from external rating agencies. As of September 30, 2012, 2013 and 2014, we recorded a total valuation allowance for trade and other receivables of €11.7 million, €11.2 million and €12.5 million, respectively.

Impairment

The goodwill impairment test is performed at the level of cash-generating units, which is the lowest level at which goodwill is monitored for internal management purposes. In the fiscal years ended September 30, 2012 and 2013, Siemens Group management monitored goodwill and performed the goodwill impairment test at the level of the entire audiology business. The determination of the recoverable amount of a cash-generating unit to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced by the successful integration of acquired entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. We generally use discounted cash flow based methods to determine these values. These discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate of future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value *less* costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment, other intangible assets and investments accounted for using the equity method are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management that can have a material impact on the respective values and ultimately the amount of any impairment.

Other tax provisions

We are subject to various claims that arise in the ordinary course of our business, including tax claims from tax authorities in a number of the jurisdictions in which we do business. We assess all such claims in the context of the tax laws of the countries in which we do business and, where applicable, make provisions for any settlements that we consider probable. We believe that we have recorded adequate provisions as of September 30, 2014 for all such matters.

INDUSTRY AND MARKET OVERVIEW

Certain parts of the projections and other information set forth in this section have been derived from publicly available information, independent industry publications and reports prepared by management consultants. In particular, certain information has been derived from (i) Amplifon's financial reporting, (ii) a diligence report prepared by a major consulting firm and (iii) public economic data available on the website of external sources, including reports of the World Bank. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. See "Presentation of Industry and Market Data."

Market Overview

Hearing impairment solutions market

The hearing impairment solutions market, which we believe comprises approximately 11 to 12 million units sold annually worldwide, can be categorized into two segments: hearing instruments (overall manufacturer market size excluding retail estimated at approximately €3.2 billion in 2013) and implants. Both segments are considered to be separate markets, and we operate exclusively in the hearing instruments market.

Hearing instruments broadly cover the more traditional BTE products, which fit in the outer ear, as well as ITE products, which fit in the ear canal. Implant technologies require expensive surgical procedures to insert the implant into the bone or under the skin behind the ear.

The choice of instrument depends on the type and degree of hearing impairment. Hearing instruments are typically used in cases with mild to severe sensorineural hearing loss, where the root cause lies in the cranial nerve, inner ear or central processing centers of the brain. Binaural hearing instruments are designed for individuals with hearing impairment in both ears. In contrast, implants require expensive surgical treatment and are therefore normally used in cases of profound hearing loss. Typically, hearing instruments and implants are used to treat different levels of hearing impairments, and are therefore not substitute products. The following table provides an overview of the various hearing impairment solutions.

Hearing impairment solutions

Type		Comments	Degree of hearing loss	Total market size
Behind the ear (BTE)	Traditional BTE	■ Plastic case worn behind the ear and connected to a plastic earmold ■ Preferred choice in more complex cases ■ Generally bigger and more visible than others	Mild-severe (30–90dB)	€3.2bn[1]
	Receiver In the Canal (RIC)	■ Speaker is placed inside the ear canal ■ Typically smaller than BTE traditional ■ Best performance/size ratio	Mild-severe (30–90dB)	
In-the-ear (ITE) / In-the-canal (ITC)		■ ITE instruments fit into the outer ear (concha) ■ ITC instruments fit into the ear canal of the user and fill only the bottom half of the external ear ■ Completely-in-canal (CIC) instruments also exist and are barely visible ■ Used for mild to moderately severe hearing loss	Mild-severe (30–90dB)	
Implants	Cochlear implants	■ External portion sits behind the ear and second portion surgically placed under the skin ■ Bypass damaged portions of the ear	Profound (>90db)	
	Bone anchored	■ Device attaches to bone behind the ear ■ Transmits same vibrations directly to inner ear through the skull	Severe (70–90dB)	

[- -] Siemens Audiology Solutions

Source: Major consulting firm
(1) Estimated manufacturer market size excluding retail.

Product components and product differentiation

Fundamentally, hearing instruments are miniature amplification systems comprised of a number of basic components.

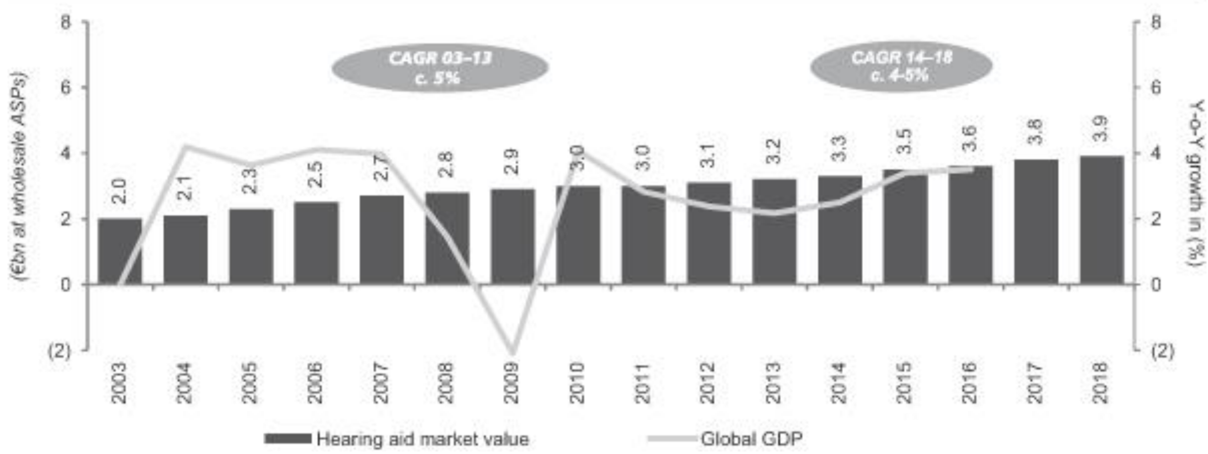
- *Microphones*, which are electric transducers that convert sound into electrical signals. On a BTE hearing instrument, the microphone will be located on the outer hook that goes around the ear. An ITE hearing instrument will have a small microphone on the out-facing surface.
- *Volume control*, which is a switch to control and adjust the volume in various sound environments. Several devices come with an automatic volume control, which can automatically adjust the volume after analyzing the sound levels.
- *Receiver*, which is a small loudspeaker that converts electrical signals from amplifier into acoustic signals.
- *Program switch*, which is a selector function that allows the user to switch between different pre-set programs in the hearing instruments depending upon the environment.
- *Amplifier*, which increases the intensity of the signals from the microphone. Filters modify the sounds, so that only sounds relevant for the user are amplified.
- *Battery*, which provides operating power to the hearing instrument.
- *Earhook*, which holds the hearing instrument to the ear and provides acoustical coupling to the earmold. Earhooks are typically needed for all BTE devices.

While the basic components of a hearing instrument are the same, the components used in different hearing instrument platforms vary. The costs of high-end products can be multiple times the price of low-end products, which is typically caused by the different device software, feature set, components, and functionality. As such, profit margins across price segments of a particular platform vary significantly and the highest profit margins are generally derived from high-end products.

Resilient growth and outlook supported by strong fundamentals

The hearing instruments market is an attractive market which has experienced consistent growth at a CAGR of approximately 5% over the last ten years based on strong fundamentals and defensible underlying characteristics. The industry is largely decoupled from GDP trends and even showed continued positive growth rates during the financial crisis in 2008 and 2009. Going forward, the hearing instruments market is forecast to grow largely in line with the historical trend, at a CAGR of approximately 4% to 5% between 2014 and 2018 as shown in the following chart:

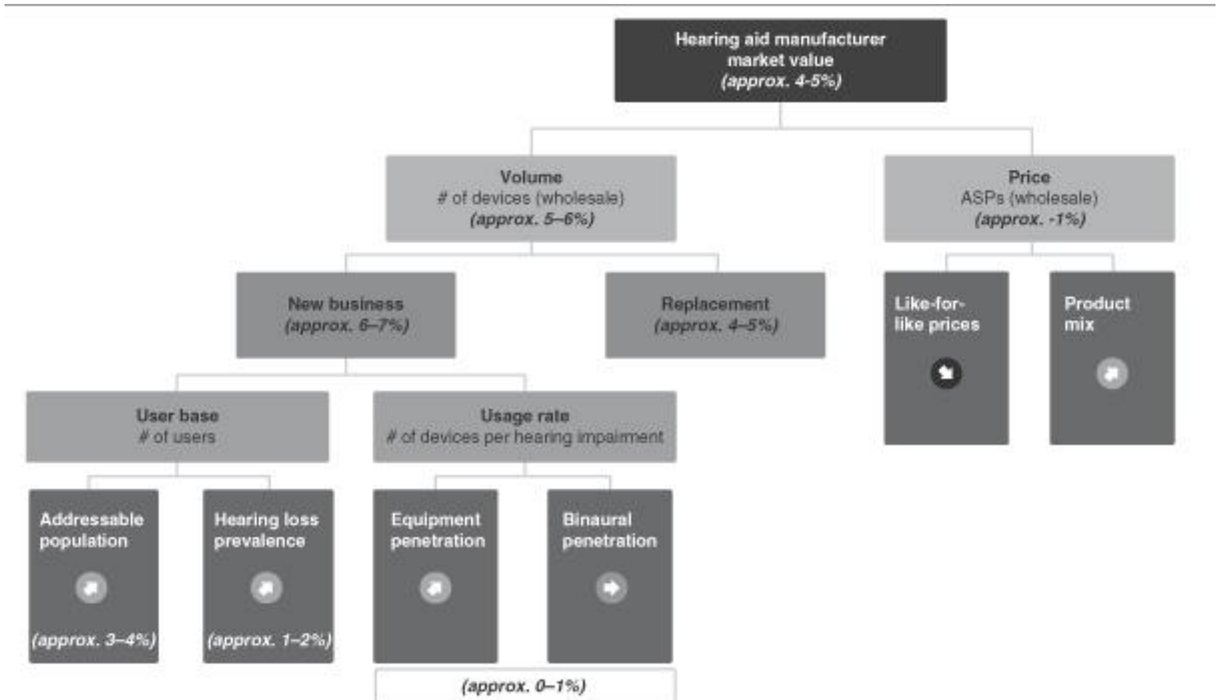
Global hearing instruments market



Source: Major consulting firm; World Bank

The key determinants of overall market value evolution can be divided into drivers of volume and ASPs as shown in the figure below. As ASPs decline slightly, growth is driven by volume expansion and replacement of existing hearing instruments. Volume growth is primarily driven by two underlying trends. First, the customer base is increasing due to demographic development and an increase in the prevalence of hearing loss. Second, the currently low usage rates within the hearing impaired population are expected to increase due to a number of underlying factors, such as technological advances, social acceptance, increasing penetration of binaural hearing instruments, improved logistics and distributions of hearing instruments, more affordable hearing instruments and increasingly positive customer feedback. Growth in penetration rates is further stimulated by emerging markets, which have so far shown only a limited usage of hearing instruments.

Market drivers for hearing instruments manufacturer market value growth

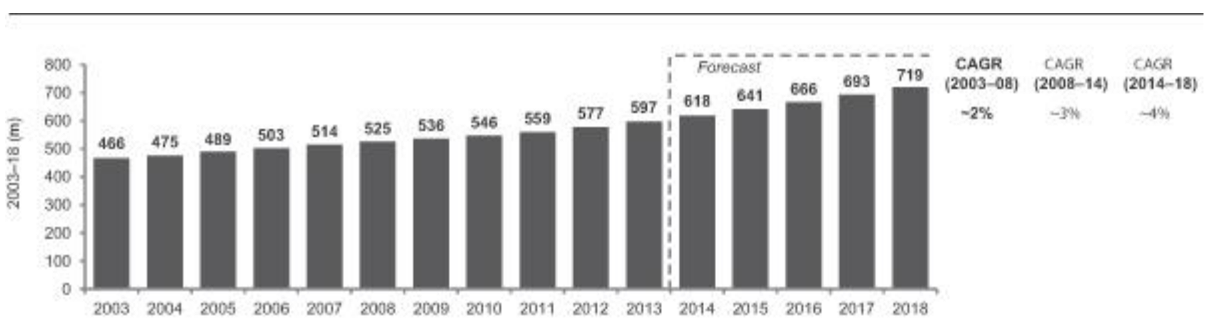


Source: Major consulting firm

Growth in addressable population

Growth in the global hearing instruments market is supported by favorable demographics, resulting from a growing population of those aged 65 and older. According to a major consulting firm, this share of the population has grown at a CAGR of approximately 3% between 2008 and 2014 as shown in the table below. The trend is expected to continue at a CAGR of approximately 4% from 2014 to 2018, which is the primary driver for the projected volume growth in the industry. Aging is in fact the cause of approximately 85% of hearing loss cases, and as the baby boomer generation reaches retirement, the target market for hearing instruments manufacturers grows.

Global population (aged 65 and older)

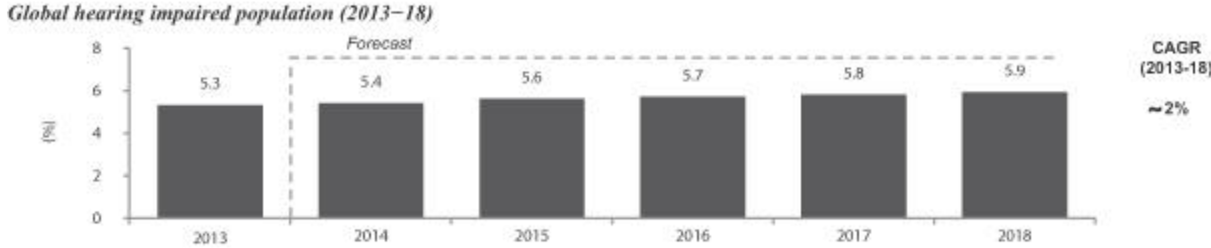


Source: Major consulting firm

Hearing loss prevalence

The prevalence of hearing impairment is positively correlated with the increasing population of those aged 65 and older, as well as with the increasing noise pollution that people are exposed to. It is estimated that approximately 35% to 40% of the population of those aged 65 and older have some degree of hearing loss. As the global population grows and ages, hearing loss prevalence is also forecasted to grow at a CAGR of approximately 2% between 2014 and 2018, as shown in the table below.

Global hearing loss prevalence

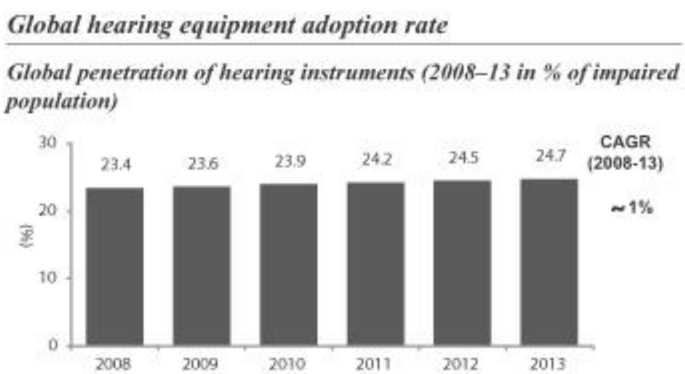


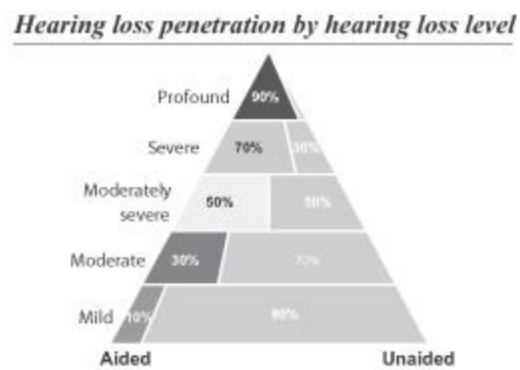
Source: Major consulting firm

Equipment penetration

Alongside increasing hearing impairment rates, the adoption rate of hearing instruments amongst the impaired population is steadily growing. Social acceptance of hearing instruments usage is a key determinant of penetration rates. As the usage of hearing instruments becomes more widespread in society, acceptance grows, which further increases usage. Other factors contributing to the increase in hearing instruments usage are the increased awareness of different stages of hearing impairment among the affected, improved technology and better provision of access to devices.

Penetration rates vary across regions and are driven predominately by differences in reimbursement rates, varying levels of social acceptance and affordability. Based on the report of a major consulting firm, penetration in the United Kingdom, where hearing instruments are fully reimbursed by the NHS, was the second highest globally, at 35% of the impaired population in 2013 and is expected to reach approximately 40% by 2018. In the United States, 2013 penetration rates were at 23%, reflective of the low national reimbursement rates, apart from those eligible for VA. The report also estimates the global penetration of hearing equipment at 24.7% in 2013, having increased from 23.4% in 2008 as shown in the chart below, which offers substantial upside potential for the industry as adoption rates increase further. In particular, there remains a large untapped target market among those with low to moderate impairments, as shown below. As the mind-set of patients moves away from the traditional view that hearing instruments are only for those with profound cases of impairment, it is probable that the industry will witness a significant shift in demand from those with less severe cases of hearing loss.





Source: Major consulting firm

Source: Amplifon

In emerging markets, the penetration rate of hearing instruments is much lower than in developed countries. Manufacturers with exposure to emerging markets are expected to benefit from rapidly increasing penetration in these regions.

Binaural adoption

Improved performance of hearing instruments is driving the increase in the binaural adoption rate, which is expected to increase by approximately 1% every year over the next four years from approximately 39% in 2013 as shown in the table below. The perceived user benefits of binaural usage for those with impairments in both ears include:

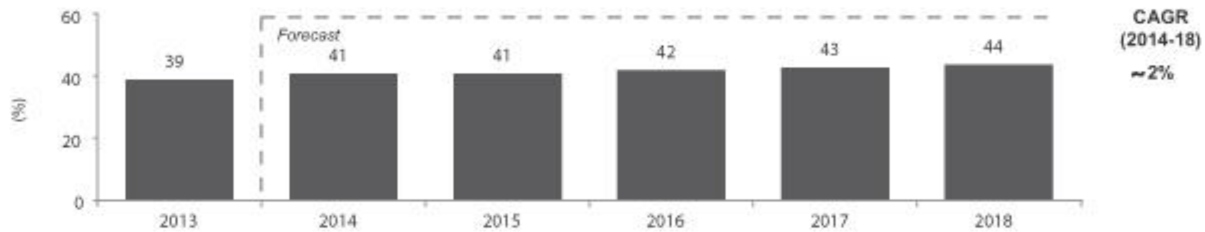
- better understanding of speech, as selective listening is more easily achieved, allowing the brain to focus solely on the conversation that is chosen to be heard;
- improved understanding in groups and difficult listening situations;

• localization that allows the individual to determine the direction sounds are coming from; and

• superior sound quality and sense of balance due to the increased hearing range with two instruments rather than just one.

Historically, the adoption rates of binaural usage have experienced particularly strong growth in key countries (*e.g.*, Germany 16%, France 18% and the United Kingdom 17%, in CAGRs of adoption between 2009 to 2011). Because binaural fitting rates already stand at a high level in some countries as of today (*e.g.*, Germany 76%, France 74% and the United Kingdom 64%), these adoption rates are expected to only moderately influence global hearing instruments market value growth.

Global binaural adoption rate



Source: Major consulting firm

Replacement

Alongside the entrance of new users of hearing instruments, total market volumes are supported by high replacement rates of existing customers. Typically, a hearing instrument is replaced by the end-user every five years, which suggests that a share of market revenue is driven by replacement purchases each year. This favorable characteristic provides recurring demand for hearing instruments.

Average selling prices

ASPs within the hearing instruments industry have deteriorated over the last few years and are expected to further decrease at a CAGR of approximately 1% between 2014 and 2018. On a like-for-like product basis, prices are expected to decrease by 2% to 3% until 2018. This negative trend is partially countered by a changing product mix, leading to a 1% to 2% price increase over the same period. Historically price increases were strongly driven by the effect of digitalization, where existing hearing instruments were switched from analog to digital. Going forward, this effect is expected to gradually phase out. In addition, product types such as RIC have been taking increasing market share and volume. However, due to lower pricing, the RIC market share and volume increase has led to a decrease in overall ASPs. These effects are expected to be only partially mitigated by a changing product mix towards products with higher ASPs. Additionally, pro-active channel management, especially a shift from key accounts to independent dispensers and purchasing groups, and continued investment in R&D aimed at continued product innovation help mitigate the decrease in overall ASPs.

Value chain and distribution channels

The value chain for hearing instruments products consists of three key activities: component manufacturing, hearing instruments manufacturing and distribution.

• Component manufacturer—This segment represents a relatively small proportion of the value chain (approximately 5% to 10%) and is dominated by two key players focused on transducer production (Knowles) and controls and switches (Pulse).

• Hearing instruments manufacturer—This segment represents approximately 20% to 30% of the value chain, with the top six players holding more than 90% of the global market share.

• Direct and indirect distribution companies—This segment comprises the major part of the value chain (approximately 60% to 75%) and represents the primary customers for OEMs. Overall, this is a highly fragmented segment with many local and national players and a strong presence of public institutions in certain countries.

Across the value chain, hearing instruments manufacturing is the most profitable activity, with EBIT margins in the 20% to 25% range compared to component manufacturers (5% to 15% EBIT margin) and direct and indirect distributors (10% to 15% EBIT margin), as shown below.

Hearing aids value chain

	Component Manufacturers	Hearing aid manufacturer	Direct / indirect distributors
Key players	• Knowles: 75% transducer supply market • Pulse: 75% controls and switches • Sonion: leading producer of microphones • ON semiconductor IntriCon	• Sonova • William Demant • SAS • GN Resound • Starkey • Widex	• Retail chains • Public/tender contracts e.g. NHS, VA, AHS • OEM retailers • Independent dispensers
% of value chain	5-10	20-30	60-75
EBIT margin (%)	5-15	20-25	10-15
Degree of consolidation	• Two large players • OEM in-house manufacturing and assembling	• Top 6 manufacturers have >90% market share with increasing trend	• Highly fragmented • Strong public institution presence
Key success factors	• Low cost production • Reliability	• Technological innovation • Strong relationships with audiologist retailers • Marketing	• Consumer trust • Brand awareness • Ongoing customer relationship

Source: Major consulting firm

Typically, the degree of fragmentation and the mix of distribution channels varies significantly from country to country. Independent dispensers represent the most attractive channel for hearing instruments manufacturers, both in terms of ASPs and profitability. Key types of distributors are described below:

- Independent dispensers—This fragmented channel can be segmented into independent audiologists and larger purchasing groups. The purchasing power of true independent audiologists, which sell on average three brands, is generally weak. Purchasing groups allow independent dispensers to act in a competitive manner, as they benefit from reduced prices, but still allow them to remain legally independent. Independent audiologists are a major distribution channel in Germany and the United States.

- Distributors—The market is experiencing forward integration of manufacturers into direct distribution to defend and gain market share. This is true particularly in mature markets, such as the United States, where we have a growing presence following our recent acquisition of HearUSA.

- Key accounts—Key accounts have significant purchasing power due to their size. Larger key accounts include companies such as Amplifon, Costco, Audionova or Specsavers. Their overall share of the distribution part of the value chain is expected to remain relatively stable over the medium-term.

- Public/tender contracts—Hearing instruments manufacturers submit tenders to supply instruments in some countries. Key entities include the NHS (United Kingdom), VA (United States) and AHS (Australia). In the United Kingdom, the NHS distributes approximately 80% of hearing instruments and is able to use its strong purchasing power to negotiate discounts with manufacturers.

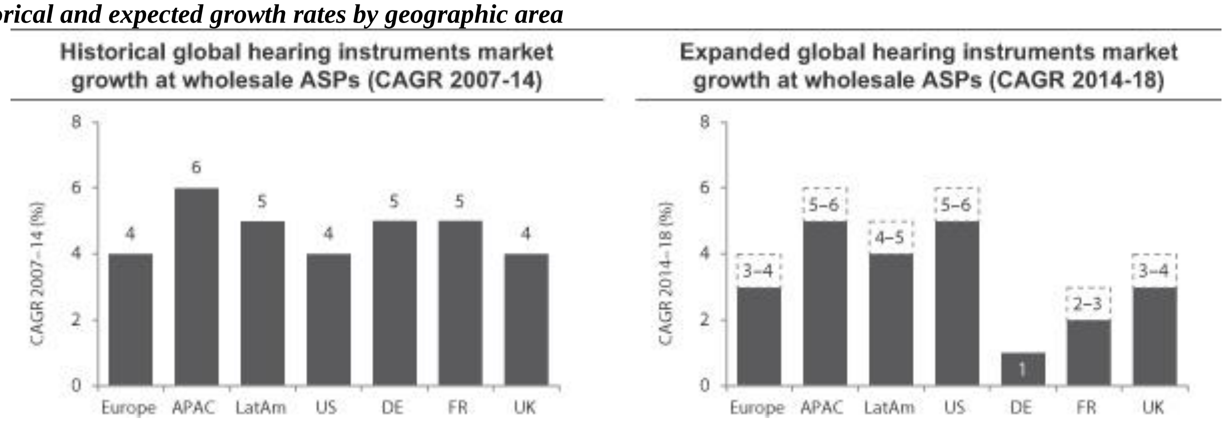
- Virtual—The virtual sales channel comprises mail order and online sales channels. So far, predominantly smaller players have focused on online retail. These channels can offer significant upside potential and new opportunities for established hearing instruments players. Despite the ongoing ramp-up of online activities, the current market structure has so far remained relatively stable.

For hearing instruments manufacturers, forward integration via the acquisition of distributors exhibits a strong strategy. It allows manufacturers to better position their own products with end-customers and also partially mitigates pricing pressure from the distribution channel. However, the scope for expansion is constrained, as mono-brand stores only possess limited cross-selling potential, and thus limited volume potential. Despite recent consolidation trends, the distribution part of the value chain remains highly fragmented.

Key Geography Analysis

Although the importance of emerging markets is increasing, hearing instruments are still mainly sold in the developed world, with North America and Western Europe accounting for more than two-thirds of the market. The industry has seen positive growth trends across key regions—in particular emerging markets and North America, with a CAGR between approximately 4% to 6% from 2007 to 2014. Future growth is expected to be in line with historical trends across most countries as shown in the figures below.

Historical and expected growth rates by geographic area



Source: Major consulting firm

United States

Market growth and key drivers of growth

The United States is the largest hearing instruments market globally, with a value of approximately €1.3 billion in 2014. Historical growth has been strong at approximately 4% to 5% CAGR between 2012 and 2014. Future growth is expected to be slightly higher at a projected CAGR of approximately 5% to 6% between 2014 and 2018. Key growth drivers in the American market are (i) growing penetration rates, especially for end-users with moderate hearing loss and (ii) the baby boomer generation reaching an age of 65 or older, which increases the addressable market significantly. Key accounts remain critical to support market volumes and are expected to drive the ASPs down at a CAGR of 1% between 2014 and 2018.

Distribution channels

In the United States, independent audiologists are likely to remain the backbone of hearing instruments distribution, with approximately 35% to 40% of market share in terms of total units sold. However, their influence is slightly decreasing due to consolidation led by national chains (*e.g.*, Miracle Ear), OEM forward integration and mass retailer growth. VA distribution volumes are at approximately 20% and are expected to increase from 2014 to 2018, driven by the aging demographic and high adoption rates associated with better coverage for hearing instruments expenses. Large mass retailers and national hearing aid chains control approximately 15% to 20% of market share, which is likely to continue to grow, driven by the roll-out of hearing instruments centers. Other channels include government programs and teaching hospitals, with 5% to 10% of market share. These channels are expected to lose market share, as the consolidation trend continues. The online segment currently is still of limited significance.

Regulatory environment

In the United States, veterans and people eligible for VA are entitled to 100% reimbursement for hearing instruments. There is no country-wide level of reimbursement (*e.g.*, from Medicare) and hearing instruments are only covered by private health insurance with supplemental policies. In the future, no major regulatory change is expected, and only a slowly increasing level of supplemental insurance policies is expected.

Germany

Market growth and key drivers of growth

The hearing instruments market in Germany has an expected market value of approximately €405 million in 2014. Historical growth has been strong at a CAGR of approximately 6% from 2012 to 2014, which was driven by a combination of supportive demographic trends and beneficial changes in national reimbursement policies. The expected CAGR 2014 to 2018 growth is approximately 1% as the impact of the changes in such policies on volumes has largely dissipated. The German market currently has one of the lowest ASPs.

Distribution channels

In Germany, the market is dominated by independent audiologists and small to mid-sized retailers. Independent audiologists and purchasing groups are expected to maintain a stable share of approximately 70% of the total market.

Regulatory environment

The industry in Germany is currently re-balancing, following recent reimbursement rate changes. In November 2013 the industry experienced an increase in reimbursement rates from roughly €300 to in excess of €700 per device. Going forward, reimbursement rates are expected to remain stable.

France

Market growth and key drivers of growth

In France, the manufacturer market is expected to be worth approximately €220 million in 2014. The market experienced a CAGR of approximately 5% to 6% from 2012 to 2014 following a period of stagnation in 2012 due to uncertainty over the outcome of national elections. The market rebounded in 2013, with a volume increase of 8%. Going forward, the market is projected to experience an overall CAGR of 2% to 3%, driven by strong volume growth from marketing efforts of manufacturers and favorable demographic trends, with the population set to increase at a CAGR of 2% between 2014 and 2018.

Distribution channels

France is a highly fragmented market dominated mainly by purchasing groups and retailers. Purchasing groups are expected to grow in line with the market, as independent dispensers continue to rely on buying groups for price competitiveness. Retailers show a diverse picture. Some of them show strong growth due to successful positioning, a focus on their commercial strategy and a perception of being good "value for money" retailers. Others, at the high end of the spectrum, have lost some market share due to a weakened governance structure and lack of ability to defend their market position.

Regulatory environment

In France, the reimbursement level is low, with the government reimbursing on average approximately €120 per device. The level of reimbursement patients receive from their health insurance varies by contract, however, and is often in the €300 to €500 range per device. Reimbursement rates are expected to come under pressure going forward.

United Kingdom

Market growth and key drivers of growth

With an expected industry value of approximately €160 million in 2014 and penetration rates of hearing instruments usage at approximately 35% (the second highest penetration rate globally in 2013), the United Kingdom is a strategically important region for the hearing instruments market. The market experienced strong growth between 2012 and 2014 (CAGR of approximately 7% to 8%), which was supported by the Any Qualified Provider ("**AQP**") initiative, enabling reimbursement for devices provided through the private market. Going forward a growth rate of approximately 3% to 4% is projected as the AQP scheme provides further access to patients through private channels. The high penetration level in the market is driven predominantly by the reimbursement structure, with public institutions (*e.g.*, NHS) providing 100% reimbursement rates (approximately 80% of the UK distribution).

Distribution channels

Distribution is dominated by the public/tender contracts channel. Going forward, political discussions around increased privatization are expected to reduce NHS volumes. Specsavers, one of the largest players in the private market, was able to establish itself as a 'high-street' retailer, leveraging its footprint and position in optician sales. Specsavers is expected to continue to grow, on the back of the shift to provide hearing instruments privately through the AQP initiative. The share of other retailers is projected to decline due to rising competition and the significant market consolidation anticipated as a result of structural shifts from public to private.

Regulatory environment

The UK reimbursement environment is highly favorable for manufacturers, with the NHS providing full reimbursement for hearing instruments. In the future, slight reimbursement reductions are expected due to budget concerns and austerity measures introduced in 2012. However, no change is foreseen until the elections in the second quarter of 2015 have taken place.

China

Market growth and key drivers of growth

The hearing instruments market in China has grown at a CAGR of approximately 13% to 14% between 2012 and 2014, driven by a growing middle class population and increasing penetration rates. The continuation of such trends is expected to support a projected market CAGR of 13% to 14% between 2014 and 2018.

Japan

Market growth and key drivers of growth

The hearing instruments market has grown at a CAGR of approximately 3% between 2012 and 2014. Future growth is expected to be in line with historical trends at approximately 3% CAGR between 2014 and 2018. The Japanese market presents a very low binaural adoption rate (approximately 39% in 2011 and 2012), which is expected to increase favoring above market average growth.

Competitive Landscape

The hearing instruments industry is characterized by strong IP protection, stringent regulations and a close symbiotic relationship between suppliers, manufacturers and retailers, leading to high barriers of entry. New entrants would need significant capital outlay and high levels of technical know-how to compete effectively in this market. In addition, the market only sees a limited threat of substitutes. The threat from low-cost manufacturers remains low, as most of the key players in the market are already producing in low-cost countries.

Accordingly, the hearing instruments market is dominated by only six key players who represent more than 90% of the total market value, with the leading manufacturers being largely the same across key countries. The three largest OEMs cover approximately 65% of the global market.

According to a major consulting firm, the largest player by value in the hearing instruments market is Sonova, the second largest player is William Demant, and we are the third largest player. Our industry is generally characterized by a high degree of stability with regards to market share. Our market share had slightly decreased in 2010 and 2011, but has stabilized and slightly increased since 2011 after the appointment of our current management team and the successful implementation of a number of strategic and operational initiatives. See "*Proven performance achieved through industry-leading innovation and structural measures.*"

Product Portfolio and Technology

As shown in the table below, all leading global manufacturers offer products based on the most common technologies of BTE and ITE. In addition, Sonova and William Demant both entered the cochlear implants market in 2009, to further drive horizontal differentiation. Our focus is on hearing instruments and we have not entered the cochlear implants market, which addresses only deaf or profoundly hearing-impaired people who cannot use conventional hearing instruments. Cochlear implants and hearing instruments are not considered to be substitutes.

Overview of product portfolio

Product type	SIEMENS Audiology Solutions	Sonova	William Demant	GN Resound	Starkey	Widex
BTE[(1)]	✓	✓	✓	✓	✓	✓
ITE	✓	✓	✓	✓	✓	✓
Implants		✓	✓			
Diagnostic equipment			✓			

Source: Major consulting firm

(1) Includes RIC.

We believe we are one of the three technology leaders in the industry. Our core competency is seen in rechargeable battery solutions and directional hearing capabilities. Sonova focuses on quick platform launches and scientific reputation because of its cochlear implants business. William Demant is recognized for its ear-to-ear processing and largest frequency band for natural sound. Wireless technology is currently regarded as the most innovative technology and a key angle for targeting new customer groups.

The following table shows various characteristics of use and our key competitors.

	Leading manufacturers			Close followers		
	SIEMENS Audiology Solutions	Sonova	William Demant	GN ReSound	Starkey	Widex
Product portfolio	■ Hearing aids	■ Hearing aids ■ Hearing implants	■ Hearing aids ■ Hearing implants	■ Hearing aids	■ Hearing aids	■ Hearing aids
Headquarters	Singapore	Switzerland	Denmark	Denmark	U.S.A.	Denmark
Market share[(1)]	18%	24%	23%	13%	10%	7%
Regional focus[(2)]	EMEA-LA: 43% North America: 35% APAC: 22%	EMEA: 41% Americas: 37% Row: 22%	North America: 41% EMEA: 38% RoW: 21%	North America: 41% EMEA: 38% Row: 21%	na	na
Key brands	■ Siemens ■ Rexton ■ Audio Service	■ Phonak ■ Unitron ■ Advanced Bionics	■ Oticon ■ Bernafon ■ Sonic	■ ReSound ■ Interton ■ Otometrics	■ Starkey ■ Micro-Tech	■ Widex
Core competences	■ Rechargeable battery solution ■ Directional hearing capabilities	■ Quick platform re-launches "'industry drumbeat") ■ Scientific reputation (due to cochlear implants)	■ E2E Processing (dubbed "BrainHearing") ■ Largest frequency band for natural sound	■ Wireless connectivity ■ Low battery usage ■ Apple cooperation	■ Wireless connectivity ■ Apple Cooperation	■ Discrete in-the-ear hearing aids ■ Design of shells
Distribution	■ Wholesale ■ Own retail chains e.g. HearUSA	■ Wholesale ■ Own retail chains e.g. David Ormerod	■ Wholesale ■ Own retail chains e.g. Gordon Stowe	■ Own retail chain e.g. Beltone	■ Wholesale (some retail exposure)	■ Wholesale ■ Own retail chain e.g. Regional Hearing

Source: Major consulting firm

(1) Market shares based on estimated wholesale revenues in € billions.
(2) Siemens split based on fiscal year 2014, competitors based on fiscal year 2013 revenue.

OUR BUSINESS

In this offering memorandum, all references to "we", "us" or "our" are to the Issuer and its subsidiaries, collectively, after giving effect to the completion of the Acquisition. References to the Issuer are to Auris Luxemburg II S.A. only. Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements."

Overview

We are a pure play manufacturer of hearing instruments with more than 100 years of experience in audiology. With more than three million units manufactured annually, we believe we are the largest global manufacturer by volume and third largest global manufacturer by revenue in the fiscal year ended September 30, 2014. Our innovative and technologically advanced hearing instruments and complementary diagnostics workflow solutions and service have helped build our market-leading positions in Asia, Europe and North America. We are headquartered in Singapore and employ approximately 5,000 employees. In the fiscal year ended September 30, 2014, we generated revenue of €690.4 million (an increase of 3.2% compared to the fiscal year ended September 30, 2013), *Pro Forma* Adjusted EBITDA of €156.9 million (22.7% *Pro Forma* Adjusted EBITDA margin) and incurred capital expenditure of €18.8 million (2.7% of revenue).

We offer a broad and competitive range of innovative, high-quality hearing instrument products across all price categories and instrument types, serving consumers with varying degrees of hearing loss. Our product portfolio comprises BTE, ITE and RIC devices and related accessories, diagnostic tools and services. Our recent innovations include our micon product family, based upon our proprietary micon technology platform, which has been a key driver of our revenue growth since its launch in 2012, and our binax product family, based upon our proprietary binax technology platform, a binaural hearing system launched in October 2014.

We market our products to a fragmented base of over 2,500 customers through multiple distribution channels. In the fiscal year ended September 30, 2014, independent dispensers generated the largest share of our revenue (approximately 37%) followed by key accounts (approximately 29%), distributors (approximately 22%) and public funded healthcare systems (approximately 12%). Our customers include well-known companies such as Amplifon, Audionova and Costco and government agencies such as the NHS, VA and Australian Hearing in Australia. We have a global and low-cost manufacturing footprint. Our serial production of BTE devices is located in Asia, while we manufacture customized ITE instruments at sites closer to our end-users, allowing us to reduce lead times and maintain high customer service. Approximately 2,700 of our employees work in manufacturing, including approximately 1,000 in low-cost countries such as China, Indonesia and Poland. Our R&D teams are consolidated at two principal locations in Singapore and Germany.

Our Competitive Strengths

Highly attractive and resilient market underpinned by strong fundamentals

We operate in an attractive market characterized by strong and stable growth. Because of the importance of hearing instruments in maintaining quality of life for end-users, the global hearing instruments market historically has been relatively unaffected by macroeconomic factors and has proven to be resilient during the recent global financial crisis. Furthermore, the hearing instruments market historically has benefited from a generally stable regulatory environment and comparatively low price sensitivity of end-users.

According to a major consulting firm, the global hearing instruments market has grown in value at a CAGR of approximately 5% between 2003 and 2013 and is expected to grow at a CAGR of 4% to 5% between 2014 and 2018, driven by several favorable demographic trends and other factors, including:

Aging population and increasing prevalence of hearing loss

The proportion of the global population aged 65 and older, of which 35-40% show some degree of hearing loss, has demonstrated consistent historic growth (approximately 3% CAGR between 2003 and 2013) and is expected to increase by approximately 4% CAGR between 2014 and 2018 primarily due to the "baby boomer" generation reaching retirement age and longer life expectancy.

Increasing penetration rates

According to a major consulting firm, the global penetration rate of hearing instruments is still very low at approximately 25% as of 2013, although it has consistently grown over the last five years driven primarily by a number of socio-economic factors and technological improvement. Consistently growing penetration rates provide a very attractive market opportunity for us. We are particularly focused on increasing our presence geographically in markets and among groups of end-users that have comparatively low penetration rates but high growth potential. In APAC, penetration is particularly low. We believe that manufacturers with substantial revenue exposure to APAC, such as ourselves, will benefit from rapidly increasing penetration in these regions.

Increasing binaural adoption rates

According to a major consulting firm, the share of users wearing hearing instruments in both ears, or binaural hearing instruments, was approximately 39% in 2013 and is expected to increase by 1% annually, on average, over the next four years. We believe that up to 80% of the hearing impaired population could benefit from using binaural hearing instruments, which offer improved hearing in group environments, better ability to locate speakers and superior sound compared to wearing a hearing instrument in only one ear.

Limited reliance on reimbursement regimes and stable regulatory environment

While government funded reimbursement programs constitute a very important distribution channel in our market, the level of reimbursement of hearing instruments is generally low compared to other healthcare markets, such as pharmaceuticals. This contributes to the resilience of the global hearing instruments market as decreases in government spending as a result of macroeconomic, political or other factors have a comparatively limited effect on the demand for hearing instruments. In addition, we have a limited exposure to public tenders (approximately 12% of revenue for the fiscal year ending September 30, 2014), and we believe that only a small percentage of end-users who purchase our hearing instruments through other channels relies on insurance or government reimbursement regimes.

Most profitable segment in the value chain supported by high barriers to entry and limited substitution risk

We operate in the most profitable part of the hearing instrument value chain, which consists of three groups: (i) component manufacturers, (ii) OEMs such as ourselves and (iii) distributors. While leading hearing instrument manufacturers have consistently shown EBIT margins above 20%, component manufacturers and distributors generally report EBIT margins between 5% and 15%. Our position in the value chain is attractive because (i) component manufacturers represent only a small proportion of the value chain and many components are assembled in-house directly by OEMs resulting in limited supplier risk, (ii) distribution continues to be very fragmented in most countries despite some consolidation in recent years, allowing hearing instrument manufacturers to negotiate favorable terms with distributors (iii) the manufacturer market is concentrated with six players accounting for more than 90% of the market and (iv) there is a limited competitive threat from new entrants in low-cost countries, as leading manufacturers already have a significant production footprint in low-cost countries.

High barriers to entry also contribute to a stable competitive environment and resilient margins. The global manufacturing base and high technological capabilities necessary to compete in the hearing instrument market require substantial up-front investment, particularly in R&D for sound processing and miniaturization of components. Our engineering know-how, built up over several decades, and continuous development of new products support the significant barriers to new entrants. In addition, a fragmented distribution channel requires a large and effective sales force as well as deep integration of OEMs with their distribution partners, which cannot be easily replicated. Distributors are closely tied to OEMs through their fitting software, after-sales support, customer service and long-standing relationships. Further, hearing instruments are classified as Class I and Class II medical devices by the FDA. The FDA regulates, among other things, the design, development, testing, premarket clearance or approval, manufacturing, labelling, advertising, promotion, sales, distribution and post-market performance of such products, and all companies must comply with FDA regulations in order to compete in the United States, which is one of the most profitable markets in the world. Additionally, regulation of the hearing instruments industry generally limits the fitting of hearing devices to qualified professionals, creating an additional barrier for new entrants and new technologies.

Finally, there are limited alternatives for hearing impaired end-users. Implants, for example, are more expensive, require medical surgery and are riskier than hearing instruments. In addition, hearing instruments and implants are used for different levels of hearing losses (with hearing instruments covering mild to severe hearing impairments and implants used for profound hearing loss) and are not necessarily considered substitutes.

Leading market participant with strong market positions in Europe, Asia and North America

We believe that we are the leading global hearing instruments manufacturer by volume with more than three million units manufactured annually. In addition, we believe we are the third largest manufacturer of hearing instruments on a value basis with an approximately 18% market share of the global manufacturer market in the fiscal year ended September 30, 2014, which consists of manufacturing and developing hearing instruments and distributing them into various sales channels. We believe we are the largest manufacturer by volume in key markets such as France and Australia. We also believe we are the largest manufacturer by volume in China and India, which are two of the fastest growing hearing instruments markets globally. We believe we are the second largest manufacturer by volume in the United Kingdom and the third largest in Germany. In the last few years, we have managed to significantly improve our market position in North America, where we now believe we are the fourth largest manufacturer and distributor as measured by units sold. We also have leading positions with major independent distributors in various countries such as Amplifon and Costco and national public health institutions such as the NHS in the United Kingdom, the VA in the United States and Australian Hearing in Australia. Our market-leading positions provide us with significant bargaining power with customers and suppliers and help us to maintain a large, profitable and geographically diversified network of customers.

Proven performance achieved through industry-leading innovation and structural measures

In the last three years, we have grown our business and increased our market share due to multiple strategic and operational initiatives implemented by our CEO Dr. Roger Radke, our CFO Marcus Desimoni and our wider management team. After joining the Company in 2010, our CEO and CFO reshaped the entire organization, hired a new management team, drove a new product strategy and started to implement other operational measures that have driven growth and margin expansion. These initiatives addressed the perceived technological gap with key competitors, significantly improved our sales approach and client proximity, established a focus on profitability and capital allocation and rationalized our manufacturing and R&D footprint, thereby enhancing our competitive positioning and financial profile.

Renewed focus on developing innovative products has driven our financial performance in the fiscal years ended September 30, 2013 and 2014. For example, in October 2012, we launched a new line of products based on our proprietary micon technology platform, which represented a significant leap in processing power compared to its predecessor platform. Given its feedback cancellation, flexibility in frequency shaping and directional computational capabilities, micon helped us to improve penetration with independent audiologists and improve our ASPs. With more than 1.5 million units sold since its launch, micon has been a key driver of revenue growth and gross margin expansion. In October 2014, we launched our newest and most advanced generation of products based on the binax technology platform, the first technology platform based on binaural hearing. Since its launch, the binax platform has received strong positive feedback by customers and industry experts. We believe that binax is widely viewed as one of the most innovative technologies in the global hearing instruments market due to its automatically adjusting binaural features, optimized wind noise reduction, improved directionality, strong speech/span and direction solutions and low battery consumption.

Furthermore, we have improved our sales approach in our key markets like the U.S. and Germany. We have hired new sales directors in both countries. We have adopted a proactive channel strategy focused primarily on the profitable segment of independent dispensers, from whom we typically achieve higher ASPs and thus higher margins, as opposed to our previous focus on key accounts. For example, in Germany, between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014, we proactively sought to achieve better economic terms on supply contracts with certain large accounts, which resulted in a decline in units in the short term but that was more than offset by higher revenue generated by independent dispensers. As a result of this shift in distribution strategy, revenue from independent dispensers grew from 33% of our revenue in the fiscal year ended September 30, 2012 to 37% of our revenue in the fiscal year ended September 30, 2014. This shift allowed us to increase average ASPs over the same period, while ASPs in the overall hearing instruments market were generally on a slightly decreasing trajectory. We have also pursued a selective forward integration strategy in the United States by acquiring HearUSA. Since the acquisition, HearUSA has shown strong financial performance.

In the last three years, our management team has closed seven ITE manufacturing plants and successfully implemented a reorganization of our production facilities aimed at (i) rationalizing production capacity, (ii) increasing the share of manufacturing in low-cost countries and (iii) increasing automation to reduce operating costs and lead times. Historically, our production was characterized by a high share of manual labor compared to automated processes. However, between the fiscal years ended September 30, 2013 and 2014, we increased the proportion of automated production from approximately 14% to approximately 31% of total units produced. The micon platform launched in 2012 was the first platform manufactured in a fully automated production process in Singapore, and we expect the share of automated production to further increase with the new binax platform.

We have also consolidated five R&D centers into two in order to achieve higher productivity while still maintaining overall R&D expenses at approximately 7% as percentage of revenue over the last three fiscal years in line with our key competitors. Consolidating R&D centers has increased efficiency by leveraging the synergies inherent in having personnel concentrated in the same locations and facilitating the exchange of ideas among R&D personnel. In parallel, we have invested in improving our technological expertise, such as strengthening our wireless team, and we have developed and expanded our Asian R&D base, which has been a driving force behind the binax development.

As a result of strategic and operational initiatives, we believe we have regained market share in some regions such as North America and France and increased revenue at a 3.0% CAGR (6.4% CAGR on a constant currency basis) between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014.

Following the Acquisition, we will continue to be led by our strong management team, which has a proven track record and is well-positioned to continue to drive our strategy. We will also benefit from the relationships and knowledge of our new shareholders, the Investors.

Highly diversified business model across channels, geographies and customers

We distribute our wide portfolio of products through a range of distribution channels serving different markets and geographies, which helps mitigate declines in any particular market or region. Our global operations have balanced exposure to North America, EMEA, Latin America and Asia. In the fiscal year ended September 30, 2014, our operations in North America generated 35% of our revenue, our operations in EMEA and Latin America generated 43% of our revenue (with Germany generating 17% of our revenue, France generating 10% of our revenue and the United Kingdom generating 5% of our revenue) and APAC generated 22% of our revenue.

We market our products through four distribution channels. In the fiscal year ended September 30, 2014, independent dispensers generated the largest share of our revenue (approximately 37%) followed by key accounts (approximately 29%), distributors (approximately 22%) and government healthcare systems such as the NHS, VA and Australia Hearing (approximately 12%). In recent years, key initiatives implemented by our management team have resulted in increased exposure to independent dispensers.

In the fiscal year ended September 30, 2014, our top ten customers generated 26% of total revenue and we served a fragmented base of more than 2,500 customers. In line with focusing on independent dispensers, we expect to serve an even more fragmented customer base in the future.

Further, in the fiscal year ended September 30, 2014, we derived approximately 18% of our revenue from the sale of accessories, workflow solutions and repair and maintenance services.

Low cost manufacturing footprint with further streamlining potential

We believe that we have one of the largest manufacturing footprints and one of the most efficient manufacturing processes in the industry, driven primarily by (i) standardized BTE or RIC hearing instruments produced entirely in low-cost serial production plants in Singapore, China and Indonesia and (ii) a significantly streamlined production network for ITE hearing instruments. Serial production of BTE devices is located in Asia, while customized production of ITE instruments is closer to end-users to reduce lead times and maintain high customer service.

We have a longstanding presence in Asia where we have concentrated most of our production since the early 1990s. We were a pioneer in our industry in building large scale and standardized production in low-cost countries and now have a significant share of our total manufacturing workforce based in China, Indonesia and Singapore. Further, in 2011, we established a European Manufacturing Centre in Poland for the assembly of ITE devices in Europe, which allowed us to reduce our UK workforce in 2013 and reorganize our ITE production in France in 2014. Having a significant share of production in low-cost countries represents a key competitive advantage for us. We have further improved production efficiency in recent years by increasing the automation share of our production processes. The proportion of units produced in our fully automated manufacturing process reached 31% in the fiscal year ended September 30, 2014, and our target is to increase this going forward.

Our management team and shareholders have identified a number of specific initiatives to further streamline our manufacturing operations, which we expect to pursue following the completion of the Acquisition. These initiatives include, among other things, closing additional ITE locations and increasing automated production, with the aim of achieving cost savings and positioning us for further margin expansion.

Sustainable high margin business with excellent cash flow conversion and further improvement potential

Following the successful repositioning of our business, our management team grew revenue at 3.0% CAGR (or 6.4% CAGR on a constant currency basis) from the fiscal year ended September 30, 2012 to the fiscal year ended September 30, 2014 and increased our Adjusted EBITDA margin from 19.0% to 22.4% over the same period. Our cash flow generation also improved as a result of revenue growth, the successful implementation of cost reduction measures, working capital management and controlled capital expenditure investments.

Our cash flow generation is driven by (i) strong profitability, (ii) relatively limited working capital investment requirements and (iii) a disciplined capital expenditure strategy (capital expenditure of 2.7% of revenue in the fiscal year ended September 30, 2014). Historically, cash flow conversion before taxes has been high, but has increased even further following the successful implementation of our management team's initiatives.

We have also identified a number of key strategic initiatives to be implemented under the leadership of the Investors, which we believe will further strengthen our financial profile and improve our cash flow generation. See "*—Our Business Strategy—Continue operational excellence through structural improvements.*"

Supportive shareholders with strong track record in healthcare

EQT is one of the most active and successful private equity investors in the healthcare sector. Since its inception, EQT has invested approximately 25% of its funds in healthcare companies, has successfully exited 11 healthcare investments and currently maintains a portfolio of nine healthcare companies. EQT also has experience with healthcare carve-outs, having previously acquired in 2003, and subsequently divested Sirona, a spin-off from Siemens Medical Technology Division. In addition, EQT draws on the knowledge of its network of industrial advisors with significant experience from Siemens, Sonova and GN ReSound.

Santo, the investment vehicle of Athos Service GmbH ("**Athos**"), is an experienced investor in healthcare with a focus in pharmaceuticals and biotechnology such as its current stakes in Ganymed Pharmaceuticals AG, BioNTech AG, Aristo Pharma GmbH and Neuraxpharm, among others. Athos was founded in 2005 by Drs. Andreas and Thomas Strüngmann, who are well-known within the German and international business community from their prior leadership of generic drugs manufacturer Hexal Chemie GmbH & Co KG ("**Hexal**") from its founding in 1986 until its sale to the Novartis Group in 2005. Under the leadership of the Strüngmann brothers, Hexal became one of the largest generic medical producers in Germany, employing approximately 7,500 people. Today, Santo employs approximately 2,500 people directly and through its portfolio companies, including 300 people at a newly opened R&D center in Mainz, Germany.

Our Business Strategy

We aim to be a leading manufacturer of hearing instruments worldwide and a technology leader in the global hearing instruments market. We aim to achieve industry leading growth and margin improvement by focusing on innovative products, sales approach and efficient operations with the objective of narrowing the margin gap with certain key competitors in the shortest possible timeframe. To achieve these goals, the key components of our business strategy are as follows:

Continue new product development and R&D success

We believe that we have significant opportunities to capitalize on and expand our market share in higher growth and more profitable markets by continuing to introduce new products and technologies, building on our track record of innovation, focusing on design, quality, cost and customer value, offering complementary products to hearing instruments and increasing the demand for hearing instruments by making them easier for end-users to purchase.

We expect demand for hearing instruments to increase over the long-term in our end markets. To capitalize on this anticipated trend, we will continue to invest in R&D and further strengthen collaboration between our R&D and marketing organizations. By increasing the level of customer interaction and better analyzing feedback, we aim to further optimize the development of new product platforms and technologies.

We have a strong track record in converting our leading R&D capabilities into new products that are well perceived by the market, as witnessed by the introduction of our micon platform, which has been a key driver of our revenue growth since its launch in October 2012, and the binax platform, a binaural hearing system launched in October 2014. We will continue to pursue such innovation to ensure that the next generation platforms are better off, or at least on par with, existing best-in-class products. We believe that we can continue our disciplined approach to R&D while still maintaining our focus on innovation.

Proactive channel strategy, focused sales approach and improved proximity to end-users

We intend to reinforce our end-to-end commercial excellence program across distribution channels ensuring constant sales focus on more profitable markets, such as the United States and Japan, high-growth markets, such as China and India, and distribution channels where we can achieve higher ASPs, in particular independent dispensers.

We intend to continue our strong relationships with our customers and increase recognition of our products by end-users. We will do this by continuing to work closely with our key partners to improve our existing platforms, develop new products and educate end-users and intermediaries about the strengths of our hearing instruments. We believe that we can leverage our longstanding customer relationships and strong reputation by further investing in educational and training initiatives and co-development opportunities. We will continue to look for innovative and effective ways to market our products to end-users, often in tandem with our customers, to enhance the strength and stickiness of our product brands.

We believe that we understand our customers' needs and capabilities, which will allow us to offer improved technologies and help us to anticipate changes in customer needs. For example, our binax platform incorporates automatically adjusting binaural features, optimized wind noise reduction, improved directionality and superior speech and span and direction solutions, which are viewed by customers and end-users at the forefront of currently available market technology. During our more than 100 years of operations, we have developed many strong relationships based on close collaboration with key customers, major distributors and other large public institutions. This level of affinity and cooperation with our major customers has allowed us to successfully respond to shifts in consumer demand, introduce innovative products and provide the appropriate level of customer support to ensure the satisfaction and comfort of our end-users. We will strive to remain a customer-facing organization with an exceptional level of customer support and attention, which we believe will allow us to more rapidly respond to consumer demands and trends.

By combining high-quality product development and a focused sales approach, we expect to improve our penetration rates and increase ASPs in our more established markets of North America and Europe while also taking advantage of our leading market positions in fast-growing emerging markets such as India and China, in which penetration rates have historically been low but are expected to significantly increase going forward.

Continue operational excellence through structural improvements

We are continuously focused on identifying and implementing ways to improve efficiency. Our operational excellence program, which is implemented across all our business units, has successfully improved our Adjusted EBITDA margins by more than three percentage points between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014 and we expect it to further improve our profitability and competitiveness going forward. We have a proven track record of successfully implementing necessary structural measures, which have significantly strengthened our financial profile and improved our cash flow generation. We will continue to focus on reducing the complexity of our manufacturing and logistics footprint to increase flexibility and decrease our operating costs. We believe that we can continue to make significant gains by further consolidating production plants, standardizing processes and components and increasing automation to further optimize manufacturing costs and improve quality control. This will allow us to continue ramping up production of our micon, binax and future platforms, while reducing operating costs and lead times, thereby ensuring capacity to address future demand.

Focus on cash flow growth

Our business is highly cash generative and we aim to further improve our cash flow generation going forward. To achieve this goal, we aim to place significant management emphasis on profitability, efficient capital spending and working capital management. We believe that our current manufacturing capabilities and sales network generates significant free cash flow and that they provide us with the platform to roll out new products and translate revenue growth into profitability and cash generation.

History

We have a long history of more than 100 years in the hearing instruments industry dating to 1878 when Werner von Siemens developed a telephone receiver for people with hearing impairments. We have been a pioneer in the hearing instruments industry with multiple "industry first" milestones to our credit. In 1913, we launched the first industrially-produced hearing instrument, the Esha-Phonophor. At the end of the 1950s, we presented the first BTE hearing instrument, followed by the first ITE device in 1966 and the first digital hearing system in 1997. In 2004, we were the first hearing instruments manufacturer to introduce wireless technology that synchronized hearing instruments in both ears, and since 2010 our global headquarters have been located in Singapore.

Products and Services

Overview

We offer a comprehensive product portfolio with innovative products and technology across the hearing care spectrum, including hearing instruments, as well as accessories, diagnostic tools workflow solutions and repair services. In the hearing instruments category, we offer behind-the-ear BTE units with a sub-category of RIC units, and custom or ITE units. BTE and RIC units account for the majority of our sales of hearing instruments. See "—*Hearing Instruments*." Our hearing instruments are based on a variety of technology platforms and provide a range of performance levels across all price categories, which enables us to satisfy a broad range of customer demands in each of the distribution channels and regions and countries in which we operate.

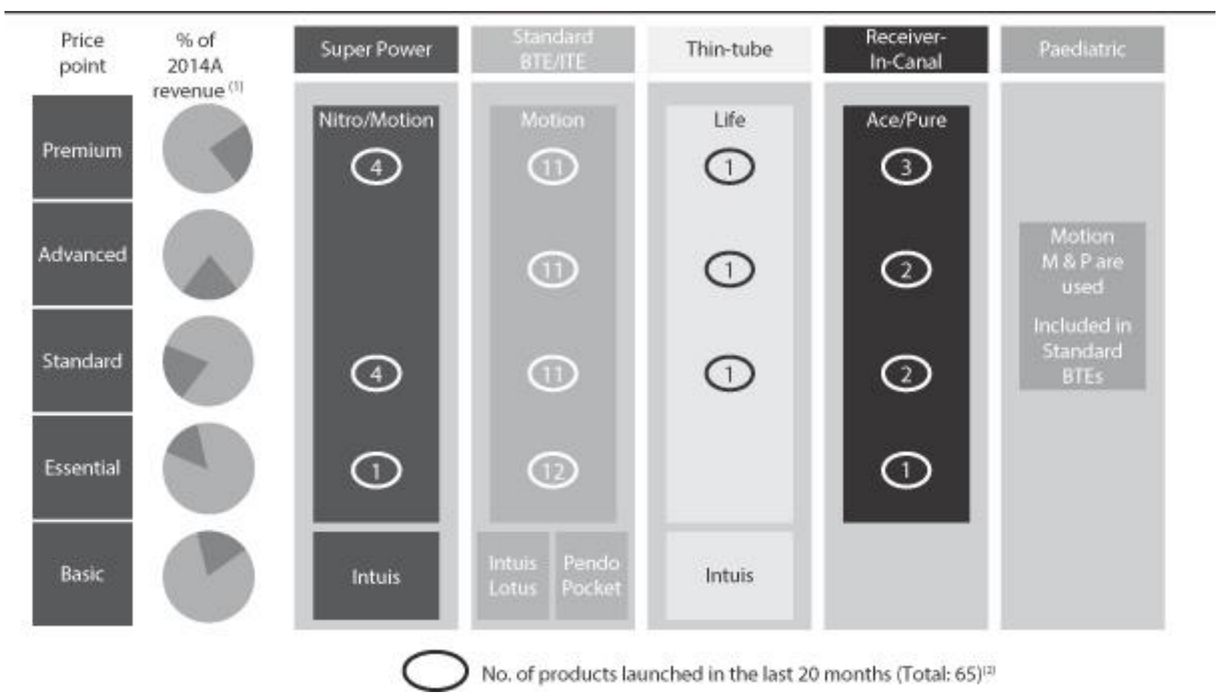
Our hearing instruments portfolio encompasses three distinct technology tiers. Our top-tier offering is comprised of two high-end technology platforms, binax and micon. We introduced binax to the market in October 2014 and it is our most advanced technology platform, offering audio exchange between two hearing instruments in a binaural fitting. micon, which we introduced to the market in October 2012, presented the concept of "Soundability", with technology that achieves an optimal balance of sound comfort and audibility. Our second-tier offering offers a cost-optimized digital platform that enables us to deliver value products with competitive functionality. These products use our high end chip but with reduced functionality and less sophisticated components. In addition, we offer a portfolio of basic products based on lower cost chip and components for emerging and low-cost markets.

We also offer a wide array of accessories to complement the hearing instruments that we sell. Key accessories include "touchControl", "easyTek", "miniTek" and "eCharger." See "*—Accessories*." In addition to our core product hearing instruments, we offer highly-differentiated ancillary tools and services. Our ancillary products include diagnostic tools, workflow solutions and services. See "*—Diagnostics, Workflow Solutions and Services*."

Hearing instruments

Hearing instruments comprise the core of our product line up and are our largest source of revenue, accounting for approximately 82% of our total revenue for the fiscal year ended September 30, 2014. Our hearing instruments enable people with hearing disabilities to revitalize their lives by strengthening their ability to hear and communicate. We categorize our hearing instruments into BTE and RIC units and ITE units.

Our Product Offerings



Source: Management accounts

(1) Based on wholesale revenue as of September 2014; "other "and "pocket aids" revenue not shown.
(2) Includes Siemens branded product launches only; as of September 2014.

"Traditional" BTE units are used for all types of hearing losses, from mild to profound. "Traditional" BTE units consist of a plastic case worn behind the ear and connected to a plastic earmold inside the outer ear. The "Traditional" BTE unit is generally bigger and more visible than other alternatives. A sub-category of BTE units are RIC units, where the receiver is placed within the canal and connected to the BTE unit via a thin tube. Our RIC units offer users the combined benefits of both comfort and discretion and are designed for people with mild to moderate hearing losses, though we also offer RIC units for people with severe hearing losses.

ITE units are custom-made instruments, which sit entirely within the ear and are fitted individually based on an impression of the wearer's ear. Variants of ITE units include full-shell, half-shell, canal, mini-canal and completely-in-the-canal ("**CIC**") instruments, which fit completely in the ear canal and are barely visible. ITE units are designed for people with mild to moderately severe hearing losses. Each type of unit offers various benefits and the choice between the units is often decided based on the profile and personality of the customer.

We divide our hearing instruments customers into two consumer profiles: those primarily concerned with discretion and those primarily concerned with comfort. The former product range is aimed at customers with relatively high aversions to hearing instruments, typically with mild to moderate hearing losses. The latter product range is aimed at customers who have generally accepted the need for a hearing instrument, typically with moderate to profound hearing losses and who seek ease-of-use and handling, such as more tactile push buttons and larger sizes for customers with dexterity and vision degradation. There is no "one-size-fits-all" answer to hearing loss. The degree of hearing loss, the individual ear anatomy and the user's individual preferences and lifestyles need to be taken into consideration. With an extensive portfolio of BTE and ITE products for each of these customer profiles that offer diverse functionality, performance levels, technologies and price ranges, we believe that we have a solution for nearly everyone. See "—*Current Technology Platforms.*"

We offer a comprehensive product portfolio of state-of-the-art hearing aid devices comprising BTE, ITE and RIC devices as well as related services and accessories across all price categories. Our product portfolio is geared towards the higher value segment of the hearing instruments market, and revenue from the higher value Premium and Advanced segments accounted for broadly half of our revenue in 2013. Devices in the lower priced Standard, Essential and Basic segments contributed the other half of total revenue in 2013. Across segments, we launched a total of 65 new products over the last 20 months, with a particular focus on standard BTE and ITE devices.

Current Technology Platforms

binax

Our newest and most advanced technology platform launched in October 2014, binax is currently available as three RIC instruments in the two highest performance/technology levels, which vary in size and features to cover a broad range of the market. Since being launched, the binax platform has received positive reviews by customers and industry experts. We believe that binax is one of the most innovative technology platforms instruments on the market primarily due to its automatically adjusting binaural features. This platform achieves binaural signal processing via a highly efficient wireless system that connects hearing instruments on both ears and forms a virtual eight microphone network and is fully automatic, which ensures that binaural hearing is achieved without significant increase in energy consumption. Further, we also believe that the binax platform offers optimized wind reduction, improved directionality and excellent speech and span solutions compared to existing products available in the market. We believe that binax is the industry's first platform that allows customers to understand speech even better than people with normal hearing even in difficult listening environments, such as restaurants, parties, in the car and in the wind.

Key features of the binax platform include "binaxSound", "binaxGuide" and "binaxFocus". binaxSound offers superior sound quality through a combination of microphone signals from both ears and is supported by binaxFit, which compensates for hearing loss with seamless steering of the binaural features while enabling low energy consumption, and eWindscreen, which offers highly effective wind and noise suppression for distracting and strong background noises. binaxGuide ensures a personal and versatile listening experience as the customer can manually control the spatial focus according to his preference in ambiguous situations. Finally, we believe that binaxFocus enables an advanced level of speech understanding in noisy environments due to its highly accurate directionality and speech focus.

Our recently launched high-end binax platform is utilized in five different hearing instrument product families, which include Ace binax, Pure binax, and Carat (A). The Ace binax is one of the smallest, most discreet RIC instruments on the market making it an attractive choice for first time users. Similarly, Pure binax is a discreet, fully-featured and flexible RIC hearing instrument with true binaural capabilities that covers practically all levels of hearing loss. The Carat (A) binax offers a harmony between technology, size and ease of use.

binax product offering[1]

Source: Company information
(1) In addition to the products shown above, we offer the Ace binax, Pure binax and Carat (A) binax.

micon

Since launching the micon platform in October 2012, we have sold more than 1.5 million hearing instruments with this technology at significantly higher ASPs than previous technology platforms. The successful micon launch was a key driver for the acceleration of revenue growth and margin expansion in the fiscal years ended September 30, 2013 and 2014. Compared to its predecessor, the micon platform represented a significant leap in processing power. Today, micon is offered in an entire line of products in three technology/performance levels, with low power consumption and waterproof models. We believe micon is a proven platform with advanced features, delivering significant user acceptance and long-term customer satisfaction.

The micon platform has outstanding feedback cancellation, flexibility in frequency shaping and directional microphone computation capability. Key features of the micon platform include “MiSound”, “MiGuide” and “MiFocus”. MiSound provides high sound quality to customers due to the flexible adjustment formula and expanded bandwidth. MiGuide helps to find the settings most suitable for the individual wearer and helps the wearers recognize acoustic situations themselves and adjust the settings to their own preferences. Finally, MiFocus can process incoming signals distinctly using 48 channels and its high-resolution filter technology reduces different noise types in a targeted way and provides the user with strain-free hearing.

Our highly successful micon portfolio contains the Ace micon and Pure micon, which has the same functional design as our binax instruments. In addition, our micon portfolio also has five additional product families. The Insio micon consists of a full line of custom ITE hearing instruments that have a new design, including a new “invisible-in-the-canal” unit that has wireless functionality and a CIC unit. The Motion micon is a fully-featured hearing instrument and is the proper solution for individuals with an active lifestyle who need an advanced instrument with a high degree of comfort. The Nitro micon is an option for people with severe to profound hearing loss as it offers a combination of maximum amplification from the most sophisticated technology with wireless connectivity. Aquaris micon is a waterproof hearing instrument, suitable for continuous immersion in water, is dust and dirt proof, and is shock resistant. Life micon combines sophisticated design with our advanced technology as a small standard BTE hearing instrument for people with mild to moderate hearing loss. The Life micon is available in many colors and patterns for personal style. Finally, we offer a full range of RICs, BTEs and ITEs in our essential and basic platforms of products.

micon product offering [1]

Source: Company information

(1) In addition to the products shown above, we offer the Pure Micon and Siemens Life Micon.

Diagnostics, Workflow Solutions and Services

In order to support our products, we offer diagnostics-related services, workflow solutions and hearing instrument services for customers.

Diagnostics-related services include tools for the diagnosis and screening of an individual's hearing loss. Our two main diagnostic products are the HearCheck Navigator and the Unity. The HearCheck Navigator is a user-friendly, battery operated hearing loss screening device for quick hearing loss assessment. The Unity is an integrative full diagnostic system designed to simplify and speed up the work process of hearing care professionals by combining diagnostic fitting and measurement in one step.

We provide hearing healthcare providers with seamless workflow solutions including counseling tools, digital ear impression scanners and custom ordering and fitting solutions, which allow our dispensers to identify the appropriate solutions for individuals. Among the solutions that we provide to our hearing healthcare providers are, Connexx, iScan and eForms. Connexx is a state-of-the-art fitting software for our hearing instruments that provides quick adaptation and acceptance of the hearing instrument that results in optimal speech intelligibility and listening comfort. iScan is an innovative 3D scanning process that allows hearing healthcare providers to generate a three-dimensional image of a person's auditory canal cast and send it directly to us via e-mail, which we can send immediately to one of our factories. With iScan, we believe that we provide faster turn-around times, increased customer satisfaction and a decreased risk of hearing healthcare providers using a competitor's product. eForms is our electronic online ordering system for custom hearing instruments and BTE units. We believe that eForms allows us to provide improved order accuracy with 100% validation of custom orders, speedy operation and convenient ordering.

We also provide hearing instruments-related servicing, maintenance and product repairs. Servicing products is an important aspect of our overall commitment to quality and to ensuring customer satisfaction and loyalty. The average life of our products is approximately five years, and if anything goes wrong with a product during its useful life, we recommend repairing the product, either through purchasing spare parts through retailers or sending the hearing instrument to us in order to perform larger repairs, rather than replacing it. Therefore, providing quick, efficient and timely service to our products is a crucial activity to secure customer satisfaction and repeat business.

Accessories

In order to personalize the patient's hearing experience, we offer several accessories and applications.

The touchControl app allows customers to discreetly and conveniently change their hearing programs, volume, bass and treble via a smartphone. With an operating range of three feet, the smartphone sends an ultra-high frequency signal directly to the hearing instrument without needing any extra hardware. The touchControl app works with all binax hearing instruments and is free to download.

"easyTek" is a lightweight device worn around a customer's neck that provides audio streaming from a Bluetooth-enabled device to a hearing instrument. Utilizing e2e wireless technology, easyTek offers reliable data transmission with minimum power consumption for durable streaming. This accessory is available on Pure binax and Carat binax hearing instruments. Combined with the easyTek, the new easyTek App turns smartphones into a hearing instruments control center. Experienced wearers can switch between streaming audio sources or "zoom-in" on a target speaker.

The miniTek remote and streamer operates with micon hearing instruments and transmits audio from DAI or Bluetooth-enabled sources into micon hearing instruments. Finally, to support our rechargeable hearing instruments, the eCharger remotely charges, dries and refreshes hearing instruments overnight for maximum performance and protection from moisture damage.

Innovation and R&D

We believe that we have a tailored, productive and flexible R&D process as evidenced by our strong track record of ground-breaking innovations with multiple "industry first" milestones. Our two R&D facilities are located in Singapore and Germany and we employ a team of approximately 350 audiologists, physicists, engineers and technicians who combine "cutting-edge" chip technology and the latest know-how from audiological research and signal processing in order to create innovative technology. Our facility in Germany primarily focuses on platform and workflow development and our facility in Singapore focuses on product development. Our R&D focuses on tangible user benefits including improving fitting in order to overcome the conflict between speech intelligibility and discomfort and feedback cancellation.

Our dedication to R&D has produced successful and consistent results. In an industry where a product lifecycle is typically two to three years, our R&D efforts have supplied us with a steady supply of portfolio technologies as approximately 56% of our sales are currently derived from products launched since October 2012. Our current leading technologies include rechargeable battery solutions and directional hearing capabilities. While other manufacturers are taking steps to provide rechargeable battery solutions, we are building on years of experience in researching and developing these solutions to further improve our current technology. Additionally, while we believe that the directional hearing capabilities in micon raised the bar for our competitors, the directional hearing capabilities in binax outperforms our competitors. Further, the low power consumption present in our proprietary chip layout has been improved over 11 chip generations. Through continuous improvement and optimization, we believe that we produce the hearing instruments with the lowest power consumption in an ear-to-ear streaming set up.

We believe that our near term technology and product pipeline is well positioned to deliver innovative technologies. Technologies in the pipeline for 2015 include completion of the portfolio of binax platform hearing instruments by extending the binax platform to ITE units, manufacturing what we believe is the first directional CIC and extending the option of a remote control application to our entire portfolio.

Production

We operate a global network of facilities with varying capacity for R&D, production, sales & marketing and repair. In the last three years, our management team has closed seven ITE manufacturing plants and successfully implemented a reorganization of our production facilities aimed at (i) rationalizing production capacity, (ii) increasing the share of manufacturing in low-cost countries and (iii) increasing automation to reduce operating costs and lead times. We believe that we have a best-in-class automated manufacturing platform that provides high quality and consistency of manufacturing. Between the fiscal years ended September 30, 2013 and 2014, we increased the proportion of automated production from approximately 14% to approximately 31% of total units produced. The micon platform launched in 2012 was the first platform manufactured in a fully automated production process in Singapore. We expect the share of automated production to further increase with the new binax platform.

BTE production

BTE instruments are produced in our low-cost production sites in Singapore, Indonesia and China. BTE units are made-to-stock, based on demand forecast from affiliates and customers worldwide. Approximately 30% of our BTE units produced in the fiscal year ended September 30, 2014 were manufactured on an automated line. Automated production is largely on the front line assemblies and the assembly of the final product is performed by hand by the production team. This standardized process allows us to mass produce the BTE units at a low cost and the share of automation is gradually increasing with each new product generation.

We are currently developing a plan to implement improvements for our serial production processes that we believe will increase production efficiency. This plan includes standardizing our manufacturing procedures, streamlining manufacturing and activity planning, improving stability and increasing throughputs, and further automating production. We believe these improvements will be able to help us achieve more consistent quality with lower production costs.

ITE production

The customized manufacturing process for ITE devices requires localized production and assembly, which is supported by standard components supplied by our serial production sites in Singapore, Indonesia and China to our other manufacturing locations. When choosing manufacturing sites, we have focused on low-cost countries that enjoy a close geographical proximity with the markets in which our customers are located. For example, we established the European Manufacturing Center in Poland in 2011, which is responsible for the assembly of approximately 37% of our ITE devices. Our ITE production is a highly customized two-step production process that takes more of the individual customer's needs into account compared to the BTE production. First, faceplates including electronics are manufactured at our serial production facilities, which are then shipped to one of our 12 local ITE production sites where a customized shell specially designed for the end-user is built locally. The customized shells are produced from the laser scanned ear imprints taken from the user by the hearing instrument dispenser. The customized shells are then assembled with the standardized faceplates from our serial production facilities before final testing and quality engineering checks are completed. After a comprehensive quality assessment, the device is directly dispatched to the customer. The efficiency of this process is enhanced as we are able to use 12 local ITE production facilities to generally ensure fast turnaround times of approximately three to four days.

The rollout and update of any internal production is done by a special production team that works closely with our R&D teams and software developers to ensure that manufacturing works as expected and produces products effectively.

Procurement

We constantly assess whether it is more cost effective or efficient to produce components in-house or to out-source the production to external suppliers. As a result, we outsource the production of many components to a variety of suppliers. We use more than 1,750 suppliers, although our top five suppliers account for approximately 30% of our total purchases for the fiscal year ended September 30, 2014. We generally do not enter into long-term commitment contracts with our suppliers, rather we typically enter into framework agreements as a basis for individual orders. The term of such framework agreements are typically up to three years and in most cases do not contain any firm purchase commitments. Additionally, we rely on various suppliers as the sole suppliers of certain components necessary to manufacture our hearing instruments. See "*Risk Factors—Risks Relating to Our Industry and Business—We rely on the timely supply of components and products and could suffer if suppliers fail to meet their delivery obligations, raise prices or cease to supply us components or products.*" We procure components on a global basis, which allows us to pool our orders, source many products to low cost countries and improve the pricing that we receive.

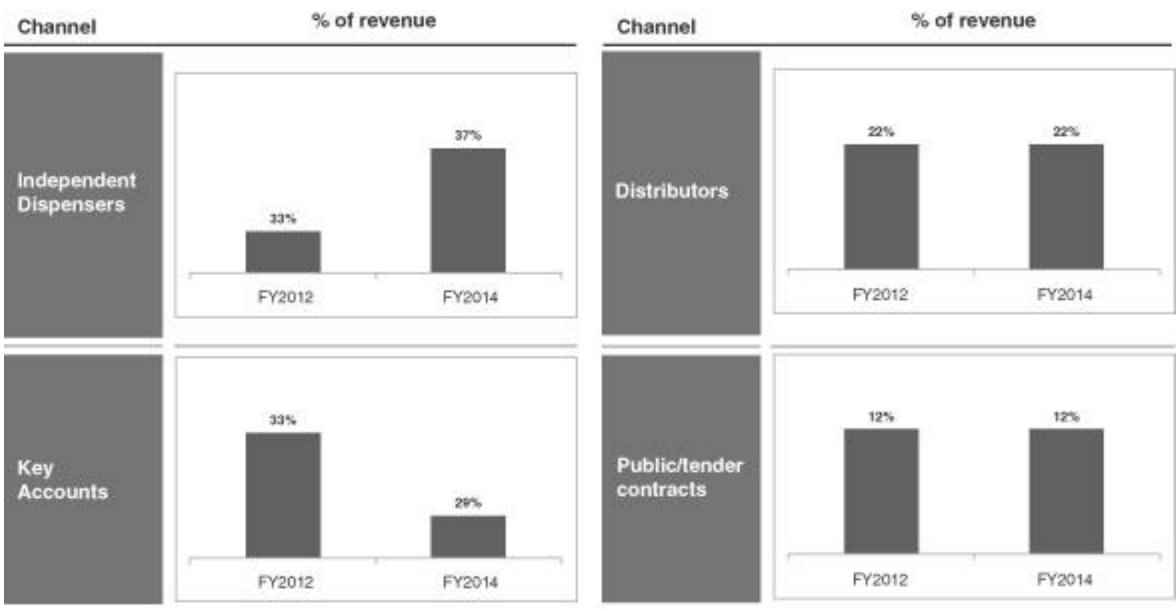
As part of our outsourcing, we occasionally jointly develop products with our suppliers. In these circumstances, we typically are entitled to a period of exclusive access to the component or technology or, on rare occasions, share the related IP rights. We believe that this is important because many of our component suppliers supply our competitors. Joint development provides an opportunity to produce synergies in production, but at the same time we are cognizant of the importance of protecting any advantage that such developments would provide to us.

Customers

The overall growth in the hearing instruments market is driven by rising disposable incomes in emerging markets, increasing awareness of solutions for varying degrees of hearing loss, the growing elderly populations in developed nations, increasing consumer acceptance and the rise in usage of hearing instruments among people with a mild hearing loss. Our ability to capture a share of this growth is influenced by our technological innovation, our relationships with audiologist retailers and how well we market and support our distributors who provide direct retail service to the individual users. We segment our distribution channels into four categories, which independent dispensers, key accounts, distributors and public/tender contracts. These distribution channels then sell our hearing instruments to end users. Our sales and marketing approach to each of these distribution channels vary depending on the channel and on the geographic region being serviced by the distributor.

The independent dispensers channel consists of fragmented independent retailers and purchasing groups. Independent retailers and purchasing groups generate higher ASPs for manufacturers generally. The independent dispensers channel is the most attractive distribution channel for us and generated 37% of our revenue for the fiscal year ended September 30, 2014. We believe that the independent dispensers channel is a key area of growth and strategic focus for us. In order to be successful in this channel, we have enhanced our customer-facing activities through offering various workflow solutions and services. See "—*Products and Services—Diagnostics, Workflow Solutions and Services*." Our top five clients in the independent dispensers and purchasing groups channel have purchased hearing instruments from us for an average of more than 15 years. We also have worked to leverage our multi-brand strategy to cover a broader segment of the market and we have expanded our offerings to help vendors in this channel expand their business. Contracts in the independent dispensers channel are generally one-off contracts or annual contracts.

In recent years, we adapted our channel strategy and started to focus on profitable growth in the independent audiologist customer segment as opposed to unit volume growth. For example, in Germany, between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014, we proactively sought to achieve better economic terms on supply contracts with certain large accounts, which resulted in a slight decline in units in the short term but that was compensated by a substantial improvement in our profitability from independent dispensers. Our revenue from independent dispensers saw significant growth between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014. The shift in strategy with independent dispensers has also led to increasing average selling prices between the fiscal year ended September 30, 2012 and the fiscal year ended September 30, 2014. The figure below shows our sales volume by channel for the fiscal years ended September 30, 2012 and September 30, 2014.



Source: Management accounts

The key accounts channel comprises relatively large, increasingly influential retailers that procure hearing instruments from wholesalers and sell them to end-users via their distribution network. Key accounts, such as retailers Amplifon and Costco, possess strong consumer marketing and sales skills and have sophisticated knowledge of end-user buying habits. The key accounts channel generated 29% of our revenue for the fiscal year ended September 30, 2014. The key accounts channel is characterized by steady to medium growth, customized solutions and the need for optimal product and service solutions and we believe that we have a deep understanding of the needs of our customers in this channel. Contracts in the key accounts channel are generally in the range of one to five years and our top five clients in the key accounts channel have purchased hearing instruments and related accessories from us for an average of more than 15 years and accounted for 18% of our revenue for the fiscal year ended September 30, 2014. Although ASPs in the key accounts channel remain under pressure, we benefit from high volumes in these channels and have been able to convert these volumes into sustained overall profit contribution.

The distributors channel has recently undergone consolidation by manufacturers, also known as "forward integration". There is an increasing trend towards forward integration as it allows manufacturers direct access to end-users and provides greater control over distribution and pricing. We entered the retail market in September 2011 with our purchase of HearUSA. HearUSA competes in the high end of the market and focuses on products with high ASPs and gross margins. HearUSA is a recognized leader in hearing care and has partnerships with managed care organizations across the United States. HearUSA administers hearing benefits and provides related products and services to third-party and self-referred clients through its network of approximately 2,000 independently practicing audiologists and hearing care professionals and over 180 company-owned hearing centers. Through HearUSA end-users can have their hearing tested and work with audiologists and hearing care professionals who will help select the appropriate hearing instrument and guide the end-user through the fitting process. HearUSA has a long-standing commitment to enhance the quality of life in the individual communities in which it serves by making a difference through personal care and attention from a qualified, skilled, knowledgeable and experienced staff. Through personal dedication and volunteerism, we advocate for the medical necessity of hearing care and the utilization of products and services that promote better hearing.

The public/tender contracts channel consists of large national or state run healthcare providers who order their products based on the results of public tenders. These healthcare providers, such as the National Health Service in the United Kingdom and the U.S. Department of Veterans Affairs, have strong purchasing power and are able to negotiate large discounts with manufacturers. Similar to the key accounts channel, the public/tender contracts channel is characterized by steady to medium growth, customized solutions as well as the need for optimal product and service solutions. The public/tender contracts channel requires us to provide a broad product range to fit a diverse patient population and budgetary constraints. The public/tender contracts channel generated 12% of our revenue for the fiscal year ended September 30, 2014. The public/tender contracts channel is typically characterized by high volumes with low margins, but we believe that it is important to participate in it. Our top five clients in the public/tender contracts channel have purchased hearing instruments from us for an average of more than 15 years and account for 9% of our revenue for the fiscal year ended September 30, 2014. ASPs in the public/tender contracts channel remain under pressure, but we benefit from high volumes in these channels and have been able to convert these volumes into sustained overall profit contribution.

Key Geographic Markets

North America

We have significantly strengthened our positioning in North America in recent years, backed by a new management team, a revised structured sales and pricing approach, enhanced customer service and an increased focus on independent dispensers and the VA. The acquisition of HearUSA in 2011 represented a key milestone for our North America business, as it has provided strong direct distribution access to end-users. The HearUSA Network comprises over 180 points-of-sale, primarily located in affluent customer areas, and employs 151 audiologists, 92 licensed hearing instruments specialists and technicians and 245 patient care coordinators. HearUSA has shown strong revenue growth since its acquisition in 2011. North America's share of revenue increased from 34% in the fiscal year ended September 30, 2012 to 35% in the fiscal year ended September 30, 2014.

Germany

Our German business comprises two parts: (i) the Siemens business, traditionally a high-end market with the majority of revenue generated through sales of RIC and BTE instruments, and (ii) the Audio Service business, used in more price-sensitive segments and for sales through private labels. During the last three years, there has been a slight reduction in total revenue share due to our decision to achieve better economic terms with certain large accounts, which was compensated by a substantial improvement in our profitability from independent dispensers. Germany's share of revenue decreased from 18% in the fiscal year ended September 30, 2012 to 17% in the fiscal year ended September 30, 2014.

France

We have increased our revenue during the last three years in France due to above market growth and favorable average selling prices development, both through increased reimbursements and the launch of new products. Significant revenue share has been generated with RIC products and under the Siemens brand. France's share of revenue increased from 8% in the fiscal year ended September 30, 2012 to 10% in the fiscal year ended September 30, 2014.

United Kingdom

We have slightly increased our revenue in the United Kingdom due to general market growth and the successful introduction of the micon platform in August 2014. Our UK business is generally characterized by low price contracts, but has seen higher average selling prices due to the introduction of new platforms. The United Kingdom's share of revenue increased from 4% in the fiscal year ended September 30, 2012 to 5% in the fiscal year ended September 30, 2014.

Japan

In Japan, we believe we are positioned as the premium supplier of hearing instruments, with a strong presence in the high-end market segment throughout all channels and customer segments. Japan's share of revenue decreased from 11% in the fiscal year ended September 30, 2012 to 8% in the fiscal year ended September 30, 2014. This was driven by foreign exchange movements.

Sales and Marketing

We apply a multi-brand strategy to maximize marketing impact globally. Our global sales network is organized based on geographic regions and includes (i) EMEA and Latin America, (ii) North America and (iii) APAC. For the fiscal year ended September 30, 2014, our largest markets were EMEA and Latin America, followed by North America, based on revenue generated. We historically operated with few sales representatives and had above average attrition rates, which together led to a non-competitive incentive system. Further, we did not have dedicated teams for existing or new key accounts and only a few established targeted processes with regards to pricing and discounts. However, over the past several years we have implemented a focused sales strategy with clear strategic goals and objectives that has served to add sales representatives, decrease attrition rates, provide for a competitive incentive system and create dedicated coverage teams for key accounts. To actively manage pricing, we have implemented a stringent system of pricing governance.

Our key brand names include Siemens, Audio Service and Rexton. We also sell to third parties who market our products under private labels. Each brand that we sell is marketed individually according to both local and global needs. Although we currently sell the majority of our products under the Siemens brand name, we do not consider the Siemens brand to be indispensable for the successful marketing of our products. As part of the process of becoming independent, we are planning to phase out the use of the Siemens brand over time. See "*Risk Factors—Risks Relating to the Acquisition—We may not be successful in establishing a brand identity*." We believe that because the hearing instruments market consists of a limited number of market participants and consumer purchases are more influenced by the recommendations of independent dispensers than the brand name, the transition from Siemens to a new product brand can be executed in a relatively seamless manner supported by other brand signals such as the BestSound Technology label.

Quality control

We place significant emphasis on quality control because we recognize that product quality and reliability are essential for maintaining our reputation for excellence in the hearing instruments industry. We maintain an independent quality control management system that covers all aspects of operations and we employ more than 100 full-time employees dedicated to quality management. We believe that product quality, service quality, the qualifications of our employees and process efficiency are essential for a quality control process.

Our quality control strategy also requires us to take account of the various country regulations as well as healthcare specific requirements in regard to the products we are delivering. Hearing instruments are classified as medical devices and subject to regulatory requirements in all of the countries in which we operate. See "*Certain Regulatory Regimes*". Our quality management fulfills the requirements of internationally acknowledged standards and regulations regarding quality management systems as well as the requirements that apply to specific medical subjects and ensures that we are compliant with the relevant regulations in each of the jurisdictions we are operating. As a result of our attention to quality we have been able to achieve certain quality standards including having our quality system certified by ISO (ISO 13485 and ISO 9001) and the EC (EC Declaration of Conformity).

Compliance

Our compliance system is designed to prevent, detect and respond to potential violations of existing anti-corruption and antitrust provisions based on internal guidelines and trainings. Our business conduct guidelines set out general principles and guidelines for fair, legal and appropriate conduct in the context of business transactions, focusing on, among other topics, anti-corruption, donations and sponsoring, government procurement and conflicts of interest. Additionally, we have established a complex procedure for compliance checks of potential business partners, implemented a Business Partner Policy and created a Code of Conduct for our suppliers. We have also introduced country-specific approval requirements addressing issues relating to giving and receiving gifts and hospitalities, sponsorships, donations, and memberships. All compliance regulations are continuously evaluated with regard to their practicability and adjusted or further developed to the extent necessary. To ensure the implementation of our compliance system, we have conducted face-to-face and web-based trainings, including at the top management level and our compliance officers undergo training courses. Further, we have compliance procedures in place for what we deem to be high risk payments to third-parties and in connection with the hiring of senior management.

Our employees have the option to report violations to our compliance organization and follow up on any indication or allegation of violations. Further, we use an external ombudsman in order to detect and respond to compliance violations. We continuously monitor, evaluate and endeavor to improve our compliance system.

IT Infrastructure

We believe that all of our IT systems are closely integrated to improve overall business efficiency and transparency between locations. We have worked to standardize and streamline our information technology infrastructure landscape and our application landscape in the area of enterprise resource management ("**ERP**"), product life-cycle management, customer relationship management, supply chain management and support administration over the past three to five years. We predominantly use Infor, Oracle, Camstar and Microsoft products as the common application platforms running on standardized infrastructure components from Fujitsu, Hewlett Packard, EMC, Juniper and Netapp. We have established three main data centers in Europe, the United States and Singapore and we have over 130 full-time IT staff members globally that assist us in focusing on minimizing operating costs, improving communications between locations and reducing duplicative services and expenses. This internal staff is supported by external resources, which are active in the application development and configuration of our ERP and e-Business systems. As such, we have reduced our use of external IT management and strategy consultants over the last several years.

Employees

The average number of employees, including part-time employees on a proportionate basis, for the fiscal year ended September 30, 2014 was 5,004, compared to 4,828 for the fiscal year ended September 30, 2013 and 4,571 for the fiscal year ended September 30, 2012. The following table shows the average number of employees, including part-time employees counted on a proportionate basis, for the fiscal years ended September 30, 2012, 2013 and 2014, broken down by function:

	Fiscal year ended September 30,		
Function	**2012**	**2013**	**2014**
Manufacturing and services	2,402	2,526	2,707
Sales and marketing	1,731	1,855	1,861
Research and development	363	365	344
Administration and general services	75	82	92
Total	**4,571**	**4,828**	**5,004**

As illustrated above, we have increased the number of employees, especially in manufacturing and services and sales and marketing. The table below sets forth the number of employees, excluding temporary employees, we had in each of our regional operations as of September 30, 2012, 2013 and 2014, respectively.

	As of September 30,		
Country/Region	**2012**	**2013**	**2014**
EMEA-LA	1,314	1,386	1,378
APAC and others	2,259	2,471	2,448
North America	1,102	1,126	1,198
Total	**4,674**	**4,983**	**5,024**

We believe that we have positive relations with our employees and the applicable unions and work councils. Some of our employees are unionized. We regularly meet with the unions and work councils on an annual basis to update them on the direction of the business and to address any concerns that they may have.

We operate defined contribution pension plans and defined benefit pension plans that many of our employees participate in. Certain of our pension plans are underfunded. See "*Risk Factors—Risks Relating to Our Industry and Business—We have obligations to our employees relating to retirement and other obligations.*" As part of the Acquisition Agreement, Siemens AG will either fund the pension deficit, reduce the purchase price by the amount of the pension deficit or some combination thereof. After the Acquisition, it is envisaged to set up independent pension plans similar to the pension plans currently in place to the extent the existing ones cannot be continued.

Legal proceedings

We are from time to time party to various claims and legal proceedings arising in the ordinary course of our business, including claims and legal proceedings regarding improper delivery of goods and services, product liability, product defects, intellectual property infringement, termination of business relationships and/or alleged or suspected violations of applicable laws in various jurisdictions. See "*Risk Factors—Risks Relating to Our Industry and Business—We may be required to protect our intellectual property through litigation; —The production and sale of defective products could adversely affect our business, financial condition and results of operations.*" We cannot rule out that some of these claims or proceedings could result in rulings against us, but we are defending, and will defend, ourselves in these claims and proceedings to the extent necessary and prudent. Other than as discussed in "*Risk Factors—Risks Relating to Our Industry and Business—We may be required to protect our intellectual property through patient protection litigation*," we have not been within the past twelve months from the date hereof, and we are not currently, a party to any governmental, legal, administrative, arbitration or dispute proceedings either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on our financial position or profitability, nor so far as we are aware, are any such proceedings pending or threatened.

Insurance

Our group-wide insurance policies include insurance to cover risks associated with our business, including general liability, crime insurance, professional liability and directors' and officers' liability insurance under Siemens Group policies. As of September 30, 2014, we were covered by Siemens' global umbrella insurance policies. These policies will cease to cover us following completion of the Acquisition and must be replaced as of the Completion Date. We are currently in the process of sourcing our own insurance coverage with the assistance of professional insurance brokers similar to that which we had under the Siemens global umbrella insurance program.

We believe that, following the Completion Date, we will be able to obtain adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure and that we will pay appropriate premiums for this coverage. Our insurance coverage is regularly evaluated and adjusted as necessary. We cannot rule out, however, that we could suffer damages in the future that are not covered by our insurance policies or that exceed the coverage limits set in these policies. Furthermore, there is no guarantee that we will also be able to obtain adequate insurance coverage at appropriate conditions in the future.

Real Estate

The majority of our sites are rented under operating or financial lease agreements and only a small number of the sites are owned by us. The following table provides an overview of our major real estate holdings and leases.

Site	Size	Ownership/Lease	Primary Use
Piscataway, New Jersey, United States.......	9,399 sqm	Owned	Manufacturing
Suzhou, China..	9,091 sqm	Owned	Manufacturing
Batam, Indonesia	4,578 sqm	Operating Lease	Manufacturing
Singapore, Singapore..................................	11,901 sqm	Operating Lease	Headquarters and Manufacturing
Erlangen, Germany.....................................	5,224 sqm	Operating Lease	Regional Headquarters
Erlangen, Germany.....................................	5,700 sqm	Owned	R&D

Intellectual Property

Intellectual property ("**IP**"), which includes patents, utility models, designs, copyrights and trademarks, as well as trade-secrets and know-how, is important to our business. However, due to our wide product range, we do not believe our business to be dependent on single patents, licenses or new manufacturing processes. Our standard practice is to seek patent protection for technical solutions relevant to our business. Currently, we hold approximately 1,800 national patents and approximately 600 pending applications for national patents.

Over the past ten years we have consistently maintained a leading position in terms of patent publications. We believe that our strong IP portfolio is evidenced by both the number of patent publications as well as the quality of the technology. In addition, as part of our intellectual property management we participate in two industry corporate entities: the Hearing Instruments Manufacturers Software Association ("**HIMSA**") and the Hearing Instruments Manufacturers Patent Partnership ("**HIMPP**"). HIMSA provides for joint software development and sharing between participants of a certain platform software, NOAH, for the measurement of hearing loss and the adaptation of programmable hearing instruments to customer data. HIMPP acquires third-party patents that are available in the market and then licenses the patents to its participants.

Our major brands, particularly Siemens, Audio Service and Rexton are registered as trademarks in strategic countries. See "*Risk Factors—Risks Relating to the Acquisition—We may not be successful in establishing a brand identity*." More than 200 product names, such as Pure, Ace and Motion are registered as trademarks in numerous countries.

Due to intensive patent filing activity being a characteristic of our industry, third-parties may bring claims of infringement of their intellectual property rights against us and we might decide to bring claims of patent infringement against another party. See "*Risk Factors—Risks Relating to Our Industry and Business—We may be required to protect our intellectual property through patent protection.*" However, there are voluntary proceedings in place that provide for alternative dispute resolution mechanisms for all HIMPP members.

Environmental

We are subject to a number of local, national and regional laws and other requirements relating to the protection of the environment and the safety and health of personnel and the public. These requirements relate to a broad range of our activities, including (i) product and industrial related environmental protection and (ii) operational management of occupational safety and well-being related to hazardous substances in production activities.

Our capital and operating budgets include costs and expenses associated with complying with these laws. Specifically, we incur labor costs for environmental, health and safety activities, local costs for industrial environmental protection, investments to improve workplace ergonomics and coverage of substance substitutions. If we do not comply with environmental requirements that apply to our operations, regulatory agencies could seek to impose civil, administrative and/or criminal liabilities, as well as seek to curtail our operations. Under some circumstances, private parties could also seek to impose civil fines or penalties for violations of environmental laws or recover monetary damages, including those relating to property damage or personal injury.

The presence of hazardous materials at our facilities may expose us to potential liabilities associated with the clean-up of contaminated soil and groundwater, and we could be liable for (i) the costs of responding to and remediating that release and (ii) the restoration of natural resources damaged by any such release, among other things. We have not incurred in the past three fiscal years, nor do we anticipate incurring, material expenditures in order to comply with environmental laws or regulations. We are not aware of any environmental liabilities that we would expect to have a material adverse effect on our business.

CERTAIN REGULATORY REGIMES

United States

In the United States, the design, development, research, manufacture, testing, labeling, promotion, advertising, distribution, marketing, sale and export and import of hearing instruments are subject to regulation by numerous governmental authorities, principally the U.S. Food and Drug Administration ("**FDA**"). Failure to obtain or maintain clearance to market our products, where required, or to satisfy the FDA's ongoing requirements could prevent us from marketing and/or continuing to market our products.

Regulation by the FDA

The FDA classifies hearing instruments, including behind-the-ear hearing instruments, receiver-in-canal hearing instruments, and in-the-ear hearing instruments, as medical devices. In the United States, the Federal Food, Drug, and Cosmetic Act, ("**FDCA**"), as well as FDA regulations and other federal and state statutes and regulations, govern, among other things, medical device design and development, preclinical and clinical testing, device safety, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, record-keeping, advertising and promotion, sales and distribution, export and import, recalls and field safety corrective actions and post-market surveillance, including complaint handling and medical device reporting of adverse events. Failure to comply with applicable requirements may subject a company to a variety of administrative or judicial sanctions, such as warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties and criminal prosecution. The FDA can also refuse to approve or clear pending product applications.

The FDA classifies medical devices into one of three classes (Class I, II, or III). This classification is based on the degree of risk associated with the device and the level of regulatory control deemed necessary to ensure its safety and effectiveness. Low- and moderate-risk devices requiring fewer controls are placed in Class I or II. Class I devices that pose the least risk are subject only to the general controls applicable to all devices, such as requirements for device labeling and adherence to the FDA's current good manufacturing practices ("**cGMPs**"), as reflected in the Quality System Regulation ("**QSR**"). Most Class I devices are exempt from the FDA's premarket notification requirements for medical devices. Class II devices that pose a moderate risk are subject to general controls and may also be subject to special controls such as performance standards, product-specific guidance documents, special labeling requirements, patient registries, or post-market surveillance. Some Class II devices must also comply with the FDA's premarket notification requirements set forth in section 510(k) of the FDCA, while others are exempt. Class III devices are those for which insufficient information exists to assure safety and effectiveness solely through general or special controls, including devices that support or sustain human life, are of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury.

Some, but not all, medical devices require marketing authorization from the FDA prior to commercial distribution in the United States. The type of marketing authorization necessary is generally linked to the classification of the device. Most Class I devices and some Class II devices are exempted by regulation from the premarket authorization requirement and can be marketed without prior notification to the FDA. Such devices include air-conduction hearing instruments, which are Class I devices exempt from the premarket notification requirement, and wireless air-conduction hearing instruments, which are Class II devices exempt from the premarket notification requirement. However, some Class I devices and many Class II devices, require premarket authorization from the FDA through the 510(k) premarket notification process. By contrast, devices placed in Class III generally require the submission of a premarket approval ("**PMA**") application, which must be approved by the FDA prior to marketing, or the receipt of a 510(k) de novo clearance. The PMA approval process is more stringent, time-consuming and expensive than the 510(k) clearance process; however, the 510(k) clearance process has also become increasingly stringent and expensive.

Currently, each of our behind-the-ear, receiver-in-canal, and in-the-ear hearing instruments commercially distributed in the United States is classified as either a Class I or Class II device exempt from the requirement to submit a 510(k) notification. Our tinnitus masker products commercially distributed in the United States are classified as Class II devices requiring 510(k) notification.

510(k) Clearance

If not exempted from the FDA's 510(k) notification requirement, to obtain 510(k) clearance for a medical device, an applicant must submit a premarket notification to the FDA demonstrating that the device is "substantially equivalent" to a legally marketed device, commonly known as the "predicate device." A legally marketed predicate device may include a device that was legally marketed in the United States prior to May 28, 1976 for which a PMA is not required (commonly known as a "pre-amendment device" based on the date the Medical Device Amendments of 1976 were enacted), a device which the FDA has reclassified from Class III to Class II or I, or a device which has been found substantially equivalent to such a device through the 510(k) process. A device is considered to be substantially equivalent if, with respect to the predicate device, it has the same intended use and has either (i) the same technological characteristics, or (ii) different technological characteristics, but the information provided in the 510(k) submission demonstrates that the device does not raise new questions of safety and effectiveness and is at least as safe and effective as the predicate device. A showing of substantial equivalence may sometimes, but not always, require clinical data. Before the FDA will accept a 510(k) submission for substantive review, the FDA will first assess whether the submission satisfies a minimum threshold of acceptability. If the FDA determines that the 510(k) submission is incomplete, the FDA will issue a "Refuse to Accept" letter which generally outlines the information the FDA believes is necessary to permit a substantive review and to reach a determination regarding substantial equivalence. An applicant must submit the requested information before the FDA will proceed with additional review of the submission. Once the 510(k) submission is accepted for review, the FDA has 90 days to review and issue a determination. As a practical matter, clearance often takes longer. The FDA may request additional information, including clinical data, to make a determination regarding substantial equivalence. The review period is suspended during the time the additional information request is pending. Unless a specific exemption applies, 510(k) premarket notification submissions are subject to user fees.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device has received 510(k) clearance for a specific intended use, any change or modification that significantly affects its safety or effectiveness, such as a significant change in the design, materials, method of manufacture or intended use, may require a new 510(k) clearance or PMA approval and payment of an additional FDA user fee. The determination as to whether or not a modification could significantly affect the device's safety or effectiveness is initially left to the manufacturer using available FDA guidance; however, the FDA may review this determination to evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained. The manufacturer may also be subject to significant regulatory fines or penalties.

Clinical Trials

Clinical trials are sometimes required for 510(k) clearance. Such trials generally require submission of an investigational device exemption ("**IDE**") application to the FDA for a specified number of patients and study sites, unless the product is deemed a non-significant risk device which may be subject to more abbreviated IDE requirements. If an IDE is required, the FDA and the appropriate institutional review boards ("**IRBs**") at the clinical sites must approve the study before clinical trials may begin. Clinical trials are subject to extensive monitoring, record keeping and reporting requirements. Clinical trials must be conducted under the oversight of an IRB for the relevant clinical trial sites and must comply with FDA regulations, including but not limited to those relating to good clinical practices. To conduct a clinical trial, the patient's informed consent must be obtained in form and substance that complies with both FDA requirements and state and federal privacy and human subject protection regulations. The clinical trial sponsor, the FDA or the IRB could suspend or terminate a clinical trial at any time for various reasons, including a belief that the subjects are being exposed to an unacceptable health risk. Even if a trial is completed, the results of clinical testing may not adequately demonstrate the safety and effectiveness of the device or may otherwise not be sufficient to obtain FDA clearance to market the product.

Labeling

All hearing instruments commercially distributed in the United States must comply with specific FDA labeling requirements. These requirements address the labeling of the device itself as well as the User Instructional Brochure that must be provided to all potential hearing instruments recipients. Hearing instruments must be clearly and permanently marked with, among other things, the name of the device manufacturer, the model name or number, and the year of manufacture. In addition, the user instructional brochure must contain, among other things, specific instructions for the use of, maintenance and care of, and replacement or recharging of the batteries of the hearing instrument, information regarding known side effects that may warrant a physician consultation, a warning statement specified in FDA regulations, and technical data useful in selecting and fitting a hearing instrument and checking its performance.

Continuing FDA Regulation

The hearing instruments that we commercially distribute in the United States are subject to pervasive and continuing regulation by the FDA and certain state agencies. This includes product listing and establishment registration requirements, which facilitate FDA inspections and other regulatory actions. We are required to adhere to applicable cGMP requirements, as set forth in the QSR, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process. Noncompliance with these regulations can result in, among other things, fines, injunctions, civil penalties, recalls or seizures of products, total or partial suspension of production, FDA refusal to grant 510(k) clearance or PMA approval to new devices, withdrawal of existing clearances or approvals, and criminal prosecution.

We must also comply with post-market surveillance regulations, including medical device reporting ("**MDR**") requirements which require that we review and report to the FDA any incident in which our products may have caused or contributed to a death or serious injury, and any incident in which our product has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur. Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as "off-label" promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including substantial monetary penalties and criminal prosecution.

Failure to comply with applicable regulatory requirements, including delays in or failures to report incidents to the FDA as required under the MDR regulations, can result in enforcement action by the FDA which can include any of the following sanctions:

- warning letters, untitled letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, administrative detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearance or PMA approval of new or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export approval for products; or
- criminal prosecution.

If our operations are found to be in violation of any of these healthcare laws and regulations, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the reimbursement programs, and the curtailment or restructuring of our operations.

Other Health Care Laws and Regulations

The healthcare industry is also subject to federal and state fraud and abuse laws, including anti-kickback, false claims and physician payment transparency laws, as well as data privacy and security laws and regulations. Our HearUSA hearing care centers are also subject to certain licensure, accreditation and certification requirements and state corporate practice and fee-splitting prohibitions.

Anti-Kickback Statute. The federal Anti-Kickback Statute makes it a criminal offense to knowingly and willfully solicit, offer, receive or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase, order, lease of any good, facility, item or service, that are reimbursable by a state or federal health care program, such as Medicare or Medicaid. The term "remuneration" has been broadly interpreted to include anything of value. The Anti-Kickback Statute has been interpreted to apply to the purchase of medical devices from a particular manufacturer or the referral of patients to a particular supplier of diagnostic services utilizing such devices. Although, there are established statutory exceptions and regulatory safe harbors that define certain financial transactions and practices that are not subject to the Anti-Kickback Statute, the exceptions and safe harbors are drawn narrowly. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all its facts and circumstances.

Generally, courts have taken a broad interpretation of the scope of the Anti-Kickback Statute, holding that the statute may be violated if merely one purpose of a payment arrangement is to induce referrals or purchases. Further, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Violations of this law are punishable by up to five years in prison, and can also result in criminal fines, administrative civil money penalties and exclusion from participation in federal healthcare programs. In addition, a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act. Many states have also adopted statutes similar to the federal Anti-

Kickback Statute, some of which apply to payments in connection with the referral of patients for healthcare items or services reimbursed by any source, not only governmental payor programs.

False Claims Act. The federal civil False Claims Act prohibits any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes “any request or demand” for money or property presented to the U.S. government. In addition to actions initiated by the government itself, the statute authorizes actions to be brought on behalf of the federal government by a private party having knowledge of the alleged fraud through a *qui tam* action. Because the complaint is initially filed under seal, the action may be pending for some time before the defendant is even aware of the action. If the government is ultimately successful in obtaining redress in the matter or if the plaintiff succeeds in obtaining redress without the government’s involvement, then the plaintiff will receive a percentage of the recovery. When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties ranging from $5,500 to $11,000 for each separate false claim, and may be excluded from participation in federal health care programs, and, although the federal False Claims Act is a civil statute, violations may also implicate various federal criminal statutes. Several states have also adopted comparable state false claims laws, some of which apply to all payors.

Civil Monetary Penalties Laws. The civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

Other Fraud and Abuse Laws. HIPAA also created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Physician Payment Transparency Laws. There has been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers and entities. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, among other things, imposed new reporting requirements on certain device manufacturers for payments provided to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit timely, accurately, and completely the required information may result in civil monetary penalties of up to an aggregate of $150,000 per year and up to an aggregate of $1 million per year for “knowing failures”). Device manufacturers were required to begin collecting data on August 1, 2013 and submit reports on aggregate payment data to the government for the first reporting period (August 1, 2013—December 31, 2013) by March 31, 2014, and to report detailed payment data for the first reporting period and submit legal attestation to the accuracy of such data by June 30, 2014. Thereafter, device manufacturers must submit reports by the 90th day of each subsequent calendar year. CMS made all reported data publicly available on September 30, 2014. Certain states also mandate implementation of compliance programs, impose restrictions on device manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to healthcare providers and entities.

Privacy and Security Laws. In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business or in which our patients reside. The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, including the Omnibus Final Rule published on January 25, 2013 (all of which we collectively refer to as HIPAA) , imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA’s privacy and security standards directly applicable to “business associates,” defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney’s fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, including where a state law imposes stricter requirements than HIPAA. Many of these state laws also differ from each other in significant ways, thus complicating compliance efforts.

Under HIPAA, providers of medical services, such as audiologists, can be covered entities, and some of our hearing care centers could be considered to be covered entities under HIPAA. The manufacturing portion of our business may also be considered a business associate under HIPAA. There are therefore risks for our business associated with the potential loss or theft of patient records or other failure to comply with HIPAA's requirements. In the ordinary course of our business, we collect and store sensitive data, including protected health information (as defined by and as subject to the requirements of HIPAA), other personally identifiable information, intellectual property and proprietary business information owned or controlled by ourselves or our customers, payors, and partners. We face four primary risks relative to protecting this critical information, including: loss of access risk; inappropriate access and/or disclosure risk; inappropriate modification risk; and the risk of our being unable to adequately monitor our controls over the first three risks.

The secure processing, storage, maintenance, and transmission of this sensitive personal and business information is vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access, use and/or disclosure, our information technology and infrastructure, and that of our third-party service providers, may be vulnerable to attacks by hackers or viruses or may be breached due to employee error, malfeasance, or other disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed and used by unauthorized parties, publicly disclosed, lost, or stolen. Any such access, use, disclosure or other loss of information could result in legal claims or proceedings and liability under laws that protect the privacy and/or security of personal information, such as HIPAA and various state laws. In the event of any breach involving personally identifiable information, we could be subject to fines, regulatory penalties and class action lawsuits. Unauthorized access, use, loss or dissemination of personally identifiable information and/or other sensitive information could also disrupt our operations and damage our reputation, which could adversely affect our business.

Any security breach involving protected health information might be considered to be a violation of HIPAA. The U.S. Department of Health and Human Services Office for Civil Rights may impose penalties on a covered entity or business associate such as ourselves for failure to comply with a requirement of HIPAA. Penalties will vary significantly depending on factors such as the date of the violation, whether the covered entity knew or should have known of the failure to comply, or whether the covered entity's failure to comply was due to willful neglect. Penalties for violating HIPAA include civil monetary penalties of $100 to $50,000 per violation, up to an annual cap of $1,500,000 per violation. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to $50,000 and up to one-year imprisonment. The criminal penalties increase to $100,000 and up to five years imprisonment if the wrongful conduct involves false pretenses, and to $250,000 and up to 10 years imprisonment if the wrongful conduct involves the intent to sell, transfer, or use identifiable health information for commercial advantage, personal gain, or malicious harm. The U.S. Department of Justice is responsible for criminal prosecutions under HIPAA. Furthermore, in the event of a breach as defined by HIPAA, the covered entity has specific reporting requirements under the HIPAA regulations. In the event of a significant breach, the reporting requirements could include notification to the general public. Complying with these notification obligations could be very costly and could result increase public awareness of any security incidents that we have experienced, thereby damaging our reputation and adversely affecting our business.

In addition, countries around the world have passed or are considering legislation that would impose data breach notification requirements and/or require that companies adopt specific data security requirements. If we experience a data breach that triggers one or more of these laws, we may be subject to breach notification obligations, civil liability and litigation, all of which could also generate negative publicity and have a negative impact on our business.

State Corporate Practice and Fee-Splitting Prohibitions. We employ or contract with audiologists and other licensed health care professionals to deliver services to our HearUSA hearing care center patients. These activities are subject to various state laws that prohibit the practice of certain professions, including audiology, by lay entities or persons and are intended to prevent unlicensed persons from interfering with or influencing the audiologist's professional judgment. In addition, various state laws also generally prohibit the sharing of professional services income with nonprofessional or business interests. In the event that regulatory authorities or other third parties were to challenge these arrangements, we could be subject to adverse judicial or administrative interpretations, to civil or criminal penalties, our contracts could be found legally invalid and unenforceable or we could be required to restructure our contractual arrangements with our audiologists and other licensed professionals.

Licensing, Accreditation and Certification. Our HearUSA hearing care centers, audiologists and network providers are subject to national accreditation standards and state and local licensing and certification laws and regulations, relating to, among other things, the adequacy of patient care, equipment, personnel and operating policies and procedures. We are also subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensure, accreditation, certification and where applicable, participation in government healthcare programs, including Medicaid. Failure to comply with these laws and regulations could result in our services being found to be non-reimbursable or prior payments being subject to recoupments, and can give rise to civil or criminal penalties.

Coverage and Reimbursement and Healthcare Reform

Sales of our products depends, in part, on the extent to which our products will be covered by third-party payors, such as government health care programs, commercial insurance and managed healthcare organizations. These third-party payors are increasingly limiting coverage and reducing reimbursements for medical products and services. We work closely with third-party payors to ensure that the appropriate products and services are provided to match the allocated coverage and reimbursement levels although our products are not generally covered and reimbursed by government healthcare programs in the United States.

In addition, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system seeking, among other things, to reduce healthcare costs that could affect our results of operations. By way of example, in the United States, the Affordable Care Act was signed into law in March 2010, which is expected to substantially change the way healthcare is delivered and financed by both governmental and private insurers. Among other things, the Affordable Care Act:

- imposed an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States;
- established a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research;
- implemented payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models; and
- created an independent payment advisory board that will submit recommendations to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate.

Other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation’s automatic reduction to several government programs. This included reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013 and will stay in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several providers.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure.

The European Union and Germany

Commercialization of Medical Devices

European Economic Area

In Europe, our products are mainly placed on the market of Member States of the European Economic Area (the “**EEA**”), where hearing aids are classified as medical devices. In particular, our products qualify as general medical devices. Besides, medical devices are assigned to one of three regulatory classes based on the level on control necessary to assure their safety and effectiveness: class I (low risk), class IIa or IIb (medium risk), or class III (high risk).

The regulatory framework concerning the commercialization of our products is largely harmonized by EU Directives (as implemented into the respective national laws and regulations of the EU Member States). These regulations aim at protecting the health and safety of users of medical devices and govern, among other things, the following activities in which we and our contract manufacturers, contract testing laboratories and suppliers are involved:

- product development;
- product testing;
- product manufacturing;
- product labeling;

- product safety;
- product storage;
- product market access;
- product advertising and promotion;
- product import and export;
- product sales and distribution; and
- product performance/effectiveness.

Failure to comply with the applicable laws and regulations could result in, among other things, delays in obtaining market access, product recalls, product seizures, interruptions of production, operating restrictions, suspension or withdrawal of product market access, injunctions, and civil or criminal sanctions.

Such regulations are subject to continuous revision, which may entail increased requirements, and, more generally, there appears to be a trend toward more stringent regulatory oversight throughout the world.

In order to commercialize our products, our products, except for certain custom-made products, are required to comply with the essential requirements of the EU Medical Devices Directive 93/42/EWG of 1994 as amended (the "**Medical Devices Directives**"). Compliance with these requirements entitles us to affix the CE conformity mark to our medical devices, without which they cannot be commercialized in the European Economic Area. The European standard setting bodies, mainly the European Committee for Standardization, have adopted numerous harmonized standards covering a wide range of devices or specific devices or device categories. Compliance with the relevant harmonized standards applicable to a given medical device provides a presumption of conformity with the essential requirements. The European Commission has adopted various guidelines, consensus statements and interpretative documents aimed at ensuring the uniform application of the provisions of the Medical Devices Directives. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment procedure requires the intervention of an independent and neutral institution appointed by a Member State of the EEA to conduct the conformity assessment (a "**Notified Body**"). Typically, the Notified Body, during the course of reviewing our product application (design dossier), confirms that our quality system certifications are being upheld through ongoing assessments which are conducted separately and must be in evidence to complete the conformity assessment. Based on the same quality system certifications, we can draw up an EC Declaration of Conformity which allows us to affix the CE mark to our products.

The lawful affixing of the CE mark authorizes us to commercialize our products anywhere within the EEA and in certain non-EEA countries that recognize a CE mark, such as Australia, except for certain types of medical devices.

A new EU Regulation on medical devices, which will repeal and replace the Medical Devices Directives, is currently in the legislative process. The legislative proposal of the Commission provides, for instance, for more transparency and a stricter surveillance and vigilance system. The final adoption of the Regulation is still outstanding.

Germany

The German Medical Devices Act (*Medizinproduktegesetz*) tranposes the EU Medical Devices Directives into German law. Thus, the prerequisites for the lawful commercialization of medical devices are primarily regulated by the Medical Devices Act (and the ordinances passed thereunder (*Rechtsverordnungen*), including but not limited to:

- Ordinance on Medical Devices (*Verordnung über Medizinprodukte*)
- Ordinance on the Provision of Medical Devices (*Verordnung zur Regelung der Abgabe von Medizinprodukten*)
- Ordinance on Clinical Trials with Medical Devices (*Verordnung über klinische Prüfungen von Medizinprodukten*)
- Ordinance on the Installation, Operation and Use of Medical Devices (*Verordnung über das Errichten, Betreiben und Anwenden von Medizinprodukten*)
- Ordinance on the Identifying, Analyzing and Counteractive Measures (*Verordung über die Erfassung, Bewertung und Abwehr von Risiken bei Medizinprodukten*)

- Ordinance on the Database-Supported Information System of the German Institute for Medical Documentation and Information for Medical Devices (*Verordnung über das datenbankgestützte Informationssystem über Medizinprodukte des deutschen Instituts für medizinische Dokumentation und Information*)
- Ordinance on the Fees linked to the Medical Devices Act and the Ordinances passed thereunder (*Gebührenverordnung zum Medizinproduktegesetz und den zu seiner Ausführung ergangenen Rechtsverordnungen*)

Both, the German Medical Devices Act as well as the ordinances, however, in many parts refer back to the respective EU Medical Devices Directive.

Finally, the European guidelines for the medical devices vigilance system (MEDDEV-Guidelines), which are adopted by the European Commission and have been drafted through a process of consultation with various interested parties, are of high practical relevance.

Clinical Evaluation and Investigations

The German Medical Devices Act requires that evidence of the suitability of medical devices for the specified intended purpose shall be provided through a clinical evaluation ("**Clinical Evaluation**") based on clinical data, unless, in exceptional cases with good reason, other data are sufficient.

General medical devices in Class III require that clinical investigations ("**Clinical Investigation**") are performed unless it is duly justified to rely on existing clinical data. The objectives of clinical investigations are to verify that, under normal conditions of use, the performance of the devices conform to those intended by the manufacturer and to determine any undesirable side-effects, under normal conditions of use, and assess whether they constitute risks when weighed against the intended performance of the device.

Clinical Investigations, in turn, require a favorable opinion by the ethics committee as well as an authorization by the competent federal authority, the Federal Institute for Drugs and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*). Besides, the German Medical Devices Act contains numerous preconditions to perform clinical investigations on human beings. In particular, the patient's informed consent must be obtained personally and in writing.

Labeling

Our products must also comply with certain labelling requirements. In Germany, these requirements are set forth in the German Medical Devices Act and prescribe that the name or the firm as well as the address of the manufacturer appears on the label or in the instructions for the use of the medical device.

Fraud and Abuse

We are also subject to healthcare fraud and abuse regulation and enforcement by the countries in which we conduct our business. These healthcare laws and regulations vary significantly from country to country and include inter alia anti kick-back statutes and regulations on the advertising and promotions of medical devices. If our operations are found to be in violation of any of these healthcare laws and regulations, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the reimbursement programs, and the curtailment or restructuring of our operations.

Any penalties, damages, fines, exclusions, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws and regulations is increased by the fact that many of these laws and regulations are broad and their provisions are open to a variety of interpretations. Any action against us for violation of these laws and regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Anti Kick-Back Statutes

The German Social Security Code (the "**SGB V**") and the state rules for professional conduct of physicians, proscribe to promise, grant, receive or offer any payment or other advantage for the recommendations of physicians as well as the prescription or supply of medical aids or devices. Besides, any circumvention of the regulations is prohibited as well. Although these regulations directly refer only to physicians, they may apply to other persons as well if they instigate or assist physicians engaged in the behaviour prohibited.

The potential legal consequences of an infringement of these regulations are manifold: the agreement itself is ineffective, the physicians may face professional sanctions, and a hospital may be excluded from the hospital plan. Besides, violations of the SGB V as well as the state rules for professional conduct of physicians also constitute an infringement of the

Unfair Competition Act, which prohibits unfair business practices. The violation of the Unfair Competition Act, in turn, may inter alia result in injunctive reliefs and claims for damages. Furthermore, the offering or receipt of payments or other incentives may be subject to criminal sanctions.

Regulations on the Advertising and Promotion

The advertising and promotion of our products is subject to additional EEA Directives concerning misleading and comparative advertising and unfair commercial practices, as well as other EEA Member State legislation governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

In Germany, the advertising and promotion of medical devices is primarily regulated by the Medical Product Advertisement Act *(Heilmittelwerbegesetz)*, which includes numerous prohibitions and restrictions. Inter alia, it prohibits misleading advertising of medical devices and restricts the offer and granting of gifts or other advantages in connection with promotional activities. Besides, the Medical Product Advertisement Act contains further restrictions for advertisements addressing persons other than healthcare professionals.

Infringements of the Medical Product Advertisement Act may be punished as an administrative offense, violations of the prohibition of misleading advertisement may even result in one year of imprisonment. Further, infringements may constitute an infringement of the Unfair Competition Act. This may result in injunctive reliefs and claims for damages.

Privacy and Data Protection

In the European Union, we are subject to laws relating to our collection, control, processing and other use of personal data (i.e. data relating to an identifiable living individual). We process personal data in relation to our operations; we process data of both our employees and our customers, including health and medical information. The data privacy regime in the EU includes the EU Data Protection Directive (95/46/EC) regarding the processing of personal data and the free movement of such data (the "**Privacy and Data Protection Directive**"). Each EU Member State has transposed the requirements laid down by this Privacy and Data Protection Directive into its own national data privacy regime and therefore the laws differ significantly by jurisdiction. We need to ensure compliance with the rules in each jurisdiction where we are established or otherwise subject to local privacy laws.

The requirements include that personal data may only be collected for specified, explicit and legitimate purposes based on a legal grounds set out in the local laws, and may only be processed in a manner consistent with those purposes. Personal data must also be adequate, relevant, not excessive in relation to the purposes for which it is collected, be secure, not be transferred outside of the EEA without an adequate level of protection and must not be kept for longer than necessary for the purposes of collection. To the extent that we process, control or otherwise use sensitive data relating to living individuals (for example our customers' health or medical information), more stringent rules apply, limiting the circumstances and the manner in which we are legally permitted to process that data and transfer that data outside of the EEA. In particular, in order to process such data, explicit consent to the processing (including any transfer) is usually required from the data subject (being the person to whom the personal data relates).

We are also subject to the supervision of local data protection authorities in those jurisdictions where we are established or otherwise subject to applicable law. We depend on a number of third parties in relation to our provision of our services, a number of which process personal data on our behalf. With each such provider we enter into contractual arrangements to ensure that they only process personal data according to our instructions, and that they have sufficient technical and organizational security measures in place.

We take our data protection obligations seriously, as any improper disclosure, particularly with regard to our customers' sensitive personal data, could negatively impact our business and/or our reputation.

Local laws are amended from time to time, and guidance is issued reasonably frequently by regulators. Any changes in law and new guidance may impact, and require changes to, our current operations.

Additionally, on January 25, 2012, the European Commission published its draft EU Data Protection Regulation and on March 12, 2014, the European Parliament formally passed a revised proposal (as currently drafted, the "**Regulation**"). The current form of the Regulation proposes substantial changes to the EU data protection regime. Unlike the Privacy and Data Protection Directive, this will be directly implemented into the laws of each of the EU Member States, without the need for further enactment. When implemented, the Regulation will likely strengthen individuals' rights and impose stricter requirements on companies processing personal data. Press reports suggest that this may be agreed as early as 2015, and coming into force in 2017. Significant changes in the current draft of the Regulation include the need for consent to processing to always be explicit, extended information duties, tougher sanctions (as currently drafted, the applicable data protection authority may be able to impose a fine of up to EUR 100 million or 5 percent of annual worldwide turnover, whichever is greater), increased rights of the data subject and a requirement to notify the data protection authority of data breaches of any sort. As the Regulation has not yet made its full progression through the legislative process, it is not currently possible to assess its full impact on our business.

Environmental

General

Our operations are subject to a number of European, national and local regulatory and environmental laws and regulations, dealing primarily with the protection of the environment and the safety and health of personnel and the public. In particular, the manufacturing of our products is subject to permits, authorizations and approvals and we have to generally comply with certain requirements (*e.g.*, emission limits). Compliance with these requirements is monitored by local authorities and non-compliance may result in administrative orders, fines or closure of our operations. In particular, the presence of hazardous materials at our facilities may expose us to potential liabilities associated with the clean-up of contaminated soil and groundwater, and we could be liable for the costs of responding to and remediating that release and the restoration of natural resources damaged by any such release, among other things.

Although the legislation applicable to our business is, to a large extent, harmonized in the European Union, Member States may implement stricter provisions into domestic law. Furthermore, additional laws and regulations including stricter environmental requirements may be adopted and could increase our costs or have a material adverse effect on our business.

We have not incurred in the previous three fiscal years ended September 30, 2012, 2013 or 2014, nor do we anticipate incurring in the foreseeable future, material expenditures in order to comply with environmental laws or regulations. We are not aware of any environmental liabilities that we would expect to have a material adverse effect on our business.

In particular, the following environmental regulations are of specific importance to our business:

EU legislation on waste of electrical and electronic equipment

We are subject to EU regulations on electrical and electronic equipment and waste electrical and electronic equipment ("**WEEE**"). WEEE is a complex mixture of materials and components that because of their hazardous content, and if not properly managed, may cause major environmental and health problems.

WEEE is subject to diverse EU regulations. The first Directive on waste of electrical and electronic equipment (Directive 2002/96/EC, the "**WEEE Directive**") entered into force in February 2003. In order to deal with the fast increasing waste volume, the WEEE Directive was replaced by Directive 2012/19/EU, which had to be transposed into national law of the EU Member States by February 2014.

The WEEE Directive provides for the creation of collection schemes where consumers return their WEEE free of charge and separately. These schemes aim to increase the recycling of waste and/or reuse. Manufacturers of electrical and electronic equipment have to apply the best available treatment, recovery and recycling techniques. Such treatment is to include the removal of certain fluids and selective treatment in accordance with the requirements of the Directive. In addition, producers are required to provide for the financing of the collection, at least from the collection point, of the treatment, recovery and environmentally sound disposal of waste electrical and electronic equipment.

Closely linked to the WEEE Directive is the EU legislation on the restriction of the use of certain hazardous substances in electrical and electronic equipment. The former Directive 2002/95/EC has been replaced by Directive 2011/65/EU ("**RoHS Directive**"), which had to be implemented by the EU Member States by January 2013.

The RoHS Directive restricts the use of certain hazardous substances in electrical and electronic products to reduce toxic and environmentally harmful waste from such products. Substances that, based on the regulations, have to be substituted by safer alternatives are, *inter alia*, heavy metals such as lead, mercury and hexavalent chromium, as well as flame retardants, such as polybrominated biphenyls. Manufacturers are obliged under the RoHS Directive to ensure compliance with the substance restrictions by a conformity assessment procedure. Electrical equipment that is in conformity with the Directive must as a rule be labelled with the CE marking.

EU legislation on batteries

The batteries we use in our products are subject to the EU legislation aiming at minimizing the negative impacts of batteries and accumulators on the environment and also harmonizing requirements for the internal market.

Directive 2006/66/EC, (the “**Battery Directive**”), prohibits the placing on the market of certain batteries and accumulators containing hazardous substances in excess of a fixed threshold, such as mercury or cadmium. The Battery Directive provides for an exemption from the strict threshold applying generally to mercury-containing batteries for button cells for hearing aids. However, the exemption will expire on September 30, 2015. The Battery Directive promotes a high level of collection and recycling targets and improvement in the environmental performance of batteries and accumulators, including their recycling and safe disposal.

EU legislation on voltage limits

The Low Voltage Directive 2006/95/EC ensures that electrical equipment within certain voltage limits provides a high level of protection for European citizens. The Directive covers all health and safety risks, thus ensuring that electrical equipment will be used safely and in applications for which it was made. Electrical equipment that is in conformity with the Directive must as a rule be labelled with the CE marking.

The Directive will be recast in April 2016 by the new Low Voltage Directive 2014/35/EU on the harmonization of the laws of the EU Member States relating to the making available on the market of electrical equipment designed for use within certain voltage limits. It has been issued as a consequence of the New Legislative Framework Decision No. 768/2008/EC (the “**NLF Decision**”) which allows economic operators to provide one single declaration of conformity per product. In addition, the labeling and traceability requirements are the same for all products.

EU legislation on electromagnetic compatibility

Directive 2004/108/EC on the approximation of the laws of the Member States relating to electromagnetic compatibility (“**EMC Directive**”) maintains to guarantee the free movement of apparatus and to create an acceptable electromagnetic environment in the European Union. The Directive’s objective is to regulate the electromagnetic compatibility of equipment and to avoid electrical interference by limiting electromagnetic emissions. However, the Directive does not provide for any thresholds, but requires equipment to be designed and manufactured as to ensure that generated electromagnetic disturbance does not exceed a level above which, *inter alia*, radio and telecommunications equipment cannot operate properly.

The EMC Directive will be recast in April 2016 by Directive 2014/30/EU on the harmonization of the laws of the EU Member States relating to electromagnetic compatibility. Its major amendments relate to the NLF Decision.

Reimbursement

The rules for reimbursement of our products by health insurance schemes are not harmonized but vary greatly from country to country.

Germany

In Germany, upon prescription, patients may request reimbursement for their hearing instruments. A prescription requires (i) a certain degree of hearing impairment, (ii) the patient’s decision to wear a hearing instrument and (iii) the patient’s ability to handle the device. The conditions for reimbursement differ according to whether the patient is insured through the statutory health insurance funds (the “**SHIF**”) or is privately insured. About 85-90% of the German population are covered by SHIF.

Statutory Health Insurance Funds

Agreements with SHIF

Reimbursement of hearing instruments by SHIF is regulated by the SGB V. Under the SGB V, patients are entitled to hearing instruments that are necessary to compensate a hearing loss. The hearing instruments must meet certain technical standards, which are generally only met by fully digitalized systems. These standards include: (i) a minimum of four channels, (ii) background noise reduction, (iii) feedback suppression, (iv) a minimum of three hearing programs and (v) amplification <75 decibels.

Additionally, reimbursement rules require patients to buy their hearing instruments from only those audiologists (*Hörgeräteakustiker*) who have entered into an agreement with the patient’s SHIF. Exceptions are only permitted if the patient has a legitimate interest. Audiologists must ensure a sufficient, adequate and functional production, distribution and fitting of the hearing instruments.

Under the SGB V, SHIF or their associations may conduct a tender process on the provision of a certain amount of therapeutic appliances prior to entering into an agreement with the providers. However, a tender procedure may only take place if it is appropriate; the SGB V provides that a tender process is in general inappropriate for therapeutic appliances that are manufactured individually for a specific patient or for the provision of appliances, including, to a large extent, services. The latter applies to hearing instruments, which need to be fitted individually to every patient and require maintenance and repair services.

In 2009, however, the European Court of Justice (the "**ECJ**") decided that the European public procurement law also applies to the SHIF, which should, therefore, generally conduct a public tender process when procuring therapeutic appliances. While the ECJ did not explicitly refer to hearing instruments, it stated that the procurement law also covers agreements on devices that need to be adjusted individually and that require individualized advice. Thus, it is very likely that agreements that are equal to or exceed the threshold of, currently, €207,000 are required to be tendered. As a producer of hearing instruments, we are not directly affected. However, our prices could also be influenced by changes in the marketing strategy of wholesalers or audiologists.

Reimbursement Rates

The reimbursement amount patients may request depends on the agreement between the audiologists and the SHIF. However, under the SGB V, the National Association of Statutory Health Insurance Funds (*GKV-Spitzenverband*) determines fixed reimbursement rates which must not be exceeded in the specific agreements.

Over the course of the last two years, these maximum reimbursement rates were increased to €733.59 (excluding VAT) for hearing impaired patients and €786.86 (excluding VAT) for nearly deaf patients. To be considered nearly deaf, a patient must have a minimum hearing loss of 81 decibels on his/her less impaired ear. Both fixed reimbursement rates do not include aftercare, maintenance or earmold costs. For binaural fittings, the fixed reimbursement rates are reduced for the second hearing instrument by €146.72 and €157.37, respectively.

The individual agreements between the SHIF and the audiologists may contain different reimbursement rates. Therefore, in practice, the SHIF reimburse hearing impaired patients for only lower rates, in general €710 to 740 for the first hearing instrument. In addition, many agreements contain a maintenance lump sum of typically €150 and cover the costs of earmolds, which are typically about €30.

Contribution by Patients

Generally, the reimbursement rates should cover the provision of appropriate hearing aids to patients. However, practically reimbursement rates are limited to certain maximum amounts. As far as the prices of hearing instruments exceed the reimbursement rates, patients are required to pay the difference at their own expense. The SGB V also requires patients (except for those under the age of 18) to contribute 10% of the price for the hearing instrument. The contribution amount must be at least €5, but must not exceed €10.

Private health insurance

Private health insurance reimbursement rates vary by policy, although private rates are typically more favorable than those provided by SHIF. Private health insurance providers also offer specific supplemental insurance plans for patients already covered under a statutory insurance plan but who desire more favorable coverage for hearing instruments.

Distribution

Germany

General Distribution Channel

The National Association of Statutory Health Insurance Funds issues recommendations on the requirements distributors of hearing instruments must meet in order to cooperate with SHIF regarding their personnel, the legal entity, the accommodations and the resources.

According to these recommendations, only certified hearing instrument audiologists (*Hörgeräteakustikmeister*) or legal entities that employ a certified hearing instrument audiologist in each of their stores fulfill the above-mentioned conditions. Although the Federal Supreme Court (*Bundesgerichtshof*) decided in 2009 that certified hearing instrument audiologists do not have to be in the store permanently, online distribution directly over the internet without the involvement of a local audiologist is still not permitted.

The recommendations also set forth certain conditions for stores. In particular, (i) the fitting of the hearing instrument requires a separate room with a maximum noise level of 40 decibels, (ii) a separate desk place for the repairmen of hearing instruments, (iii) a separate desk place for the earmolds, (iv) a sound- and speech audiometer and (v) a measurement box.

Fast-Track Distribution

Under certain conditions otologists may provide the patient with a hearing instrument by ordering the hearing instrument from a partner audiology firm and customizing it to the individual patient. This practice is commonly referred to as “fast track” distribution (*verkürzter Versorgungsweg*). The fast-track distribution must meet the requirements of the SGB V. In particular, the otologist must enter into an agreement with a health insurance fund. This agreement may only be entered into if the efficiency and quality of the provision of hearing instruments are not affected. The agreement must stipulate, *inter alia*, the services to be provided and the applicable remuneration.

MANAGEMENT

Board of Directors and Senior Management

The following table sets forth the name, age (as of September 30, 2014) and principal position of the Issuer's directors and officers:

Name	Age	Position
Andrea Pabst	40	Board member of the Issuer
Francesca Pham	27	Board member of the Issuer
Jens Hoellermann	43	Board member of the Issuer
Roger Radke	52	Chief Executive Officer
Marcus Desimoni	46	Chief Financial Officer
Jan Wittenberg	44	General Counsel
Günther Pausch	62	Head of Research & Development
Scott Davis	43	Head of Marketing
Frank Wagner	44	Head of Operations

Andrea Pabst is a board member of the Issuer and a manager and director of EQT portfolio companies with responsibility for transaction structuring. Prior to assuming her present role, Ms. Pabst worked at State Street Services (Luxembourg) S.A. where she was responsible for different aspects of regulated funds, fund of funds and Soparfis in Luxembourg with a main focus on legal and company secretarial tasks. She earned a Master in Laws from the University in Stellenbosch, South Africa.

Francesca Pham is a board member of the Issuer and a coordinator of EQT management with responsibility for transaction structuring. Ms. Pham has previously served as a client service management associate at State Street Services (Luxembourg S.A.) where she was responsible for administration and relationship services for numerous Luxembourg entities. She earned a Bachelor's degree in economics and social sciences from the University L. Bocconi, Milan (Italy) and a Masters of Science in Money and Finance from the J.W. Goethe University of Frankfurt and Main (Germany).

Jens Hoellermann is a board member of the Issuer and a manager and director of EQT portfolio companies with responsibility for transaction structuring. Prior to joining Auris Luxembourg, he served as co-head of the legal department at The Carlyle Group and as Vice President of State Street Services (Luxembourg S.A.), focusing on funds and investments. Mr. Hoellermann earned a Master in Laws from the University of Cologne, Germany and an MBA from the John F. Welsh College of Business at Sacred Heart University, Fairfield, Connecticut.

Roger Radke has been the Chief Executive Officer since 2010. Prior to assuming this role in 2010, Dr. Radke served as Senior Vice President of Global Marketing & Strategy for Siemens Healthcare and President and CEO of Siemens Water Technologies. He began his career with Siemens in 1989 and worked for Siemens Medical Systems and Siemens Audiologische Technik GmbH in Germany until 2004. He completed his degree in chemistry and doctorate at the University of Münster.

Marcus Desimoni has been the Chief Financial Officer since 2010. Prior to joining Siemens Audiology Solutions in 2010, Mr. Desimoni served as the CFO and then CEO of Siemens Japan K.K. He began his career in Siemens in 1999 and worked in various management and finance functions, including being responsible for Investor Relations and Equity Capital Markets for Siemens AG. He served as an officer in the German Army and earned a degree in Business and Economics from the University of Federal Armed Forces in Munich and an MBA from the University of Wales.

Jan Wittenberg has been the General Counsel since 2011. He also leads the global Legal, Intellectual Property and Data Privacy team of Audiology Solutions Group. Dr. Wittenberg served as Senior Legal Counsel for Siemens AG in Germany from 2004-2008 and became General Counsel for Siemens Cluster South-East Asia in 2009. He earned a degree in law and economics and a doctoral degree in law from the University of Bayreuth in Germany.

Günther Pausch has been the Global Head of Research & Development since 2011. Mr. Pausch, who has over 8 years of experience in the hearing instruments industry, is experienced in running various R&D projects in the healthcare industry for more than 30 years. Mr. Pausch has formerly been the Chief Technology Officer for Siemens Healthcare. Mr. Pausch earned a diploma in mathematics and physics from the University in Erlangen, Germany.

Scott Davis has been the Head of Marketing since 2011. Mr. Davis is a former partner and managing director at the Boston Consulting Group (BCG). Prior to BCG, Mr. Davis held numerous sales and operational leadership roles with leading advanced material technology companies. Mr. Davis completed his MBA with honors at the Wharton School of Finance at the University of Pennsylvania in 2003 and received a B.S. *summa cum laude* in Textile Chemistry from Auburn University's College of Engineering.

Frank Wagner has been the Head of Operations since 2014. He has worked at the Company since 1996, working first as a design engineer and subsequently in product management, portfolio management, marketing, and research and development. Prior to becoming CEO, Mr. Wagner spent three years as Head of Global Product Development. He holds an advanced degree in electrical engineering from the University Erlangen-Nuernberg in Germany.

All of the members of the board of directors and officers of the Issuer have their business address at 23, Rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg.

Compensation of Directors and Executive Officers

An aggregate of €2.2 million was paid in compensation and benefits to our CEO and CFO in the fiscal year ended September 30, 2014.

Board Practices

Our board meets on a regular basis to review performance and our business plans. In addition, the board has established policies for the conduct of our business, including delegations of board authority to directors and members of senior management. The board will appoint committees to ensure appropriate oversight of our companies' operations. None of the members of the board of directors has a service contract that provides for benefits upon his termination as a director.

Board Committees

We intend to have an audit committee and a remuneration committee after the Acquisition. The functions that will be carried out by the audit and remuneration committees after the Acquisition have historically been conducted on an organizational level above Siemens Audiology Solutions by Siemens AG.

We intend that the audit committee will meet at least twice a year. The committee will be responsible for appointing auditors and reviewing the suitability and effectiveness of internal control systems and the application of corporate policies.

We intend that the remuneration committee will meet at least once a year. The primary function of the remuneration committee will be to determine remuneration and other terms of employment for our directors and senior employees, taking into account their performance. We anticipate that, in setting the remuneration policy, the committee will consider a number of factors, including the salaries and benefits available to senior management in comparable companies and the need to ensure senior management commitment to the continued success of the business by means of incentive schemes.

Management and Board Participation Plan

The management and board participation plan (the "**MPP/BPP**") enables selected members of the management, board members and advisors of Auris Luxembourg I S.A. and its direct and indirect subsidiaries (the "**Participants**") to participate in the economic success of Auris Luxembourg I S.A. For this purpose, the Participants will be offered to indirectly invest in the equity of Auris Luxembourg I S.A. by acquiring and holding an interest in a Luxembourg special limited partnership which will function as the pooling vehicle for the Participants and in this function acquire and hold a certain number of ordinary shares and preference shares in Auris Luxembourg I S.A. (the "**Partnership**"). Subject to the terms and conditions of the MPP/BPP, the Participants will, through their limited partnership interest in the Partnership, acquire and hold the beneficial interest of ordinary shares and preference shares in Auris Luxembourg I S.A. Auris Luxembourg I S.A. will also act as "warehouse" entity for the MPP/BPP and hold a "reserve" interest in the Partnership in order to facilitate the accession of further Participants to the MPP/BPP and the repurchase of interests in the Partnership by Participants leaving the MPP/BPP.

PRINCIPAL SHAREHOLDERS

EQT VI Limited is part of EQT, a leading manager of private equity funds with investments in Northern and Eastern Europe, Asia and the U.S. Since its establishment in 1994, EQT has raised 17 private equity funds with more than €22 billion of committed capital and invested in around 120 companies. The business model of EQT is driven by an industrial approach focused on the development of portfolio companies through the implementation of strategies geared towards growth and operational excellence. EQT typically exits its portfolio companies within four to eight years from the time of acquisition.

Santo is the main investment company of the family office of Dr. Andreas and Dr. Thomas Strüngmann, headquartered in Holzkirchen, Germany. The Strüngmanns are the founders of Hexal AG, a generic drug manufacturer, which they sold in 2005. Santo has strong expertise in the German biotech and pharmaceutical sector holding about 20 investments. Santo has recently acquired Astellas Pharma, Inc.'s over-the-counter German product portfolio in 2014 and signed an exclusive, worldwide licensing agreement with Formycon AG obtaining rights to the first biosimilar drug from Formycon in 2013. In 2013, one of their investments Aicuris won the ALLICENSE™ 2013 Breakthrough Alliance Award for a License deal with Merck & Co.

The table below illustrates the expected ultimate shareholdings in our parent company, Auris Luxembourg I S.A. as at the Completion Date.

Entity	Ordinary Shares	Preference Shares	Siemens Super Preference Equity	Warrants	Total Ownership Interest
EQT(1)	€ 67,000,000	€ 603,000,000	—	—	€ 670,000,000
Santo(2)	€ 20,000,000	€ 180,000,000	—	—	€ 200,000,000
Management and board of directors(3)	€ 11,750,000	€ 8,250,000	—	—	€ 20,000,000
Siemens(4)	—	—	€ 150,000,000	€ 50,000,000	€ 200,000,000

(1) EQT's holdings in Auris Luxembourg I S.A. are expected to include shares held indirectly by EQT VI Limited, its related entities and certain co-investors. These parties will invest through Auris Holding Guernsey Limited, parent of Auris Luxembourg I S.A. EQT will hold more than 50% in Auris Holding Guernsey Limited.

(2) Santo's holdings in Auris Luxembourg I S.A. are expected to be held by Santo Holding (Deutschland) GmbH.

(3) Management's holdings are expected to include shares held through a management participation program by selected members of management and through a board participation program by members of the board of directors and advisers of Luxembourg I S.A. and its direct and indirect subsidiaries. The holdings of management and the board of directors are expected to be up to €20,000,000, or 2.2%, of the ordinary and preference share capital of Auris Luxembourg I S.A. although it is subject to change.

(4) Siemens will hold the Siemens Super Preference Equity.

Co-Investment and Shareholders' Agreement

The prospective shareholders of Auris Luxembourg I S.A., which include, among others, Auris Holding Guernsey Limited, Santo Holding (Deutschland) GmbH, Siemens AG and an entity functioning as the pooling vehicle for the participation of management and the board of directors (the "**Shareholders**"), expect to enter into a co-investment and shareholders' agreement which governs, among other things, the terms upon which the Shareholders jointly invest in Auris Luxembourg I S.A. in connection with the Acquisition, the financing of Auris Holding GmbH in connection with the Acquisition and the corporate governance of Auris Luxembourg I S.A. and its subsidiaries (the "**Shareholders Agreement**").

The Shareholders Agreement provides that EQT has the sole power to nominate for appointment and to remove all directors of Auris Luxembourg I S.A., which will allow EQT to also consequently control the appointment and removal of the directors and managers of all the subsidiaries of Auris Luxembourg I S.A. It is intended that the Shareholders will establish an advisory board, which will be consulted and engage in discussion regarding all material affairs of the Group and will provide strategic advice to management. The advisory board will consist of a maximum of eight members, with EQT having the right to nominate up to six members, which shall further consist of up to two partners or employees of EQT and at least four that shall be independent industrial advisors. Santo and Siemens both have the right to nominate one member of the advisory board. The advisory board will decide on all matters via a simple majority of votes cast and each member shall be entitled to one vote.

Generally, no transfers of any ownership interests are permitted unless explicitly permitted under the Shareholders Agreement. The Shareholders Agreement provides for permitted transfers in connection with (i) the management participation plan and board participation plan, (ii) acquisitions, subject to certain restrictions and limitations, (iii) transfers to affiliates, (iv) the transfer of the economic ownership in the super preference shares to a third-party, subject to EQT's consent, which shall not be unreasonably withheld, (v) an equity syndication by EQT, subject to certain restrictions and limitations and (vi) an IPO or a trade sale. The Shareholders Agreement also contains customary drag-along and tag-along rights.

The Shareholders Agreement intends to create nine classes of shares, as described below:

(i) one class of non-voting super preference shares with a compounding super preferred annual return of 6% on €200 million accruing from the Completion Date which will be issued to Siemens AG;

(ii) four classes of preference shares that are voting shares with a compounding preferred annual return of 12% on the amount of the subscription price from the Completion Date; and

(iii) four classes of ordinary shares that are voting shares and are entitled to receive all proceeds after payment of (i) the super preferred annual return of the super preference shares, (ii) the amount of €200 million to the holders of the super preference shares, (iii) the capital contributed on the preference shares and the ordinary shares, (iv) the earn-out claim of up to €100 million (if certain thresholds for return on investment are achieved by the Investors, this earn-out is payable upon the completion of an exit or any other event resulting in proceeds received by the Investors) and (v) the preferred annual return of the preference shares.

In addition to the share classes, Siemens will be issued warrants over a certain number of phantom preference shares and phantom ordinary shares that will only be settled in cash, *pari passu*, with any distribution on preference shares and ordinary shares.

While EQT has the right to initiate any exit process, Santo and Siemens have certain exit rights regarding their stake if the exit has not occurred after a certain period.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than what they would expect to negotiate with disinterested third-parties.

Relationships with the Investors

After the completion of the Acquisition, we may enter into management and administration services agreements with the Investors, pursuant to which each of them provides us with certain strategic, marketing, operation, procurement and other advice to use for a fixed fee, subject to restrictions pursuant to the Senior Facilities Agreement and the indenture.

Historical Transactions with the Siemens Group

For the years presented in the Combined Financial statements, there were transactions between the Siemens Group and us for the provision of services, such as tax, human resources, legal, treasury services, and office rental, from Siemens Group. The table below reflects our income and expenses from transactions with Siemens Group for the last three fiscal years.

Income			Expense		
Fiscal year ended September 30, (€ in thousands)			Fiscal year ended September 30, (€ in thousands)		
2012	2013	2014	2012	2013	2014
2,627	3,753	146	20,431	21,254	17,746

Income from transactions with Siemens Group stems primarily from positive market values of derivatives agreed with Siemens AG.

Share-based payments

For the years presented in the Combined Financial Statements, selected employees participated in share-based payment awards implemented by Siemens. Siemens delivered the respective shares on behalf of us and was reimbursed by us. Due to the limited extent of participation in the share-based programs, the effect on the Combined Financial Statements was not significant in the years presented in the Combined Financial Statements.

Transactions with pension schemes and pension entities

In some countries our employees participated in Siemens pension plans and trusts, primarily in the United States.

Insurance

For the years presented in the Combined Financial Statements, we were covered by the group insurance of the Siemens Group. There were also additional contracts for individual insurance services between the Siemens Group and us, the costs for which were borne by us. We are currently assessing the replacement of insurance coverage provided by the Siemens Group with our own insurance policies.

Financing

For the years presented in the Combined Financial Statements, we were included in Siemens Group's cash pooling and cash management. We invested excess short-term liquidity and were granted overdraft facilities for financing our operating activities. Siemens provided various guarantees, global letters of support and financing to us in the years presented. Except as otherwise described, all of the aforementioned financing activities with Siemens will cease at the Completion Date.

Hedging

For the years presented in the Combined Financial Statements, our hedging activities were performed on an arm's length basis mainly through Siemens. The consideration was based on the normal market rates. All hedging activities with Siemens will cease at the Completion Date.

Ongoing Relationships and Services Provided by the Siemens Group

Transitional Services Agreement

We may enter into more than 30 transitional service agreements with Siemens AG following the Acquisition, the majority of which will cover the provision of IT services. Overall, future transitional service agreements may be entered into for services in the areas of IT infrastructure, IP administration, IT ERP, IT application management, human resources, environment, health & safety and finance, all of which may be provided by Siemens AG or certain of its subsidiaries for periods of three to nine months.

Pensions

In our Combined Financial Statements, the defined benefit obligations of our pension plans exceeded the fair value of the plan assets by €49.1 million, as of September 30, 2014, with €40.0 million of such deficit being in respect of the German pension schemes. In connection with the Acquisition, the Seller is required to, in respect of the German pension schemes, to fund the pension deficit. To the extent the pension deficit is not funded, the purchase price will be reduced accordingly (in which case the Investors expect to contribute the amount of such reduction to the Issuer to apply against the pension deficit). In respect of our remaining pension deficit (€9.2 million), the Seller will either fund the pension deficit, reduce the purchase price by the amount of the pension deficit (in which case the Investors expect to contribute the amount of such reduction to the Issuer to apply against the pension deficit) or some combination thereof. The foregoing adjustments may change depending on the change in fair value of pension plan assets between September 30, 2014 and the Completion Date.

Intellectual Property License

We will enter into intellectual property rights agreements ("**IPR Agreements**") under which we will grant to Siemens a perpetual, irrevocable, non-exclusive, world-wide, nontransferable, sub-licensable and fully-paid up license to do any acts within the current or future business of the Siemens Group excluding our core business, the development, manufacture and distribution of hearing aids, which would otherwise infringe certain IP rights, including patents, software and know-how, owned or licensed to us. Under the IPR Agreements, Siemens will further be entitled to grant a purchaser of a Siemens Group company or of a part of a business of Siemens the same rights Siemens has been granted under the IPR Agreements.

In turn, Siemens will grant to us a perpetual, non-exclusive, world-wide, non-transferable and fully-paid up license to do any acts within our core business, which would otherwise infringe certain IP rights, including patents, software and know-how, used by us and owned by Siemens or, subject to certain restrictions, licensed to Siemens by third parties. Sub-licensing of this license is subject to certain restrictions. Know-how and software may only be sub-licensed to our customers, sub-contractors, contract manufacturers or contract developers to the extent the sublicense is necessary to allow the sublicensee the use of our products or the delivery of goods or performance of services to us.

Trademark License Agreement

We will enter into a Trademark License Agreement ("**TLA**") with Siemens that is intended to replace all prior agreements between Siemens and us regarding the use of Siemens' trademarks. Under the TLA, Siemens will grant us certain rights for the use of the name "Siemens" over the medium term, including an exclusive, non-transferrable and fully paid-up license to place the trademark "Siemens" on products manufactured by or for us as well as corresponding marketing and technical material and signage for our retail stores. In turn, we will agree to adhere to certain guidelines and quality standards as defined by the TLA. Further, under the TLA, we may continue to use the name "Siemens" as part of internet domains, email domains and company names for certain transitional periods following the Completion Date.

Management Participation in the Offering of the Notes

Certain board members and other senior management, directly or indirectly, have placed a purchase order for and have been allocated Notes and may, from time to time, make further investments in the Notes.

DESCRIPTION OF OTHER INDEBTEDNESS

Set forth below is a summary of certain of our future significant debt arrangements. The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The defined terms set forth in this section apply to this section only.

Senior Facilities Agreement

On or prior to the Issue Date, the Parent, the Company and German BidCo will enter into the Senior Facilities Agreement pursuant to which utilisations may be made for the purposes set out under the caption "*Use of Proceeds*." The Senior Facilities Agreement provides for a term loan B facility (the "**Term Loan B Facility**") in a principal amount of EUR 785 million (split into EUR and USD tranches in amounts to be determined prior to funding) and a revolving credit facility (the "**Revolving Credit Facility**" and, together with the Term Loan B Facility, the "**Senior Facilities**") in a principal amount of EUR 75 million to be made available to the borrowers thereunder (the "**Borrowers**"), subject to the ability to increase this amount under certain conditions. The Borrower under the Term Loan B will be the Company. The Borrower under the Revolving Credit Facility will initially be the Company but the Senior Facilities Agreement permits additional entities to accede as Borrowers subject to satisfaction of certain conditions set out in the Senior Facilities Agreement.

On the Issue Date, the Senior Facilities will be guaranteed by the Parent, the Company and German BidCo. Not later than 90 days after the closing of the acquisition of the Target (the "**Acquisition**") (the "**Closing Date**"), the Target, certain of the Target's subsidiaries which have EBITDA or certain specified assets representing 5% or more of the consolidated EBITDA or such specified assets of the Group and the holding company of each such subsidiary which itself is a member of the Group (together with the Parent, the Company, German BidCo and the Target, the "**Material Companies**") shall accede to the Senior Facilities Agreement and provide guarantees in respect of the Senior Facilities. Furthermore, additional members of the Group (if any) (together with the Material Companies, the "**Guarantors**" and the Guarantors together with the Borrowers, the "**Obligors**") shall accede to the Senior Facilities Agreement and provide guarantees in respect of the Senior Facilities as are required to ensure that the Guarantors account for 80% of consolidated EBITDA and such specified assets of the Group, to be tested on the date falling 90 days after the Closing Date and thereafter annually using the audited annual accounts.

In addition to the Senior Facilities, the Senior Facilities Agreement permits the applicable Borrower to add one or more incremental term loan facilities to the Term Loan B Facility documented under the Senior Facilities Agreement (each, an "**Incremental Term Facility**"), in an aggregate principal amount for all such incremental facilities no greater than the sum of (x) EUR 100,000,000 less the principal amount of Additional Pari Passu Debt and Subordinated Debt (each as defined below) incurred under the cash basket for Additional Pari Passu Debt and Subordinated Debt described below and (y) an unlimited incurrence-based amount, provided that on a pro forma basis after giving effect to the incurrence of any such Incremental Term Facility (and after giving effect to any acquisition consummated concurrently therewith and certain other pro forma adjustment events), the ratio of priority secured debt of the Group to the consolidated EBITDA of the Group (the "**Priority Debt Net Leverage Ratio**") is equal to or less than 4.75:1 (after giving effect to the transactions and excluding the cash proceeds of the relevant incurrence (together with cash equivalent investments resulting therefrom).

The Senior Facilities Agreement also permits the incurrence of financial indebtedness which is either (1) secured on a pari passu basis with the Senior Facilities ("**Additional Pari Passu Debt**") or (2) subordinated in right of payment to the Senior Facilities (other than with respect to claims against the Parent or other issuer of senior unsecured notes) and (to the extent secured by any transaction security) subordinated with respect to the transaction security to the Senior Facilities ("**Additional Subordinated Debt**"), including certain acquired indebtedness incurred or assumed pursuant to a permitted acquisition, provided that:

- in respect of any Additional Pari Passu Debt, the Priority Debt Net Leverage Ratio, calculated on a pro forma basis and excluding the cash proceeds of the relevant incurrence (together with cash equivalent investments resulting therefrom (as demonstrated in the then most recent compliance certificate received by the Agent) would not exceed 4.75:1; and

- in respect of any Additional Subordinated Debt, the Net Debt Cover calculated on a pro forma basis and excluding the cash proceeds of the relevant incurrence (together with cash equivalent investments resulting therefrom (as demonstrated in the then most recent compliance certificate received by the Agent) would not exceed 6.75:1; plus

- in each case, an aggregate amount equal to the amount capable as being incurred at that time as an Incremental Term Facility under the cash basket for Incremental Term Facilities described above.

Such Incremental Term Facilities are only available, and such Additional Pari Passu Debt and Additional Subordinated Debt are only permitted, if the relevant conditions set out in the Senior Facilities Agreement are satisfied, including a condition that if the yield of any Incremental Term Facility or applicable to any Additional Pari Passu Debt exceeds the yield on the Term Loan B Facility by more than 50 basis points, the applicable margin for the Term Loan B Facility shall be increased to the extent necessary so that the yield on the Term Loan B Facility is 50 basis points less than the yield on the Incremental Term Facility or the Additional Pari Passu Debt (as applicable) and the applicable margin on the other Senior Facilities shall be increased by an equivalent amount so that the yield differential between each Senior Facility is equal to that on the Closing Date.

Use of Proceeds

The proceeds of the Term Loan B Facility shall be used to finance the purchase price of the Acquisition and the payment of costs and expenses incurred by any member of the Group in connection with the Acquisition and the refinancing of certain existing indebtedness of the Target and its subsidiaries (including related fees, costs and expenses of such refinancing). See "*Use of Proceeds*."

The proceeds of the Revolving Credit Facility shall be used to finance the working capital (including any working capital purchase price adjustments) and general corporate purposes of the Group, and up to EUR 30,000,000 of the amount of the Revolving Credit Facility may be used to fund certain other specified purposes including any interest accruing on the Senior Unsecured Notes prior to the Closing Date.

Interest and Fees

Loans under the Term Loan B Facility and the Revolving Credit Facility will bear interest at rates per annum equal to EURIBOR or, where applicable, LIBOR plus a margin which is set out in the Senior Facilities Agreement and varies according to the ratio of the Group's total net debt to consolidated EBITDA (as calculated in accordance with the terms of the Senior Facilities Agreement). EURIBOR/LIBOR in respect of Loans under the Term Loan B Facility is subject to a 1% floor. Default interest on overdue amounts is set at 1% higher than that which would have applied otherwise.

The Borrowers are required to pay a commitment fee, commencing from the Closing Date and during the availability period, on available but unused commitments under the Revolving Credit Facility at a rate of 40% of the applicable margin under the Revolving Credit Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period and on the date Revolving Credit Facility is cancelled in full or on the date on which a lender's commitment is cancelled.

Subject to the Closing Date occurring, the Company is also required to pay an arrangement and certain other fees to the underwriters, agent and security agent in connection with the Senior Facilities, and fees related to the issuance of ancillary facilities and letters of credit issued under the Revolving Credit Facility.

Security

On the initial utilisation of the Senior Facilities, the Senior Facilities will be secured by first priority security interests over the: (i) issued share capital of the Company and German BidCo; (ii) receivables of the Parent, the Company and German BidCo (including receivables under the Acquisition Agreement); and (iii) bank accounts of the Parent, the Company and German BidCo.

No later than 90 days after the Closing Date, the Senior Facilities will be secured by first priority security interests over: (i) all of the shares of the Guarantors; (ii) bank accounts of certain Guarantors; (iii) fixed assets of certain Guarantors; (iv) receivables of certain Guarantors (including, in certain cases, intercompany loans and assignments of rights under certain contracts and insurance policies); and (v) intellectual property of certain Guarantors, in each case in accordance with the agreed security principles set out in the Senior Facilities Agreement. There shall be no security granted over real estate.

Undertakings and Covenants

The Senior Facilities Agreement contains customary negative undertakings (subject to certain agreed exceptions, materiality qualifications, grace periods, baskets, thresholds and other qualifications) including, but not limited to, restrictions on:

- merger except for certain permitted reorganisations;
- material change in the general nature of the business of the Group taken as a whole;
- acquisitions except for certain permitted acquisitions;
- joint ventures except for certain permitted joint ventures;

- activities of holding companies except for certain permitted holding company activity;
- security except for certain permitted security;
- disposals except for certain permitted disposals;
- loans or granting of credit except for certain permitted loans, permitted payments or permitted guarantees;
- guarantees or indemnities except for certain permitted guarantees;
- dividends, distributions or share redemption except for certain permitted payments;
- payments under subordinated loans except for certain permitted payments;
- prepayment of certain senior unsecured debt (including the Notes) except for certain permitted payments, permitted transactions and permitted junior debt payments;
- financial indebtedness except for certain permitted financial indebtedness;
- issuance of share capital except for certain permitted share issues; and
- intentional change of COMI by Obligors incorporated in the European Union.

In relation to restrictions of distributions (referred to above), please note that the payment of dividends may be permitted in certain circumstances, including if Net Debt Cover (pro-forma for such payment) is equal to or less than 3.50:1 (or 4.50:1, if funded from retained excess cash flow or 5.00:1 if funding from listing proceeds not required to be applied in mandatory prepayment of the Senior Facilities), provided that no event of default is continuing or would result from the making of such payment.

The exceptions to certain of such negative undertakings (referred to above) provider great flexibility in respect of transactions carried out among Obligors than in the case of transactions carried out between Obligors and non-Obligors.

The Senior Facilities Agreement also contains positive undertakings (subject to certain agreed exceptions, materiality qualifications, grace periods, baskets, thresholds and other qualifications) including, but not limited to, covenants relating to:

- authorisations subject (where applicable) to certain legal reservations and completion of perfection requirements;
- compliance with laws;
- environmental compliance;
- payment of taxes;
- pari passu ranking except for obligations mandatorily preferred by generally applicable law;
- pursue claims under Acquisition documents where the directors of German Bidco believe (acting reasonably) that the pursuit of that claim is commercially advantageous and appropriate;
- material transactions to be on arm’s length terms or better other than certain permitted payments and other exceptions;
- preservation of assets;
- insurance (including self-insurance) to be maintained against those material risks and to the extent usual for companies carrying on the same or substantially similar business;
- pensions funded to the extent required by local law and regulations;
- access to sites, books and records in the event of failure to comply with certain obligations under the Senior Facilities Agreement;
- intellectual property to be maintained;
- no amendments to Acquisition documents or constitutional documents of the Company;
- compliance with applicable financial assistance laws;
- no speculative treasury transactions and requirement to comply with the hedging requirements;

- further assurance subject to the agreed security principles;
- commercially reasonable efforts to obtain and maintain public ratings with Standard & Poors and Moodys; and
- compliance with anti-terrorism, anti-corruption, sanctions and anti-bribery laws.

The Senior Facilities Agreement contains certain reporting requirements, and in particular an obligation to provide within agreed time periods audited consolidated annual financial statements, unaudited consolidated quarterly financial statements for the last quarter and unaudited consolidated monthly management accounts.

The Senior Facilities Agreement also requires compliance with a net debt cover ratio (consolidated total net debt to consolidated EBITDA) of 9.10:1 ("**Net Debt Cover**"), such ratio having been set with an agreed headroom built into the covenant threshold from a base case model provided by the Parent to lenders in respect of the Senior Facilities prior to the Issue Date. Net Debt Cover is tested only when the aggregate outstanding amount of Revolving Credit Facility utilisations (excluding undrawn letters of credit that are not used as collateral for other financial indebtedness) exceeds on a test date 30% of the total Revolving Credit Facility commitments. A failure to comply with the Net Debt Cover when tested results in a default under the Revolving Credit Facility only and does not constitute a default for purposes of the Term Loan B Facility unless and until the lenders whose Revolving Credit Facility commitments aggregate more than 66 $^2/_3$% of the total Revolving Credit Facility commitments have taken acceleration action under the Senior Facilities Agreement in relation to the Revolving Credit Facility.

The Senior Facilities Agreement contains an equity cure provision enabling the shareholders of the Parent to make shareholder injections by way of subordinated debt and/or equity to reduce consolidated total net debt. The equity cure right may not be exercised on more than four occasions during the term of the Senior Facilities and may not be utilized in consecutive quarters.

Repayments and Prepayments

The Term Loan B Facility amortises at 1% per annum (in quarterly instalments) and matures (with the balance payable) 84 months after the Closing Date. The Revolving Credit Facility matures 72 months after the Closing Date, and prior to such final maturity date each advance thereunder will be repaid on the last day of the interest period relating thereto (subject to a customary netting mechanism) and amounts repaid may be redrawn subject to customary conditions.

Upon the occurrence of a change of control or a sale of all or substantially all of the assets of the Group as detailed in the Senior Facilities Agreement, if a lender in respect of the Senior Facilities so requires and notifies the Agent within 30 days of the Company notifying the Agent of the event, by the Agent giving not less than 5 business days' notice to the Company, the commitment of that lender will be cancelled and the participation of that lender in all outstanding utilisations, together with accrued interest and all other amounts accrued to that lender under the finance documents applicable to the Senior Facilities will become immediately due and payable and full cash cover in respect of its participation in each letter of credit shall be immediately due and payable.

In the event of an initial public offering which does not constitute a change of control, an amount equal to the applicable percentage of listing proceeds (as determined by reference to Net Debt Cover as demonstrated in the then most recent compliance certificate received by the Agent) in accordance with the table below shall be applied in prepayment of the Senior Facilities and cancelation of any available commitments thereunder.

Net Debt Cover for the most recent quarter date	Listing Applicable Percentage (%)
Greater than 5.50:1	50%
Greater than 4.50:1 1 but equal to or less than 5.50:1	25%
Equal to or less than 4.50:1	None

A percentage of excess cash flow generated by the Group during each financial year (as determined by reference to Net Debt Cover as demonstrated in the then most recent compliance certificate received by the Agent in respect of the Parent's annual financial statements, commencing with the financial year ending September 30, 2015) in accordance with the table below will be applied in prepayment of the Senior Facilities, less:

- the amount of any voluntary prepayments of permitted priority debt made during that Financial Year (excluding any required voluntary prepayment of excess cash flow in that Financial Year);
- amounts in respect of certain any committed expenditure; and
- EUR 5,000,000.

Net Debt Cover for the most recent quarter date	Applicable Percentage (%)
Greater than 5.50:1	50%
Greater than 4.50:1 1 but equal to or less than 5.50:1	25%
Equal to or less than 4.50:1	None

Additional mandatory prepayments are required to be made out of net cash proceeds received by the Group in relation to certain disposals, insurance claims and claims against the vendor and the report providers in connection with the Acquisition, to the extent that such net cash proceeds exceed certain agreed thresholds and subject to various exclusions including reinvestment periods.

The Parent or the Borrowers may voluntarily prepay amounts outstanding under the Senior Facilities at any time in whole or in part, subject to agreed minimum amounts and multiples, on not less than three business days' notice to the Agent. Amounts prepaid are subject to any break costs and 101% soft call protection during the first six months following the Closing Date for any refinancing or repricing of the Term Loan B Facility the purpose of which is to reduce the all-in yield applicable to Term Loan B Facility.

The Borrowers may voluntarily cancel unutilized amounts of the total commitment under the Senior Facilities, in whole or in part, subject to agreed minimum amounts and multiples, on not less than three business days' notice to the Agent.

No amount of the total commitment cancelled under the Term Loan B Facility may subsequently be reinstated and any amount of a utilisation under the Term Loan B Facility that is prepaid shall not be available for re-drawing.

Events of Default

The Senior Facilities Agreement sets out certain events of default (subject to certain agreed exceptions, materiality, grace periods, baskets, thresholds, qualifications and remedy periods where appropriate), including, without limitation:

- non-payment of amounts due under the Senior Facilities by an Obligor subject to a 5 business day cure right (applicable in the case of failure to pay principal or interest if such failure is caused by administrative or technical error or a disruption event only);
- with respect to the Revolving Credit Facility only, failure to comply with Net Debt Cover when tested (subject to equity cure rights);
- failure by an Obligor to comply with any other provision of the finance documents applicable to the Senior Facilities or misrepresentation in any material respect and if capable of remedy not remedied within 20 business days;
- cross default on financial indebtedness by a member of the Group in excess of a threshold amount (and lenders under the Term Loan B Facility to benefit from cross-acceleration provision in the event that the lenders under the Revolving Credit Facility accelerate following a breach of Net Debt Cover);
- inability to pay debts (other than between members of the Group) as they fall due in respect of the Parent or any Material Company;
- commencement of insolvency and similar proceedings in respect of the Parent or any Material Company which shall be subject to a 20 business days' cure period;
- creditors' process in respect of the Parent or any Material Company where the value of the affected assets exceeds in aggregate a threshold amount and such proceedings are not discharged within a 20 business days' cure period;
- unlawfulness, repudiation, rescission or inadmissibility of a material provision of any finance document applicable to the Senior Facilities subject to the legal reservations and perfection requirements, which is materially adverse to the interests of the lenders as a whole and (save with respect to repudiation and rescission) is not remedied within 20 business days;
- misrepresentation in any material respect under, or failure to comply with any material provision of, the Intercreditor Agreement by any member of the Group or any holding company thereof subject to a 20 business day cure period;
- cessation of business by all or substantially all of the Group;

- audit qualification in respect of the Group continuing as a going concern (other than through a breach of Net Debt Cover or upcoming maturity of the Senior Facilities) or by reason of failure to disclose information, in each case in a manner which is materially adverse to the interests of the finance parties in the context of the finance documents applicable to the Senior Facilities;
- litigation which is reasonably likely to be adversely determined and if so adversely determined is reasonably likely to have a material adverse effect;
- expropriation which has or would be reasonably expected to have a material adverse effect; and
- an event or series of events occurs that has a material adverse effect.

The representations, undertakings and events of default will be subject to a clean-up period for a period of 120 days following the Closing Date with respect to the Acquisition and 90 days for subsequent permitted acquisitions. Any breach of covenant which arises with respect to the Target or any of its subsidiaries will not constitute an event of default, drawstop or allow acceleration, provided that such breach or default (i) is capable to remedy and steps are being taken to remedy it; (ii) does not have a material adverse effect; (iii) was not procured by the Parent, the Company or German BidCo or, in respect of a future permitted acquisition, a member of the Group (which was not the subject of the permitted acquisition); and (iv) does not exist at the end of the clean-up period.

If an event of default has occurred and is continuing, the Senior Facilities Agreement provides that the Agent may, and shall, if so instructed by the relevant majority lenders (being 66.67% of the lenders by commitments), accelerate the Senior Facilities and/or declare that all or part of any amount outstanding under the Senior Facilities are immediately due and payable and/or payable on demand. In addition, in the event that certain members of the Group are subject to certain United States bankruptcy proceedings, the direct borrowings of such members of the Group will be automatically accelerated without the need for further action on behalf of the lenders and cash cover shall be required for any letters of credit issued under the Senior Facilities Agreement for the benefit of such members of the Group.

Governing Law

The Senior Facilities Agreement is governed by English law.

Intercreditor Agreement

General

To establish the relative rights of certain creditors under the financing arrangements, the Issuer, the Company and BidCo (together with any Subsidiary of the Issuer which accedes to the Intercreditor Agreement as a debtor, the "**Debtors**" and, for the purposes of this section, the Parent and its Subsidiaries are hereinafter referred to as the "**Parent Group**") have entered into the Intercreditor Agreement as Debtors and as intra-group lenders (together with any Subsidiary of the Company which provides any financial accommodation to a Debtor or Debtors in excess of a *de minimis* amount and/or subject to other exceptions (the "**Intra-Group Liabilities**") and which accedes to the Intercreditor Agreement as an intra-group lender, the "**Intra-Group Lenders**" and, for the purposes of this section, the Company and its Subsidiaries are hereinafter referred to as the "**Group**") with, among others, the Security Agent, the Trustee, the lenders under the Senior Facilities Agreement and the facility agents under the Senior Facilities Agreement ("**Senior Agent**"). The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain debt of the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions contained in the Intercreditor Agreement which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Debtors to the Senior Secured Creditors, the Senior Unsecured Creditors (each as defined below) and the Security Agent in its capacity as creditor of parallel debt under the Intercreditor Agreement (together, the "**Primary Creditors**") under each of the Senior Facilities Agreement (and certain further bank debt as may be incurred from time to time as contemplated by the Intercreditor Agreement), any senior secured notes (the "**Senior Secured Notes**") as may be issued from time to time by the Company or by certain wholly-owned direct subsidiaries of the Parent or the Company (the "**Senior Secured Notes Issuer**") in accordance with the terms of the Finance Documents (as defined in the Senior Facilities Agreement, the "**Senior Finance Documents**"), any senior unsecured facilities agreement (the "**Senior Unsecured Facilities Agreement**") as may be entered into from time to time and subject to further conditions set out in the Intercreditor Agreement by (i) the Issuer, (ii) a holding company of the Issuer, or (iii) a wholly-owned direct subsidiary of the Issuer or a holding company of the Issuer, in each case that is not a member of the Group (the "**Senior Unsecured Borrower**") in accordance with the terms of the Senior Finance Documents, the Notes and any other senior unsecured notes (the "**Senior Unsecured Notes**") as may be issued from time to time and subject to further conditions set out in the Intercreditor Agreement by (i) the Issuer, (ii) a holding company of the Issuer, or (iii) a wholly-owned direct subsidiary of the Issuer or a holding company of the Issuer, in each case, that is not a member of the Group (the "**Senior Unsecured Notes Issuer**") and hedging obligations under certain hedging agreements (the "**Hedging Agreements**", and the creditors of such hedging obligations, the "**Hedge Counterparties**"), shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- *first*, the liabilities owed to the lenders, issuing banks and ancillary lenders under the Senior Facilities Agreement and any further senior facilities agreements (each a "**Senior Lender**" and such liabilities the "**Senior Lender Liabilities**" the liabilities owed to the Senior Agent(s) under the Senior Finance Documents (the "**Senior Agent Liabilities**"), the liabilities owed to the holders of the Senior Secured Notes (the "**Senior Secured Notes Liabilities**" and the noteholders to whom such Senior Secured Notes Liabilities are owed, the "**Senior Secured Noteholders**", and any trustee which accedes to the Intercreditor Agreement in connection with the issue of Senior Secured Notes, the "**Senior Secured Notes Trustee(s)**"), the liabilities (the "**Senior Unsecured Agent Liabilities**") owed under the Senior Unsecured Facilities Agreement and certain other related documents defined as "Finance Documents" therein (the "**Senior Unsecured Loan Finance Documents**") to each facility agent under any Senior Unsecured Facilities Agreement (the "**Senior Unsecured Agent(s)**"), the liabilities in relation to certain permitted hedging (the "**Hedging Liabilities**"), certain amounts due to the Senior Secured Notes Trustee(s) and certain amounts due to the Trustee and any other trustee which accedes to the Intercreditor Agreement in connection with the issue of new Senior Unsecured Notes (the "**Senior Unsecured Notes Trustee(s)**") *pari passu* and without any preference between them;

- *second*, the liabilities in relation to the holders of the Senior Unsecured Notes (the "**Senior Unsecured Notes Liabilities**" and the noteholders to whom such Senior Unsecured Notes Liabilities are owed, the "**Senior Unsecured Noteholders**") and the liabilities owed under the Senior Unsecured Loan Finance Documents (the "**Senior Unsecured Loan Liabilities**" and, together with the Senior Unsecured Notes Liabilities, the "**Senior Unsecured Liabilities**") to the lenders under any Senior Unsecured Facilities Agreement (each a "**Senior Unsecured Lender**") *pari passu* between themselves and without any preference between them,

Liabilities owed by the Senior Unsecured Notes Issuer or Senior Unsecured Borrower to the Primary Creditors shall rank *pari passu* in right and priority of payment and without any preference between each of the Senior Agent Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities, certain amounts due to the Senior Secured Notes Trustee(s) and the Senior Unsecured Notes Trustee(s) and the Senior Unsecured Liabilities.

Priority of Security

The security shall rank and secure the following liabilities (only to the extent that such security is expressed to secure the relevant liabilities) in the following order:

- *first*, the liabilities (the "**Agent Liabilities**") owed to the Senior Agent, the Senior Secured Notes Trustee(s), the Senior Unsecured Notes Trustee(s), the Senior Unsecured Agent(s) and the Security Agent (together the "**Agents**"), the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Hedging Liabilities *pari passu* and without any preference between them; and

- *second*, to the extent of any shared security permitted by the Intercreditor Agreement (being security over (i) the shares in the Company and shareholder debt instruments issued to the Issuer by the Company, (ii) any proceeds loan or promissory note owed by the Company to the Issuer in respect of any Senior Unsecured Notes or Senior Unsecured Loan Liabilities and (iii) liabilities owed by the Company to the Issuer) (the "**Senior Unsecured Shared Security**") granted in favor of the Security Agent on behalf of the Agents, the mandated lead arrangers under the Senior Facilities Agreement (the "**Senior Arrangers**"), the mandated lead arrangers under any Senior Unsecured Facilities Agreement (the "**Senior Unsecured Arrangers**" and, together with the Senior Arrangers, the "**Arrangers**"), each of the Primary Creditors and any receiver or delegate (together, the "**Secured Parties**") the Senior Unsecured Liabilities.

For the avoidance of doubt, the security granted in favor of the Security Agent on behalf of the Senior Unsecured Lenders, the Senior Unsecured Noteholders, the Senior Unsecured Notes Trustee(s) and the Security Agent (in its capacity as creditor of the claims corresponding to the Senior Unsecured Liabilities) (the "**Senior Unsecured Creditors**") over shares in the Issuer and debt instruments issued by the Issuer to any of its holding companies and over shares in any other Senior Unsecured Notes Issuer or Senior Unsecured Borrower and debt instruments incurred by such Senior Unsecured Notes Issuer or Senior Unsecured Borrower to any of its holding companies (the "**Senior Unsecured Only Security**") shall rank and secure only the Senior Unsecured Liabilities pari passu and without any preference between them (to the extent that such security is expressed to secure the relevant liabilities).

Intra-Group Liabilities, Holdco Liabilities and Investor Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities and the liabilities owed to the Parent by a member of the Group (the "**Holdco Liabilities**") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and that the liabilities owed to any holding company of the Parent by a member of the Group under the investor documents (the "**Investor Liabilities**") are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and the Intra-Group Lenders.

Restrictions Relating to the Senior Lender Liabilities and the Senior Secured Notes Liabilities

The Debtors may make payment at any time in respect of the Senior Lender Liabilities (but not, for the avoidance of doubt, in respect of Hedging Liabilities) in accordance with the provisions of the Senior Finance Documents and the Senior Secured Notes Liabilities in accordance with the provisions of the applicable documents governing the terms of the Senior Secured Notes Liabilities (the "**Senior Secured Notes Finance Documents**" and, together with the Senior Finance Documents and the Hedging Agreements, the "**Senior Secured Finance Documents**"), *provided* that following acceleration events under the Senior Finance Documents or the Senior Secured Notes Finance Documents or following certain insolvency events, payments may only be made by Debtors and received by creditors in accordance with the provisions described under *"—Use of Proceeds"*, other than 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, judicial manager, compulsory manager or other similar officer appointed in respect of any Debtor or any of its assets.

Security and Guarantees: Senior Secured Creditors

Subject to certain customary exceptions for ancillary lenders and issuing banks under Senior Finance Documents, the Senior Lenders and the Senior Secured Noteholders may take, accept or receive the benefit of:

- any security from any member of the Parent Group in respect of Senior Lender Liabilities or the Senior Secured Note Liabilities in addition to the shared security granted in favor of the Security Agent on behalf of the Secured Parties other than the Senior Unsecured Notes Trustee(s) (on behalf of itself and the Senior Unsecured Noteholders) (the "**Senior Secured Parties**") if and to the extent legally possible and subject to certain agreed security principles, the other Senior Secured Parties already benefit from such security or at the same time, it is also offered either:

- to the Security Agent as agent or trustee for the other Senior Secured Parties in respect of their secured obligations;

- to the Security Agent as joint and several creditor of the Senior Secured Parties; or

- in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as agent or trustee for the other Senior Secured Parties:

- to the other Senior Secured Parties in respect of their secured obligations; or

- to the Security Agent under a parallel debt structure or agency structure for the benefit of the other Senior Secured Parties,

and ranks in the same order of priority as set out under the caption *"—Priority of Security,"* provided that all amounts received by the Senior Secured Noteholders, the Senior Secured Notes Trustee(s) and the Security Agent (in its capacity as creditor of the claims corresponding to the Senior Secured Notes Liabilities) (together, the "**Senior Secured Note Creditors**") and the Senior Lenders and the Hedge Counterparties (together, the "**Senior Creditors**" and together with the Senior Secured Note Creditors, the "**Senior Secured Creditors**") with respect to such security are immediately paid to the Security Agent and held and applied in accordance with the provisions set out under the caption *"—Use of Proceeds"*; and

- any guarantee, indemnity or other assurance against loss from any member of the Parent Group regarding the Senior Lender Liabilities or the Senior Secured Notes Liabilities in addition to those in:
- the original form of the Senior Facilities Agreement;
- the Intercreditor Agreement; or
- any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Senior Secured Parties in respect of their senior secured liabilities (the "**Senior Secured Liabilities**"),

if and to the extent legally possible, and subject to certain agreed security principles, the other Senior Secured Parties already benefit from such a guarantee, indemnity or other assurance against loss or at the same time it is also offered to the other Senior Secured Parties in respect of their liabilities and ranks in the same order of priority as set out under the caption "—*Ranking and Priority*".

This provision does not require any security or guarantee to be granted in respect of the Senior Unsecured Liabilities nor prevent the granting of the Senior Unsecured Only Security with respect to the Senior Unsecured Liabilities.

Restriction on Enforcement: Senior Lenders and Note Holders

The Intercreditor Agreement provides that the Senior Lenders and the Senior Secured Noteholders may not take any action to enforce the transaction security without the prior written consent of an Instructing Group (as defined below).

An "**Instructing Group**" means at any time:

- prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors; and
- on or after the Senior Secured Discharge Date but before the Senior Unsecured Discharge Date, the Majority Senior Unsecured Creditors.

" **Majority Senior Secured Creditors**" means, at any time, Senior Secured Creditors whose Senior Secured Credit Participations at any time aggregate more than 50% of the total Senior Secured Credit Participations at that time.

" **Majority Senior Unsecured Creditors**" means, at any time, Senior Unsecured Creditors whose Senior Unsecured Credit Participations at any time aggregate more than 50% of the total Senior Unsecured Credit Participations at that time.

"**Senior Credit Participations**" means aggregate drawn and undrawn commitments under the Senior Finance Documents, amounts payable for terminated or closed out hedging obligations and amounts that would be payable in respect of hedging obligations if they were terminated or closed out at that time.

" **Senior Secured Credit Participations**" refers to Senior Credit Participations and, in relation to holders of Senior Secured Notes, the principal amount of outstanding Senior Secured Notes held.

"**Senior Secured Discharge Date**" means the date on which all of the Senior Secured Liabilities have been fully and finally discharged.

"**Senior Unsecured Credit Participation**" means aggregate drawn and undrawn commitments under the Senior Unsecured Facilities Agreement and, in relation to holders of Senior Unsecured Secured Notes, the principal amount of outstanding Senior Unsecured Notes held.

" **Senior Unsecured Discharge Date**" means the date on which all of the Senior Unsecured Liabilities have been fully and finally discharged.

Option to Purchase Senior Liabilities and transfer Hedging Liabilities: Senior Secured Noteholders

Upon acceleration under the Senior Finance Documents, the Senior Unsecured Finance Documents, the Senior Secured Notes or the Senior Unsecured Notes, or enforcement of the transaction security, holders of the Senior Secured Notes (or those that wish to make that wish to make the relevant purchase) may elect, subject to certain conditions set out in the Intercreditor Agreement, by not less than 10 business days' notice to purchase the Senior Lender Liabilities for the amount that would have been required to prepay such liabilities on such date plus certain costs and expenses. The relevant holders of the Senior Secured Notes must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to them at the same time in exchange for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase. The Intercreditor Agreement sets out the terms that apply to any purchase of the Senior Lender Liabilities and the Hedging Liabilities, which include that Senior Unsecured Noteholders have not exercised their similar right.

Restrictions Relating to the Senior Unsecured Creditors and the Senior Unsecured Liabilities

Restriction on Payment and Dealings

The Intercreditor Agreement provides that, until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent (which term includes the agent under any further Senior Finance Document) and (to the extent otherwise prohibited under the indenture or other debt instrument pursuant to which the relevant Senior Secured Notes are issued (the "**Senior Secured Notes Indenture**")) the Senior Secured Notes Trustee(s), the Debtors shall not (and the Parent shall ensure that no member of the Parent Group will):

(i) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Unsecured Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Unsecured Liabilities except as permitted by the provisions set out below under the captions *"—Permitted Senior Unsecured Payments," "—Permitted Senior Unsecured Enforcement,"* and the fourth paragraph under the caption *"—Effect of Insolvency Event; Filing of Claims"* or by a refinancing of the Senior Unsecured Notes or Senior Unsecured Loan Liabilities as permitted by the Intercreditor Agreement;

(ii) exercise any set-off against any Senior Unsecured Liabilities, except as permitted by the provisions set out in the caption *"—Permitted Senior Unsecured Payments"* below, the provisions set out in the caption "*—Restrictions on Senior Unsecured Enforcement*" below or the fourth paragraph under the caption *"—Effect of Insolvency Event; Filing of Claims"* below; or

(iii) create or permit to subsist any security over any assets of any member of the Parent Group or give any guarantee from any member of the Parent Group for, or in respect of, any Senior Unsecured Liabilities other than (i) guarantees given by members of the Parent Group which are permitted by the terms of the Senior Finance Documents and the Senior Secured Finance Document to be given with respect to the Senior Unsecured Liabilities and which are subordinated in accordance with the Intercreditor Agreement and (ii) the Senior Unsecured Shared Security.

Permitted Senior Unsecured Payments

Prior to the Senior Secured Discharge Date, the Debtors may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Liabilities then due in accordance with the Senior Unsecured Loan Finance Documents and the finance documents in respect of the Senior Unsecured Notes (the "**Senior Unsecured Notes Finance Documents**" and, together with the Senior Unsecured Loan Finance Documents, the "**Senior Unsecured Finance Documents**") (such payments, collectively, "**Permitted Senior Unsecured Payments**"):

(i) if:

(A) the payment is of:

(I) any of the principal amount of the Senior Unsecured Liabilities which is either (1) not prohibited from being paid by the Senior Facilities Agreement (which term includes any further senior facilities agreements comprised within the Senior Finance Documents) and is not prohibited from being paid by the Senior Secured Notes Indenture or (2) paid on or after a maturity date of the Senior Unsecured Liabilities (provided that such maturity date complies with the terms of the Senior Finance Documents); or

(II) any other amount (including, without limitation, additional amounts payable as a result of tax gross-up and amounts in respect of currency indemnities, increased costs and expenses) which is not an amount of principal or capitalized interest or a corresponding amount under the on-loan of the Senior Unsecured Notes proceeds;

(B) no payment stop notice in respect of the Senior Unsecured Liabilities (a "**Senior Unsecured Payment Stop Notice**") is outstanding; and

(C) no payment default under the Senior Facilities Agreement or the Senior Secured Notes (subject to a *de minimis* threshold) ("**Senior Secured Payment Default**") has occurred and is continuing;

(ii) if the payment is from the net proceeds of the issue of the Senior Unsecured Notes and is applied in payments of amounts outstanding under the Senior Unsecured Bridge Facility Agreement (as defined in the Intercreditor Agreement);

(iii) if the Majority Senior Creditors and the Senior Secured Notes Trustee(s) give prior consent to that payment being made;

(iv) if the payment is of certain amounts due to the Senior Unsecured Notes Trustee(s) for its own account and certain defined permitted administrative costs (together, the "**Senior Unsecured Notes Trustee Amounts**") or in respect of Senior Unsecured Agent Liabilities or certain defined note security costs;

(v) if the payment is of certain defined permitted administrative costs;

(vi) if the payment is of bona fide consent fees (and any indemnities and fees under any consent solicitation documentation) and any costs and expenses in connection with any amendment or waiver of the Senior Unsecured Finance Documents to the extent such amendment or waiver is permitted by the Intercreditor Agreement;

(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 Unsecured Notes or Senior Unsecured Facilities Agreement in compliance with the Intercreditor Agreement and the Senior Facilities Agreement; or

(viii) if the payment is by the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower of any of its obligations under the Senior Unsecured Finance Documents from its own assets if such payment is not financed by a payment to the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower that was prohibited by the Senior Facilities Agreement, the Senior Secured Notes Finance Documents or the Intercreditor Agreement.

On or after the Senior Secured Discharge Date, the Debtors may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Notes Liabilities in accordance with the Senior Unsecured Notes Finance Documents and in respect of the Senior Unsecured Loan Liabilities in accordance with the Senior Unsecured Loan Finance Documents.

Payment Blockage Provisions

Until the Senior Secured Discharge Date, except with the prior consent of the Senior Agent and (to the extent otherwise prohibited under the Senior Secured Notes Indenture) the consent of the Senior Secured Notes Trustee(s) and subject to the provisions set out under the caption "—*Effect of Insolvency Event; Filing of Claims*" below, the Debtors shall not make (and the Issuer shall procure that no member of the Parent Group shall), and no finance party under the Senior Unsecured Finance Documents (the "**Senior Unsecured Finance Parties**") may receive from a Debtor or any member of the Parent Group, any Permitted Senior Unsecured Payment (other than Senior Unsecured Notes Trustee Amounts and any Senior Unsecured Agent Liabilities) if:

- a Senior Secured Payment Default is continuing; or
- an event of default under the Senior Facilities Agreement or the Senior Secured Notes Indenture (a "**Senior Secured Event of Default**") (other than a Senior Secured Payment Default) is continuing, from the date which is one business day after the date on which the Senior Agent(s) or the Senior Secured Notes Trustee(s) (as the case may be) delivers a payment stop notice specifying the event or circumstance in relation to that Senior Secured Event of Default to the Issuer, the Company, the Security Agent and the Senior Unsecured Representative until the earliest of:
  - the date falling 179 days after delivery of that Senior Unsecured Payment Stop Notice;
  - in relation to payments of Senior Unsecured Liabilities, if a Senior Unsecured Standstill Period (as defined below) is in effect at any time after delivery of that Senior Unsecured Payment Stop Notice, the date on which that standstill period expires;

- the date on which the relevant Senior Secured Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement or the Senior Secured Finance Documents (as applicable);
- the date on which the Senior Agent or the Senior Secured Notes Trustee(s) (as applicable) delivers a notice to the Issuer, the Company, the Security Agent and the Senior Unsecured Representative(s) cancelling the Senior Unsecured Payment Stop Notice;
- the Senior Secured Discharge Date; and
- the date on which the Security Agent or the Senior Unsecured Representative(s) takes Enforcement Action (as defined below) permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Unsecured Representative(s) waives this requirement (i) no new Senior Unsecured Payment Stop Notice may be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Unsecured Payment Stop Notice and (ii) no Senior Unsecured Payment Stop Notice may be delivered in reliance on a Senior Secured Event of Default more than 60 days after the date the Senior Agent(s) and the Senior Secured Notes Trustee(s) (as applicable) received notice of that Senior Secured Event of Default.

The Senior Agent(s) and the Senior Secured Notes Trustee(s) may only serve one Senior Unsecured Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agent(s) or the Senior Secured Notes Trustee(s) to issue a Senior Unsecured Payment Stop Notice in respect of any other event or set of circumstances. No Senior Unsecured Payment Stop Notice may be served by a Senior Agent or Senior Secured Notes Trustee in respect of a Senior Secured Event of Default which had been notified to the Senior Agent(s) or the Senior Secured Notes Trustee(s) at the time at which an earlier Senior Unsecured Payment Stop Notice was issued.

Any failure to make a payment due under the Senior Unsecured Finance Documents as a result of the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default shall not prevent (i) the occurrence of an Event of Default as a consequence of that failure to make a payment in relation to the relevant Senior Unsecured Finance Documents or (ii) the issue of an enforcement notice with respect to the relevant Event of Default on behalf of the Senior Unsecured Creditors (a "**Senior Unsecured Enforcement Notice**").

No Senior Unsecured Payment Stop Notice will prevent the Senior Unsecured Notes Issuer or Senior Unsecured Borrower from making a payment from its own assets if that payment is of the Senior Unsecured Notes Issuer's obligations under the Senior Unsecured Notes or the Senior Unsecured Borrower's obligations under the Senior Unsecured Loan Finance Documents and such payment is not financed by a payment to the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower from a member of the Group that was prohibited by the Senior Facilities Agreement, the Senior Secured Notes Indenture or the Intercreditor Agreement.

Payment Obligations and Capitalization of Interest Continue

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Unsecured Finance Document by the operation of the provisions set out under each section above under the caption "*—Restrictions Relating to the Senior Unsecured Creditors and the Senior Unsecured Liabilities*" even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Senior Unsecured Finance Documents shall continue notwithstanding the issue of a Senior Unsecured Payment Stop Notice.

Cure of Payment Stop

If:

(i) at any time following the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default, that Senior Unsecured Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and

(ii) the relevant Debtor then promptly pays to the Senior Unsecured Creditors an amount equal to any payments which had accrued under the Senior Unsecured Finance Documents and which would have been Permitted Senior Unsecured Payments but for that Senior Unsecured Payment Stop Notice or Senior Secured 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 Unsecured Enforcement Notice 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 Unsecured Creditors.

Restrictions on Amendments and Waivers

Subject to the following paragraph, the Intercreditor Agreement provides that the Senior Unsecured Creditors may amend or waive the terms of the Senior Unsecured Finance Documents (other than the Intercreditor Agreement or any security document) in accordance with their terms at any time.

Prior to the Senior Secured Discharge Date, the Senior Unsecured Finance Parties may not, without the consent of the Majority Senior Lenders (as defined in the Senior Facilities Agreement) and (to the extent otherwise prohibited under the Senior Secured Notes Indenture) the Senior Secured Notes Trustee(s), amend or waive the terms of the Senior Unsecured Finance Documents if the amendment or waiver would result in the Senior Unsecured Finance Documents being inconsistent with any requirements thereof set out in any Senior Finance Document or Senior Secured Notes Finance Document.

Restrictions on Senior Unsecured Enforcement

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group:

(i) no Senior Unsecured Finance Party shall direct the Security Agent to enforce, or otherwise (to the extent applicable) require the enforcement of, any transaction security; and

(ii) no Senior Unsecured Finance Party shall take or require the taking of any Enforcement Action in relation to the Senior Unsecured Liabilities,

except as permitted under the provisions set out under the caption *"—Permitted Senior Unsecured Enforcement"* below, *provided, however*, that any Senior Unsecured Finance Party may take Enforcement Action against any Senior Unsecured Notes Issuer or Senior Unsecured Borrower (other than with respect to any transaction security or any assets of a Senior Unsecured Notes Issuer or Senior Unsecured Borrower subject thereto) or with respect to any Senior Unsecured Only Security in accordance with the terms of any Senior Unsecured Finance Documents.

"**Enforcement Action**" is defined as:

- in relation to any liabilities:
    - the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Lender, a Senior Secured Noteholder, a Senior Unsecured Lender or a Senior Unsecured Noteholder to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the debt documents);
    - the making of any declaration that any liabilities are payable on demand;
    - the making of a demand for payment in relation to a liability that is payable on demand;
    - the making of any demand against any member of the Parent Group in relation to any guarantee liabilities of that member of the Parent Group;
    - the exercise of any right to require any member of the Parent Group to acquire any liability (including exercising any put or call option against any member of the Parent Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Facilities Agreement or any similar provisions in the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents and excluding any mandatory offer arising as a result of a change of control, asset sale or escrow special mandatory redemption (howsoever described) as set out in the Senior Secured Notes Finance Documents or the Senior Unsecured Notes Finance Documents);
    - the exercise of any right of set-off, account combination or payment netting against any member of the Parent Group in respect of any liabilities other than the exercise of any such right:
        - as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;
        - as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
        - as inter-hedging agreement netting by a Hedge Counterparty;

        - as inter-hedging ancillary document netting by a hedging ancillary lender; and
        - which is otherwise expressly permitted (or not prohibited) under the Senior Facilities Agreement, the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents to the extent that the exercise of that right gives effect to a permitted payment under the Intercreditor Agreement; and
    - the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Parent Group to recover any liabilities;
- the premature termination or close-out of any hedging transaction under any Hedging Agreement, save to the extent permitted by the Intercreditor Agreement;
- the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security);
- the entering into of any composition, compromise, assignment or similar arrangement with any member of the Parent Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities of the Parent Group owed to a creditor under the debt documents (other than any action permitted under the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant Senior Secured Finance Documents or Senior Unsecured Finance Documents); or
- the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator, judicial manager or similar officer) in relation to the winding up, dissolution, administration, judicial management or reorganization of any member of the Parent Group which owes any liabilities to a creditor under the debt documents, or has given any security, guarantee, indemnity or other assurance against loss in respect of such liabilities, or any of such member of the Parent Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Parent Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action:

- the taking of any action falling within the seventh paragraph of the first bullet point above or the bullet point immediately above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods;
- any discussions or consultations between, or proposals made by, any of the Primary Creditors with respect to instructions to enforce the transaction security;
- to the extent entitled by law, the taking of action against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation;
- a Primary Creditor, an Issuing Bank or Senior Unsecured Representative(s) bringing legal proceedings against any person solely for the purpose of (A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages, and (C) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages;
- bringing legal proceedings against any person in connection with any securities violation, securities or listing relations or common law fraud or to restrain any actual or putative breach of the Senior Unsecured Finance Documents or the Senior Secured Finance Documents or for specific performance with no claims for damages; or
- the taking of any action pursuant to a Permitted Transaction (as defined in the Senior Facilities Agreement).

Permitted Senior Unsecured Enforcement

The restrictions set out under the caption *"—Restrictions on Senior Unsecured Enforcement"* above will not apply in respect of the Senior Unsecured Liabilities or the security documents (if any) which secure the Senior Unsecured Liabilities as permitted by paragraph (iii) set out under the caption "—*Restriction on Payment and Dealings*" above, if:

(i) a default under the Senior Unsecured Finance Documents (the "**Relevant Senior Unsecured Default**") is continuing;

(ii) the Senior Agent(s) and the Senior Secured Notes Trustee(s) have received a notice of the Relevant Senior Unsecured Default specifying the event or circumstance in relation to the Relevant Senior Unsecured Default from the Senior Unsecured Representative(s);

(iii) a Senior Unsecured Standstill Period (as defined below) has elapsed or is otherwise terminated; and

(iv) the Relevant Senior Unsecured Default is continuing at the end of the relevant Senior Unsecured Standstill Period;

provided, *however*, that no such action may be taken if the Security Agent is taking steps to enforce the security acting in accordance with the instructions of the Instructing Group and such action might reasonably likely adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Promptly upon becoming aware of a default under the Senior Unsecured Finance Documents (a "**Senior Unsecured Default**"), the Senior Unsecured Representative(s) may by notice (a "**Senior Unsecured Enforcement Notice**") in writing notify the Senior Agent(s) and the Senior Secured Notes Trustee(s) of the existence of such Senior Unsecured Default.

Senior Unsecured Standstill Period

In relation to a Relevant Senior Unsecured Default, a Senior Unsecured Standstill Period shall mean the period beginning on the date (the "**Senior Unsecured Standstill Start Date**") the relevant Senior Unsecured Representative(s) serves a Senior Unsecured Enforcement Notice on the Senior Agent(s) and the Senior Secured Notes Trustee(s) in respect of such Relevant Senior Unsecured Default and ending on the earliest to occur of:

(i) the date falling 179 days after the Senior Unsecured Standstill Start Date (the "**Senior Unsecured Standstill Period**");

(ii) the date the Senior Secured Creditors take any Enforcement Action in relation to a particular Debtor, *provided*, *however*, that:

(A) if a Senior Unsecured Standstill Period ends pursuant to this paragraph, the Senior Unsecured Finance Parties may only take the same Enforcement Action in relation to the Debtor as the Enforcement Action taken by the Senior Secured Creditors against such Debtor and not against any other member of the Parent Group; and

(B) Enforcement Action for the purpose of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;

(iii) the date of an Insolvency Event (as defined below) in relation to a particular Debtor (other than one directly caused by any action taken by a Senior Unsecured Finance Party) against whom Enforcement Action is to be taken;

(iv) the expiry of any other Senior Unsecured Standstill Period outstanding at the date such first mentioned Senior Unsecured Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and

(v) the date on which the Senior Secured Creditors consent to an enforcement in respect of the Relevant Senior Unsecured Default by the relevant Senior Unsecured Finance Parties.

Subsequent Senior Unsecured Defaults

The Senior Unsecured Finance Parties may take Enforcement Action under the provisions set out in caption "—*Permitted Senior Unsecured Enforcement*" above in relation to a Relevant Senior Unsecured Default even if, at the end of any relevant Senior Unsecured Standstill Period or at any later time, a further Senior Unsecured Standstill Period has begun as a result of any other Senior Unsecured Default.

Enforcement on behalf of Senior Unsecured Finance Parties

No Senior Unsecured Finance Party may take any such Enforcement Action while the Security Agent is taking steps to enforce security created pursuant to any security document over shares of a Debtor 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.

Any Enforcement Action on behalf of Senior Unsecured Finance Parties must require the realisation of the relevant security by way of a sale or disposal conducted in accordance with the provisions set out under the caption "*—Distressed Disposals*".

Option to Purchase Senior Secured Liabilities and transfer of Hedging Liabilities: Senior Unsecured Creditors

Upon acceleration under the Senior Finance Documents, the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents or enforcement of the transaction security, Senior Unsecured Creditors (or those that wish to make the relevant purchase) may by not less than 10 business days' notice elect to purchase the outstanding Senior Lender Liabilities and outstanding Senior Secured Notes Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses and provide cash cover in respect of any letters of credit that are outstanding. The relevant Senior Unsecured Creditors must also elect for the Hedge Counterparties to transfer their Hedging Liabilities to them at the same time in exchange for the amount that would have been payable under the relevant Hedging Agreements had they been terminated on such date plus certain costs and expenses in connection with any such purchase. The Intercreditor Agreement sets out the terms that apply to any purchase of the Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Hedging Liabilities.

Effect of Insolvency Event; Filing of Claims

An "**Insolvency Event**" occurs in relation to any member of the Parent Group if:

- any resolution is passed or order made for its winding up, dissolution, administration, judicial management or reorganization of that member of the Parent Group, a moratorium is declared in relation to any of that member of the Parent Group's indebtedness or an administrator or judicial manager is appointed to that member of the Parent Group;
- any composition, compromise, assignment or arrangement is made with its creditors generally;
- a liquidator, receiver, administrator, judicial manager, administrative receiver, compulsory manager or other similar officer is appointed in respect of that member of the Parent Group or any of its assets;
- certain analogous specified events occur in respect of a member of the Parent Group incorporated in Germany and Luxembourg; or
- any analogous procedure or step to those described above in respect to the member of the Parent Group is taken in any jurisdiction,

in each case which is an event of default under the debt documents or is taken when an event of default is continuing.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event in relation to any member of the Parent Group, any party entitled to receive a distribution out of the assets of that member of the Parent Group in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Parent Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption *"—Use of Proceeds"* below.

Generally, to the extent that any member of Parent Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Parent Group, any creditor regulated by the Intercreditor Agreement which benefited from that set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption "*—Use of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities owed to them by a member of the Parent Group, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards such liabilities.

After the occurrence of an Insolvency Event in relation to any member of Parent Group, each creditor regulated by the Intercreditor Agreement irrevocably authorizes the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Parent Group;

(ii) demand, sue, prove and give receipt for any or all of that member of Parent Group's liabilities owed to the creditors under the debt documents;

(iii) collect and receive all distributions on, or on account of, any or all of that member of Parent Group's liabilities owed to the creditors under the debt documents; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Parent Group's liabilities owed to the creditors under the debt documents, including voting any Senior Unsecured Liabilities in favor of a plan of reorganization approved by the Majority Senior Secured Creditors in a bankruptcy proceeding under U.S. bankruptcy law.

Each creditor regulated by the Intercreditor Agreement will (i) do all things that the Security Agent reasonably requests in order to give effect to the matters disclosed under this section "—*Effect of Insolvency Event; Filing of Claims*" and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this section or if the Security Agent requests that a creditor regulated by the Intercreditor Agreement take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require, although no trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action. In addition, each Senior Unsecured Creditor agrees (i) not to vote against any plan of reorganization in a bankruptcy proceeding under U.S. bankruptcy laws if such plan pays off in cash in full the Senior Secured Creditors or is approved by the Majority Senior Secured Creditors, and (ii) not to take any action in any bankruptcy proceeding under U.S. bankruptcy laws that would be adverse to the Senior Secured Creditors.

Turnover

Subject to certain customary exceptions, the Intercreditor Agreement provides that if any creditor regulated by the Intercreditor Agreement receives or recovers from any member of the Parent Group:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the debt documents which is not either (x) a payment permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption "—*Use of Proceeds*";

(ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities owed to the creditors under the debt documents:

(I) after the occurrence of an acceleration event or the enforcement of any security; or

(II) as a result of any other litigation or proceedings against a member of the Parent Group (other than after the occurrence of an Insolvency Event in respect of that member of the Parent Group); or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any security,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "—*Use of Proceeds*";

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—*Use of Proceeds*"; or

(v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Parent Group which is not in accordance with the provisions set out in the caption "—*Use of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Parent Group,

that creditor regulated by the Intercreditor Agreement will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the security or taking other Enforcement Action unless instructed otherwise by (i) the Instructing Group or (ii) if required under the third paragraph of this section, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors).

Subject to the security having become enforceable in accordance with its terms (i) the Instructing Group or (ii) to the extent permitted to enforce or to require the enforcement of the Senior Unsecured Shared Security prior to the Senior Secured Discharge Date under the provisions set out under the caption *"—Permitted Senior Unsecured Enforcement"* above, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) may give, or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security or (as applicable) the Senior Unsecured Shared Security as they see fit.

Prior to the Senior Secured Discharge Date, (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from the Instructing Group, and, in each case, if 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 Unsecured Shared Security which the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) is then entitled to give to the Security Agent under the provisions under the caption *"—Permitted Senior Unsecured Enforcement"* above respectively. Notwithstanding the preceding sentence, if at any time the Senior Unsecured Representative(s) is then entitled to give the Security Agent instructions to enforce the Senior Unsecured Shared Security pursuant to the preceding sentence and the Senior Unsecured Representative(s) either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Unsecured Representative(s) under the provisions set out under the caption *"—Permitted Senior Unsecured Enforcement"* above and the Security Agent shall act on such instructions received from the Instructing Group.

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Manner of Enforcement

If the security is being enforced or other action as to enforcement is being taken as set forth above under the caption "—*Enforcement Instructions*," the Security Agent shall enforce the security or take such other action as to enforcement in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as:

- the Instructing Group; or
- prior to the Senior Secured Discharge Date, if (i) the Security Agent has, pursuant to the penultimate paragraph of the preceding section, received instructions given by the Majority Senior Unsecured Creditors to enforce the Senior Unsecured Shared Security and (ii) the Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Unsecured Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

Each creditor regulated by the Intercreditor Agreement agrees (to the fullest extent permitted by law at the relevant time) with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Parent Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

No party to the Intercreditor Agreement is entitled to exercise or require any Primary Creditor to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for (or change the basis for accrual of any) payment of or reschedule any of the liabilities owed to that Primary Creditor.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Senior Secured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall (save as set out under the fourth paragraph of the caption "—*Distressed Disposals*") be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Enforcement of Senior Unsecured Only Security

The Senior Unsecured Creditors may not give instructions to the Security Agent as to the enforcement of the Senior Unsecured Only Security other than in accordance with the Intercreditor Agreement. The Security Agent may refrain from enforcing the Senior Unsecured Only Security or taking any other Enforcement Action in respect of the Senior Unsecured Liabilities unless instructed otherwise by the Majority Senior Unsecured Creditors.

Subject to the Senior Unsecured Only Security having become enforceable, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Senior Unsecured Only Security as it sees fit.

No Senior Unsecured Finance Party shall have any independent power to enforce, or to have recourse to, any Senior Unsecured Only Security or to exercise any rights or powers arising under the documents relating to the Senior Unsecured Only Security except through the Security Agent.

If the Senior Unsecured Only Security is being enforced or other action as to enforcement is being taken pursuant to the terms of the Intercreditor Agreement, the Security Agent will enforce the Senior Unsecured Only Security or take such other action as to enforcement in respect thereof in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as the Majority Senior Unsecured Creditors instruct or, in the absence of such instructions, as the Security Agent sees fit.

Each of the Senior Creditors and the Debtors acknowledges that, in the event that the Security Agent enforces or is instructed to enforce the Senior Unsecured Only Security prior to the Senior Unsecured Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the any Senior Unsecured Finance Party in respect of the method, type and timing of that enforcement or of the exploitation, management or realisation of any of that Senior Unsecured Only Security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law, save as set out under the fourth paragraph of the caption "—*Distressed Disposals*".

To the extent permitted under applicable law and subject to the terms of the Intercreditor Agreement, each of the Senior Creditors and the Debtors waives all rights it may otherwise have to require that the Senior Unsecured Only Security be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Senior Unsecured Only Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Senior Lender Liabilities which benefit from Senior Unsecured Only Security is so applied.

After the Security Agent has commenced an enforcement of the Senior Unsecured Only Security it will not accept any subsequent instructions as to enforcement thereof from anyone other than the Majority Senior Unsecured Creditors that instructed it in respect of such enforcement regarding any other enforcement over or relating to the Senior Unsecured Only Security the subject of the enforcement which has been commenced. This will not restrict the right of any other Senior Unsecured Creditors to instruct the Security Agent as to enforcement of the Senior Unsecured Only Security that includes any shares or assets which are not directly or indirectly the subject of a prior instruction as to enforcement.

Security Held by Other Creditors

If any security (other than any Senior Unsecured Only Security) is held by a creditor other than the Security Agent, then such creditors may only enforce that security in accordance with instructions given by an Instructing Group in accordance with the Intercreditor Agreement.

If any Senior Unsecured Only Security is held by a creditor other than the Security Agent, then such creditors may only enforce that Senior Unsecured Only Security in accordance with instructions given by the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) in accordance with the Intercreditor Agreement.

Proceeds of Disposals

Non-Distressed Disposals

In this section, "**Disposal Proceeds**" means the proceeds of a Non-Distressed Disposal (as defined below).

If, in respect of (a) a disposal of an asset by a Debtor, (b) a disposal of an asset which is subject to the security or (c) any merger, reorganization or transaction whereby a release of an asset is required to effect such disposal, merger, reorganization or transaction, and, in each case, such disposal, merger, reorganization or transaction is not prohibited by the Senior Finance Documents, the Senior Secured Notes Finance Documents or the Senior Unsecured Finance Documents (a "**Non-Distressed Disposal**"):

(i) (prior to the Senior Lender Liabilities having been discharged) the Senior Agent(s) notifies the Security Agent that that transaction is permitted under (or is not prohibited by) the Senior Finance Documents and the relevant asset is not required to remain subject to security (which it shall do as soon as practicable on request by the Company);

(ii) (prior to the Senior Secured Notes Liabilities having been discharged) the Company certifies for the benefit of the Security Agent that that transaction is permitted under (or is not prohibited by) the Senior Secured Notes Finance Documents or the Senior Secured Notes Trustee(s) authorizes the release in accordance with the terms of the Senior Secured Notes Finance Documents;

(iii) the Company certifies for the benefit of the Security Agent that that transaction is permitted under (or is not prohibited by) the Senior Unsecured Finance Documents or the Senior Unsecured Representative(s) authorizes the release in accordance with the terms of the Senior Unsecured Finance Documents; and

(iv) that disposal is not a Distressed Disposal (as defined below),

the Security Agent is irrevocably authorized and obliged (at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any creditor or Debtor) but subject to the following paragraph:

- to release the security and any other claim (relating to a debt document) over that asset;
- where that asset consists of shares in the capital of a Debtor, to release the security and any other claim, including without limitation any guarantee liabilities or other liabilities (relating to a debt document) over that Debtor or its assets and (if any) the subsidiaries of that Debtor and their respective assets; and
- to execute and deliver or enter into any release of the security or any claim described in the preceding two bullets and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may be reasonably requested by the Company.

If that Non-Distressed Disposal is not made, each release of security or any claim described in the paragraph above shall have no effect and the security or claim subject to that release shall continue in such force and effect as if that release had not been effected.

If any Disposal Proceeds are required to be applied in mandatory prepayment of the Senior Lender Liabilities, the Senior Secured Notes Liabilities or the Senior Unsecured Liabilities (as applicable) then, subject to the terms of the Intercreditor Agreement, the Disposal Proceeds shall be applied in or towards payment of (or to the extent applicable under the relevant debt document the making of an offer of payment):

(i) *first*, the Senior Lender Liabilities in accordance with the terms of the Senior Facilities Agreement (without any obligation to apply those amounts towards the Senior Secured Notes Liabilities or the Senior Unsecured Liabilities); and

(ii) *second*, the Senior Secured Notes Liabilities in accordance with the terms of the Senior Secured Notes Indenture (without any obligation to pay those amounts towards the Senior Unsecured Liabilities); and

(iii) *then*, after the discharge in full of the Senior Lender Liabilities and the Senior Secured Notes Liabilities, the Senior Unsecured Liabilities in accordance with the terms of the Senior Unsecured Finance Documents,

and the consent of any other party shall not be required for that application and this application shall override any requirement for application of such proceeds in any debt documents and no default or event of default shall be deemed to occur to the extent arising from compliance with this provision.

Distressed Disposals

A "**Distressed Disposal**" is a disposal of an asset of a member of the Parent Group which is (a) being effected at the request of an Instructing Group in circumstances where the transaction security has become enforceable, (b) being effected by enforcement of the transaction security or (c) being effected, subsequent to an acceleration event or the enforcement of any transaction security, by a Debtor to a person which is not a member of the Parent Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement or Debtor):

(i) to release the security and/or any other claim over that asset and execute and deliver or enter into any release of that security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

    (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities (where each such term is defined in the Intercreditor Agreement);

    (B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

    (C) any other claim of an Intra-Group Lender, an investor, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

    on behalf of the relevant creditors regulated by the Intercreditor Agreement, the Senior Agent(s), Arrangers, Debtors, the Senior Secured Notes Trustee(s) and the Senior Unsecured Representative(s);

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release:

    (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities (where each such term is defined in the Intercreditor Agreement);

    (B) any security granted by any subsidiary of that holding company over any of its assets; and

    (C) any other claim of an Intra-Group Lender, and investor or another Debtor over the assets of that holding company and any subsidiary of that holding company, on behalf of the relevant creditors regulated by the Intercreditor Agreement, the Senior Agent(s), Arrangers, Debtors, the Senior Secured Notes Trustee(s) and the Senior Unsecured Representative(s);

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed to any creditor under the debt documents (the "**Liabilities**") or the liabilities owed to any other Debtor (the "**Debtor Liabilities**") by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those Liabilities or Debtor Liabilities (the "**Transferee**") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities, *provided* that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the Liabilities owed to the Primary Creditors and all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case, the relevant creditors and Debtors;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or the Debtor Liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Use of Proceeds*" as if those proceeds were the proceeds of an enforcement of the security and, to the extent that any disposal of Liabilities or Debtor Liabilities has occurred, as if that disposal of Liabilities or Debtor Liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of certain Liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Senior Unsecured Creditors are entitled to give, and have given, enforcement instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantor liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantor liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

Where borrowing liabilities in respect of any Senior Secured Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the creditor concerned may (to the extent legally possible) elect to have those borrowing liabilities transferred to the Issuer or the immediate holding company of the Issuer (provided that, in the case of a transfer to the Issuer, it will remain a subsidiary of the Issuer after the relevant Distressed Disposal), in which case the Security Agent is irrevocably authorized (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) to execute such documents as are required to so transfer those borrowing liabilities.

If after the incurrence of Senior Unsecured Liabilities but before the Senior Unsecured Discharge Date, a Distressed Disposal is being effected such that the guarantees in respect of the obligations of the Senior Unsecured Notes Issuer or Senior Unsecured Borrower under the Senior Unsecured Finance Documents (the "**Senior Unsecured Guarantees**") and the Senior Unsecured Shared Security or assets of a guarantor in respect of the obligations of the Senior Unsecured Issuer or the Senior Unsecured Borrower under the Senior Unsecured Finance Documents (a "**Senior Unsecured Guarantor**") will be released pursuant to the Intercreditor Agreement, it is a further condition to the release that either:

- the Senior Unsecured Representative(s) has approved the release; or
- where shares or assets of a Senior Unsecured Guarantor or assets of the Senior Unsecured Notes Issuer or Senior Unsecured Borrower are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash) and/or other marketable securities or, if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, the requirements of paragraph (c)(III) below are satisfied;

(B) all claims of the Senior Secured Creditors against a member of the Parent Group (if any), all of whose shares are pledged in favor of the Senior Secured Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all 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):

(I) the Senior Agent(s) and Senior Secured Notes Trustee(s) determine, acting reasonably and in good faith, that the Finance Parties (as defined in the Senior Facilities Agreement) and the Senior Secured Notes Trustee(s) (on behalf of itself and the Senior Secured Noteholders that it represents) (respectively) will recover more than if such claim was released or discharged; and

(II) the Senior Agent(s) and Senior Secured Notes Trustee(s) 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

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public or private auction or other competitive process satisfying the terms of the Intercreditor Agreement;

(II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court; or

(III) where an independent investment bank or an internationally recognized firm of accountants or a reputable independent third party professional firm which is regularly engaged in providing valuations in respect of the relevant type and size of the assets concerned selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement (although there shall be no obligation to postpone any such sale or disposal in order to achieve a higher price) provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

For the purposes of clauses (ii), (iii), (iv), (v) above and the immediately preceding clause (C), the Security Agent shall act:

- if the relevant Distressed Disposal is being effected by way of enforcement of the security in accordance with the provisions set out under the caption "*—Manner of Enforcement*" above; and
- in any other case, (a) on the instructions of the Instructing Group or (b) in the absence of any such instructions, as the Security Agent sees fit.

Use of Proceeds

The Intercreditor Agreement provides that (subject to limited exceptions) all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any debt document or in connection with the realization or enforcement of all or any part of the security (for the purposes of this section, the "**Group Recoveries**") shall be held by the Security Agent on trust, to the extent legally permitted, 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 this section), in the following order of priority:

(i) in discharging any sums owing to the Senior Agent (in respect of the Senior Agent Liabilities), the Senior Unsecured Agent(s) (in respect of the Senior Unsecured Agent Liabilities), the Security Agent, any receiver or any delegate and certain amounts due to the Senior Secured Notes Trustee(s) or the Senior Unsecured Notes Trustee(s) on a *pari passu* basis;

(ii) in payment of all costs and expenses incurred by any agent or Primary Creditor in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in payment to:

(A) each Senior Agent on its own behalf and on behalf of the Senior Arrangers and the Senior Lenders; and

(B) the Senior Secured Notes Trustee(s) on behalf of the Senior Secured Noteholders; and

(C) the Hedge Counterparties,

for application towards the discharge of:

(I) the liabilities of the Senior Arrangers under the Senior Facilities Agreement and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);

(II) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents); and

(III) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty),

on a *pro rata* basis and ranking *pari passu* between paragraphs (I), (II) and (III) above;

(vi) to the extent paid out of enforcement proceeds resulting from the enforcement of Senior Unsecured Shared Security or the Senior Unsecured Guarantees, in payment to the Senior Unsecured Representative(s) on its own behalf and on behalf of the Senior Unsecured Finance Parties and each Senior Unsecured Arranger for application (in accordance with the terms of the Senior Unsecured Finance Documents) towards the discharge of obligations under the Senior Unsecured Liabilities and the discharge of obligations owed to the Senior Unsecured Arrangers under the debt documents (the "**Senior Unsecured Arranger Liabilities**"); and

(vii) the balance, if any, in payment to the relevant Debtor.

All amounts from time to time received or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the Senior Unsecured Only Security (the "**Senior Unsecured Only Recoveries**") shall be held by the Security Agent on trust, to the extent legally permitted, 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 set out under the caption *"—Use of Proceeds"*) in the following order of priority:

(i) *first*, in payment of the following amounts in the following order: (i) pari passu and pro rata any sums owing to the Security Agent, any receiver or any delegate and certain amounts owing to the Senior Unsecured Notes Trustee(s), as the case may be; and then (ii) pari passu and pro rata to the Senior Unsecured Representative(s) of the costs and expenses of each Senior Unsecured Representative(s) and any receiver, attorney or agent appointed by it under any security document relating to the Senior Unsecured Only Security (the "**Senior Unsecured Only Security Documents**") or the Intercreditor Agreement; and

(ii) *second*, pari passu and pro rata in or towards payment to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders or (as applicable) the Senior Unsecured Notes Trustee(s) on behalf of the Senior Unsecured Noteholders or the Senior Unsecured Arrangers for application towards any unpaid costs and expenses incurred by or on behalf of any Senior Unsecured Lenders, Senior Unsecured Noteholders and Senior Unsecured Arrangers in connection with any realisation or enforcement of the Senior Unsecured Notes Only Security taken in accordance with the terms of the Senior Unsecured Notes Only Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent; and

(iii) *third*, to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders or (as applicable) the Senior Unsecured Notes Trustee(s) on behalf of the Senior Unsecured Noteholders and the Senior Unsecured Arrangers for application towards the discharge of the Senior Unsecured Liabilities (in accordance with the relevant Senior Unsecured Finance Document) and the Senior Unsecured Arranger Liabilities on a pro rata basis; and

(iv) *fourth*, after the Senior Unsecured Discharge Date, in payment of the surplus (if any) to the relevant Debtor or other person entitled to it.

Equalization of the Senior Secured Creditors

The Intercreditor Agreement provides that if for any reason, any Senior Secured Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors at the enforcement date, the Senior Secured Creditors will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Equalization of the Senior Unsecured Creditors

The Intercreditor Agreement provides that if for any reason, any Senior Unsecured Liabilities remain unpaid after the enforcement date and the resulting losses are not borne by the Senior Unsecured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Unsecured Creditors at the enforcement date, the Senior Unsecured Creditors (subject, in the case of amounts owing to the Senior Secured Notes Trustee(s), to the terms of the Intercreditor Agreement) will make such payments amongst themselves as the Security Agent shall require to put the Senior Unsecured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions, provided that no Senior Unsecured Creditor shall be obliged to make any payment in respect of (a) any amount received by it from a person who is not a member of the Parent Group or (b) the proceeds of any Enforcement Action taken by it with respect to any Senior Unsecured Only Security.

Refinancing of Primary Creditor Liabilities

The Intercreditor Agreement provides for the refinancing, replacement or increase of the Senior Lender Liabilities, the Hedging Liabilities and the Senior Secured Notes Liabilities in whole or in part and the refinancing, replacement, discharge or exchange of Senior Unsecured Liabilities in whole or in part. In connection with any new liabilities to rank in the manner contemplated in the Intercreditor Agreement and/or the refinancing of the Senior Secured Notes or Senior Lender Liabilities that requires the release of any security by the Security Agent (or, in the case of the Senior Unsecured Liabilities, any Senior Unsecured Only Security) and any consent required in connection with the Senior Secured Notes, Senior Facilities Agreement or the Senior Unsecured Finance Documents, as applicable, in respect of such release of security has been obtained, the Security Agent shall release (and the relevant secured parties expressly authorize the Security Agent to release on their behalf, to the extent necessary) such security which has been granted to it provided that such release occurs on the date of such refinancing, restructuring, replacement or increase and is within the terms of such consent (if any).

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the consent of the Company, the Agent(s), the Majority Senior Lenders (as defined in the Senior Facilities Agreement), the relevant Senior Secured Notes Trustee(s), the relevant Senior Unsecured Representative(s) and the Security Agent.

Other than in respect of the implementation of a Structural Adjustment under (and as defined in) the Senior Facilities Agreement to the extent it does not confer an ability to make more extensive changes than a Structural Adjustment, an amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other things, the provisions set out under the caption *"—Use of Proceeds"* and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of:

(i) the Agents;

(ii) the Senior Lenders;

(iii) the Senior Secured Noteholders (to the extent that the amendment or waiver would materially and adversely affect such creditors);

(iv) the Senior Unsecured Creditors (to the extent that the amendment or waiver would materially and adversely affect such creditors);

(v) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty);

(vi) the Security Agent; and

(vii) the Company.

The Intercreditor Agreement may be amended by the agents (including the Senior Agent(s)), the Senior Secured Notes Trustee(s), the Senior Unsecured Representative(s), the Security Agent and the Company without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise in accordance with the terms of the relevant debt documents.

The Senior Secured Notes Trustee(s) and the Senior Unsecured Notes Trustee(s) shall, to the extent consented to by the requisite percentage of noteholders in accordance with the relevant indenture, act on such instructions in accordance therewith unless to the extent any amendments so consented to relate to any provision affecting the rights and obligations of a Senior Secured Notes Trustee(s) in its capacity as such.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Company consents, amend the terms of, waive any of the requirements of or grant consents under, any of the security documents which shall be binding on each party.

Subject to the second and third paragraphs of the section captioned *"—Exceptions"* below, the prior consent of each Senior Agent, Senior Secured Notes Trustee and Senior Unsecured Representative(in each case acting with the consent of the requisite percentage of creditors under the relevant debt documents) and the Company is required to authorize any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed.

Exceptions

Subject to the two paragraphs immediately below, if the amendment, waiver or consent may impose new or additional obligations on, or withdraw or reduce the rights of, any party other than:

(i) in the case of a Primary Creditor, in a way which affects, or would affect, Primary Creditors of that party's class generally; or

(ii) in the case of a Debtor to the extent consented to by the Company under the Intercreditor Agreement, the consent of that party is required.

Subject to the two paragraphs immediately below, an amendment, waiver or consent which relates to the rights or obligations of an Agent, an Arranger, the Security Agent (including, without limitation, any ability of the Security Agent to act in its discretion under the Intercreditor Agreement) or a Hedge Counterparty may not be effected without the consent of that Agent or, as the case may be, Arranger, the Security Agent or that Hedge Counterparty.

Neither of the two immediately preceding paragraphs shall apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out in the caption *"—Proceeds of Disposals"* above.

Snooze/Lose

If in relation to a request for a consent, a request to participate in a vote of a class of creditors, a request to approve any action or a request for a confirmation or notification, in each case, under the Intercreditor Agreement, any Senior Lender or Senior Unsecured Lender fails to respond to the request within 15 business days or fails to provide details of its credit participation, such Primary Creditor will be disregarded or be deemed to have zero participation or outstandings in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.

Other Provisions

The Intercreditor Agreement contains further provisions customary for documents of this nature, dealing with among other things:

(i) close-out and enforcement (and other enforcement) rights for the Hedge Counterparties (certain required close-out obligations) and the terms on which the hedging agreements must be entered into (and may be amended in the future) and on which payments may be made under such hedging agreements. The Intercreditor Agreement permits the following types of hedging to potentially share in the security: (1) hedging under "Transaction Hedging Agreements" being hedging agreements which document a hedging transaction entered into for the purposes of hedging floating interest rate exposures in relation to Relevant Debt (as defined below) or foreign exchange exposure in relation to Relevant Debt denominated in a currency other than euro and (2) hedging under "Cashflow Hedging Agreements" being hedging agreements which document a transaction entered into for the purposes of hedging foreign exchange exposures arising as a result of the cashflows of the Group which are required to service Relevant Debt being in a different currency to the Relevant Debt. For these purposes, "Relevant Debt" means the indebtedness referred to above in this section together with any other indebtedness which is permitted to be hedged (or not prohibited from being hedged) by the Senior Facilities Agreement, the Senior Unsecured Bridge Facility Agreement (as defined in the Intercreditor Agreement), the Senior Unsecured Facilities Agreement, the Senior Secured Notes Indenture (as defined in the Intercreditor Agreement) or the Indenture (or any other indenture for future Senior Unsecured Notes);

(ii) restrictions on amendments to the terms of any Intra-Group Liabilities, Holdco Liabilities and Investor Liabilities, restrictions on payments thereunder, restrictions on the taking of enforcement action by the related creditors and similar customary provisions;

(iii) information sharing between creditor groups;

(iv) customary protection for trustees and the Security Agent; and

(v) customary provisions regarding assignments and transfers, and accession of future creditors and Debtors.

Governing Law

The Intercreditor Agreement (and any non-contractual obligations arising out of or in connection with it) are governed by English law.

Hedging Arrangements

We plan to maintain certain currency hedges to manage our exposure to movements in the U.S. dollar and the Singapore dollar. In addition, we plan to manage interest rate risk using interest rate swaps. In connection with these activities, we plan to enter into International Swaps and Derivatives Association master agreements with several hedging partners. Certain of the Initial Purchasers may from time to time enter into hedging arrangements with us and our affiliates. For a further discussion of our hedging arrangements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Qualitative and Quantitative Disclosures About Market Risk*."

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*Certain Definitions*." For purposes of this "*Description of the Notes*," references to the "*Issuer*" are to Auris Luxembourg II S.A. only and not to any of its Subsidiaries. References to "we", "our" or "us" are to the Issuer and its Subsidiaries, taken as a whole.

The Issuer will issue €275 million aggregate principal amount of senior notes due 2023 (the "*Notes*"). The Notes will be issued under an indenture to be dated as of the Issue Date (the "*Indenture*"), between, *inter alios*, the Issuer, Auris Luxembourg III S.à r.l. and Auris Holding GmbH ("*BidCo*"), as initial guarantors, Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), Deutsche Bank AG, London Branch, as principal paying agent and as security agent (the "*Security Agent*") and Deutsche Bank Luxembourg S.A., as transfer agent and registrar (the "*Registrar*"), in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not incorporate or include the terms of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture, the Notes and the Escrow Agreement and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Escrow Agreement, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Notes. Copies of the Indenture, the form of Note, the Escrow Agreement, the Security Documents and the Intercreditor Agreement are available as set forth in this offering memorandum under the caption "*Listing and General Information*."

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer to make the Notes Proceeds Loan to Auris Luxembourg III S.à r.l. Auris Luxembourg III S.à r.l. will in turn use the proceeds from the Notes Proceeds Loan to make a proceeds loan to BidCo, which will use such funds, together with drawings under Facility B and the Equity Contribution, to (i) fund the consideration payable for the acquisition of the shares of the Target and (ii) pay the estimated fees and expenses incurred in connection with the offering of the Notes, entry into the Senior Facility Agreement and the Acquisition. Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of the offering of the Notes into an escrow account (the "*Escrow Account*") pursuant to the terms of an escrow deed (the "*Escrow Agreement*") dated on or about the Issue Date among the Issuer, the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the "*Escrow Agent*"). Prior to the release of such proceeds from the Escrow Account, such funds will be invested in certain permitted investments including in cash and/or any highly-rated stable net asset value money market fund.

If the Acquisition is not consummated or the other conditions to the release of the Escrowed Property (as defined below), as more fully described below under the caption "—*Escrow of Proceeds; Special Mandatory Redemption*," have not been satisfied on or prior to April 27, 2015 (the "*Escrow Longstop Date*"), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest from the Issue Date to the Special Mandatory Redemption Date (as defined below) and Additional Amounts, if any. See "—*Escrow of Proceeds; Special Mandatory Redemption*."

Upon the initial issuance of the Notes, the Notes will only be obligations of the Issuer and will be guaranteed on a senior subordinated basis by Auris Luxembourg III S.à r.l. and BidCo. Assuming the Completion Date occurs on or prior to the Escrow Longstop Date and the escrowed funds are released from the Escrow Account, certain of the Target's subsidiaries will become a party to the Indenture and will, subject to the Agreed Security Principles, guarantee the Notes on a senior subordinated basis within 90 days of the Completion Date. Prior to the Completion Date, we will not control the Target or any of its subsidiaries and none of the Target nor any of its Subsidiaries will be subject to the covenants described in this "*Description of the Notes*." As such, we cannot assure you that prior to the Completion Date, the Target and its subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to such entities becoming party to the Indenture.

The Indenture will permit the issuance of securities in an unlimited aggregate principal amount and €275 million aggregate principal amount of Notes will be issued on the Issue Date. Following the initial issuance of Notes (the "*Initial Notes*"), we may, subject to applicable law and compliance with the terms of the Indenture, issue additional Notes having identical terms and conditions as the applicable Notes (the "*Additional Notes*") within the maximum aggregate principal amount of Notes permitted by the Indenture. Except as otherwise provided for in the Indenture, the Initial Notes and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. There can be no assurances, however, that any Additional Notes subsequently issued under the Indenture will be treated as fungible with the Initial Notes for U.S.

federal income tax purposes. Unless the context otherwise requires, in this "*Description of the Notes*," references to the "*Notes*" include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent. See "*Description of Other Indebtedness—Intercreditor Agreement*" for a description of certain terms of the Intercreditor Agreement.

The Holder of a Note will be treated as the owner of it for all purposes. Only Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

The Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the Issuer's guarantee of the Senior Facility Agreement and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes or that is secured on a first-priority basis over property and assets that secure the Notes on a second-priority basis (including Indebtedness Incurred under the Senior Facility Agreement and certain Hedging Obligations), to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Guarantors as described under "*—The Note Guarantees*";
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on January 15, 2023; and
- be represented by one or more Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry, Delivery and Form*").

As of the Issue Date, the Issuer's only Subsidiaries will be Auris Luxembourg III S.à r.l. and BidCo, each of which will be a "*Restricted Subsidiary*." Following the Completion Date, all of the operations of the Issuer will be conducted through its Subsidiaries and, therefore, the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. Under applicable regulations of Germany, cash and cash equivalents held by the Target and its Subsidiaries can only be upstreamed, by dividend, debt repayment or otherwise, to their direct or indirect parent entities, including to the Issuer, for purposes of servicing the Notes, to the extent that sufficient cumulative distributable profits and cumulative reserves exist within these legal entities and that they continue to meet the relevant minimum capital requirements. See "*Risk Factors—Risks Relating to the Notes and Our Structure—The Issuer is a holding company that has no revenue generating operations of its own and will depend on payments from its subsidiaries to meet its obligations, including making payments on the Notes*."

As of September 30, 2014, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had €1,060 million of long-term Indebtedness, of which €275 million (equivalent) would be represented by the Notes. In addition, there would have been €35 million to €45 million available for drawing under the Revolving Facility.

The Note Guarantees

General

The Notes will be guaranteed (i) on the Issue Date by Auris Luxembourg III S.à r.l. and BidCo (the "*Initial Guarantors*") and (ii) within 90 days of the Completion Date by the Target, AS-Audio Service GmbH, Siemens Medical Instruments Pte. Ltd., Siemens Hearing Instruments, Inc., Audiology Distribution, LLC, Siemens Hearing Instruments Ltd. and Siemens Hearing Instruments K.K. (the "*Additional Guarantors*" and, together with the Initial Guarantors, the "*Guarantors*"). In addition, if required by the covenant described under "*—Certain Covenants—Limitation on Additional Guarantees*," subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee (as defined below) in the future. The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior subordinated obligation of that Guarantor, secured as set forth under "*—Security*";
- be subordinated in right of payment to that Guarantor's obligations in respect of any existing and future Senior Indebtedness, including its obligations under the Senior Facility Agreement;
- rank *pari passu* in right of payment with any existing and future senior subordinated Indebtedness of that Guarantor;
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee or that is secured on a first-priority basis over property and assets that secure such Note Guarantee on a second-priority basis (including Indebtedness Incurred under the Senior Facility Agreement or certain Hedging Obligations), to the extent of the value of the property and assets securing such other Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Senior Facility Agreement and the Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements. By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

The Additional Guarantors generated 60% of our revenue and 85% of our EBITDA for the fiscal year ended September 30, 2014 and held 66% of our total assets as of September 30, 2014. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*" and *"Risk Factors—Risks Relating to the Notes and Our Structure—Despite our current level of debt, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes*."

Note Guarantees Release

The Note Guarantee of a Guarantor will automatically terminate and release upon:

- a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Indenture and the Guarantor ceases to be a Restricted Subsidiary of the Issuer as a result of the sale or other disposition;
- the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition does not violate the Indenture;
- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "—*Defeasance*" and "—*Satisfaction and Discharge*";
- upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Notes under the covenant described in "—*Certain Covenants—Additional Guarantees*";
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "—*Amendments and Waivers*";
- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by "—*Certain Covenants—Merger and Consolidation—The Guarantors*."

The Trustee and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

Subordination on the Basis of the Intercreditor Agreement

The Note Guarantees are senior subordinated indebtedness, which means that, pursuant to the terms of the Intercreditor Agreement, the Note Guarantees rank behind, and are expressly subordinated to, all the existing and future Senior Indebtedness of the Guarantors, including any obligations under the Senior Facility Agreement and any other indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Note Guarantees and the collateral securing the Notes and Note Guarantees are subject to release under certain circumstances, including, but not limited to, the sale of Auris Luxembourg III S.à r.l. or BidCo pursuant to an enforcement of security over shares of Auris Luxembourg III S.à r.l. or BidCo taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of the Guarantors would recover disproportionately more than the holders of the Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes after the repayment in full of all Senior Indebtedness. See "*Risk Factors—Risks Relating to the Notes and Our Structure—The rights to enforce remedies with respect to the Shared Collateral securing the Notes and the Guarantees are limited as long as any senior secured debt is outstanding*."

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue €275 million aggregate principal amount of Notes. The Notes will mature on January 15, 2023. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate of 8% per annum. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on January 15 and July 15 commencing on July 15, 2015;
- be payable to the holder of record of such Notes on the fifteenth calendar day preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

If the due date for any payment in respect of any 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 Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents. Payments on the Global Notes will be made to the common depositary as the registered holder of the Global Notes.

Principal, interest and premium and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in New York, New York and London, United Kingdom. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Notes for the Definitive Registered Notes. See "—*Paying Agent and Registrar for the Notes*" below.

The rights of holders of beneficial interests in the Notes to receive the payments of interest on such Notes are subject to the applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Note 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.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London, United Kingdom (the "*Principal Paying Agent*"). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 regarding the taxation of savings income (the "*Directive*"), or any law implementing or complying with or introduced in order to conform to such Directive. The Principal Paying Agent will be Deutsche Bank AG, London Branch in London (together with any other paying agents, the "*Paying Agents*").

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The initial registrar will be Deutsche Bank Luxembourg S.A. (the "*Registrar*"). The Issuer will also maintain a transfer agent. The initial transfer agent will be Deutsche Bank Luxembourg S.A. (the "*Transfer Agent*"). The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. Each Registrar shall provide a copy of the register and any update thereof to the Issuer and the Issuer shall maintain a register of the Notes at its registered office in order to comply with Luxembourg law (the "*Duplicate Register*"). In case of discrepancy between any register and the Duplicate Register, the Duplicate Register shall prevail for Luxembourg law purposes.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- the 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*") and 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.
- the Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*") and 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 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 or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, 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*") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S 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 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 $200,000 or €100,000 principal amount, as the case may be, and integral multiples of $1,000 in excess thereof or €1,000 in excess thereof, as the case may be, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, 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 Indenture or as otherwise determined by the Issuer to be 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, 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. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any Taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of 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 Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with, or prior to, the closing of this offering of Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of this offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account, together with the Escrowed Property, will be pledged on a first-priority basis in favor of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer, the Escrow Agent and the Trustee (the "*Escrow Charge*"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds released in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property*."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "*Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that:

- the security documents, legal opinions, certificates and other documents substantially in the form as those attached as appendices to the Escrow Agreement (or in the form as agreed between the Issuer and the initial purchasers following the date thereof) will be delivered in accordance with the terms of the Escrow Agreement;
- the Equity Contribution has been made, and the Acquisition is required to be completed on the terms set forth in the Acquisition Agreement, promptly following release of the Escrowed Property, except for any changes or other modifications that will not, individually or when taken as whole, have a materially adverse effect on the holders of the Notes;
- immediately after consummation of the Acquisition, the Issuer will own, directly or indirectly, the entire share capital of the Target (subject to notarization of the share transfer if required); and
- as of the Completion Date, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "*Events of Default*" with respect to the Issuer, Auris Luxembourg III S.à r.l. or BidCo.

Prior to the release of the proceeds from the Escrow Account, such funds will be invested in certain permitted investments including in cash and/or any highly-rated stable net asset value money market fund. Upon the Release, the balance of the Escrow Account shall be reduced to zero, and the Escrowed Property shall be released in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "*Events of Default*" below with respect to the Issuer, Auris Luxembourg III S.à r.l. or BidCo on or prior to the Escrow Longstop Date (the date of any such event being the "*Special Termination Date*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price (the "*Special Mandatory Redemption Price*") equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest from the Issue Date to the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any.

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than two Business Days following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "*Special Mandatory Redemption Date*"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, EQT VI Limited will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes, pursuant to a guarantee it will provide. In the alternative, EQT VI Limited shall deposit in the Escrow Account on the Issue Date an amount equal to the accrued and unpaid interest through the Escrow Longstop Date. See "*Risk Factors—Risks Relating to the Acquisition—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem Notes, which means that you may not obtain the return you expect on the Notes.*"

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest over the Escrow Account and the Escrowed Property. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (*provided* funds sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Security

General

On the Issue Date, the Notes and the Note Guarantees will be secured by a first-priority security interest in the Escrowed Property (the "*Issue Date Collateral*"). The Escrowed Property that is deposited in the Escrow Account will not be charged to secure any obligations other than the Issuer's obligations under the Notes and the Note Guarantees. Upon the definitive release of the Escrowed Property, the first-priority security interest over the Escrowed Property will be released.

On or about the Completion Date, subject to the terms of the security documents, the Notes and the Note Guarantees will be secured by (i) a first-priority pledge of the shares in the Issuer (the "*Notes Collateral*"), (ii) a second-priority pledge of the shares in Auris Luxembourg III S.à r.l., and (iii) a second-priority pledge of the Notes Proceeds Loan (and other loans) made by the Issuer to Auris Luxembourg III S.à r.l. and any other liabilities owed by Auris Luxembourg III S.à r.l. to the Issuer (clauses (ii) and (iii), collectively, the "*Shared Collateral*" and together with the Notes Collateral, the "*Completion Date Collateral*"). The Completion Date Collateral, together with the Issue Date Collateral, is referred to as the "*Collateral*".

The assets that comprise the Shared Collateral will also secure on a first-priority basis the Senior Facility Agreement and certain Hedging Obligations.

The Collateral will be contractually limited to reflect limitations under applicable law with respect to fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations applicable to security providers and their shareholders, directors and general partners. For a description of such contractual limitations, see "*Risk Factors—Risks Relating to the Notes and Our Structure—Each Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*" In addition, and notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles.

The Liens securing the Notes and the Note Guarantees will also secure the liabilities under the Senior Facility Agreement, certain Hedging Obligations and any Additional Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes, and the Collateral securing the Notes and the Note Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the

Indenture. No appraisals of the Collateral have been made in connection with this issuance of Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Relating to the Notes and our Structure—It may be difficult to realize the value of the Collateral securing the Notes.*"

Priority

The relative priority with regard to the security interests in the Completion Date Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Senior Facility Agreement, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Completion Date Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Senior Facility Agreement, the Indenture and the Security Documents, which provide, among other things, that the obligations under the Senior Facility Agreement and certain Hedging Obligations are secured equally and ratably by first-priority Security Interests over the Shared Collateral and the Notes and the Note Guarantees are secured by first-priority Security Interests over the Notes Collateral and second-priority Security Interests over the Shared Collateral. In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Completion Date Collateral may be pledged to secure other Indebtedness. See "*—Release of Liens*," "*—Certain Covenants—No Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, the Issuer and the Initial Guarantors have granted, or will grant, security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted, or will act, in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Senior Facility Agreement and the counterparties under certain Hedging Obligations created in favor of such parties.

The Indenture and the Intercreditor Agreement provide that, to the extent permitted by applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes 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 in respect of the enforcement of the Collateral.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Senior Facility Agreement, certain hedge counterparties or holders of the Notes. In general, the rights of the Security Agent (acting on its behalf or on behalf of the holders of the Notes) to take enforcement action under the Security Documents in respect of the Completion Date Collateral are subject to certain standstill provisions, payment blockage and other limits on enforcement. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Senior Facility Agreement, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Senior Facility Agreement, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, 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 relevant Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under "—*Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

The Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "—*Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture;

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

(3) as described under "—*Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "—*Defeasance*" and "—*Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing; or

(8) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "—*Certain Covenants—No Impairment of Security Interest*."

The Security Agent and the Trustee will take all necessary action reasonably required to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to any customary protections and indemnifications. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "—*Redemption for Taxation Reasons*," the Notes are not redeemable until January 15, 2018.

On and after January 15, 2018, the Issuer may redeem all or, from time to time, a part of the 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 January 15 of the years indicated below:

Year	Notes
2018	104.000
2019	102.000
2020 and thereafter	100.000%

Prior to January 15, 2018, the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original aggregate principal amount of the Notes issued under the Indenture (including the original aggregate principal amount of any Additional Notes denominated in such currencies), upon not less than 10 or 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 (expressed as a percentage of aggregate principal amount) of 108.000% plus the interest rate applicable to such Notes so redeemed as of the date of the applicable redemption notice, 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 Notes (including the original aggregate principal amount of any Additional Notes) outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to January 15, 2018, the Issuer may redeem all or, from time to time, a part of the 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 Notes, plus the 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).

"*Applicable Premium*" means, with respect to any Note on any redemption date prior to January 15, 2018, the greater of,

(A) 1% of the principal amount of such Note; and

(B) the excess (to the extent positive) of:

(x) the present value at such redemption date of (i) 104.000% of the principal amount of such Note, plus (ii) the Deemed Interest Payments due on such Note from the commencement of the current Interest Period to and including January 15, 2018, computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(y) the outstanding principal amount of such 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 Applicable Premium shall not be an obligation or duty of the Trustee or any Agent.

"*Bund Rate*" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to January 15, 2018; *provided, however*, that if the period from the redemption date to January 15, 2018 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to January 15, 2018 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

General

The Issuer and its Restricted Subsidiaries may at any time and from time to time effect purchases of the Notes in the open market, negotiated transactions or otherwise.

If the Issuer effects an optional redemption of Notes, it will, for so long as Notes are listed on any securities exchange and the rules of such an exchange so require, inform the exchange of such optional redemption and confirm the aggregate principal amount of 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 Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption and notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption on a *pro rata* basis or otherwise in accordance with the procedures of Clearstream or Euroclear (as applicable), unless otherwise required by law or applicable stock exchange requirements; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition for such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders of the Notes 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 sent in accordance with the rules and procedures of the Clearstream or Euroclear (as applicable). On and after the redemption date, interest ceases to accrue on the Notes or the part of the Notes called for redemption.

If any Note is to be redeemed in part only, the notice of redemption that relates to that 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 Global 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, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "—*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, change in or introduction of an official position regarding the application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its 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 Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made by or on behalf of a Payor (including the jurisdiction of any Paying Agent) or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Note Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes, after such withholding, or deduction (including any such deduction or withholding from such

Additional Amounts), will not be less than the amounts which would have been received by such holder in respect of such payments on any such Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner 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, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request of the Payor addressed to the Holder or beneficial owner (as may be relevant) and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with the request (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder or beneficial owner (except to the extent that the Holder or beneficial owner would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment made under or with respect to the Notes or with respect to any Note Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Tax;

(6) any Taxes that are required to be deducted or withheld pursuant to the Directive or any law implementing or complying with or introduced in order to conform to the Directive;

(7) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will, upon request, provide to the Trustee and the Paying Agents certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable. Such copies shall be made available to the Holders upon reasonable request.

If any Payor becomes aware that it is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agents an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay each holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Note Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this issuance of Notes and with respect to receipt of payments with respect to the Notes, limited to any such taxes, charges or levies that are not excluded under (1) to (3) or (5) to (9) above or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Note Guarantee) is made by or on behalf of such Payor, or 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 principal amount and integral multiples of €1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, 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 obligated to repurchase any 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 Notes and given notice of redemption as described under "—Optional Redemption" and that all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "—*Optional Redemption*" and 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 mail a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the 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 Notes at a purchase price in cash equal to 101% of the principal amount of such 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 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any 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 Indenture, that a Holder must follow in order to have its 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 Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or tender agent for such Change of Control Offer an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the 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 Principal Paying Agent, the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) 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 Agents, at the Issuer's expense, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or an authenticating agent will authenticate and mail, at the Issuer's expense (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 Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition for such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders of the Notes 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 sent in accordance with the rules and procedures of Euroclear or Clearstream (as applicable).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase 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 Indenture applicable to a Change of Control Offer made by the Issuer and purchases all 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 providing 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 Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the 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 Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain events that constitute a Change of Control may also constitute a "change of control" under the Senior Facility Agreement (as defined therein), which would require a mandatory prepayment of Indebtedness at the option of each lender under the Senior Facility Agreement.

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 upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the 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.

The definition of "Change of Control" includes a disposition, 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 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 assets of the Issuer 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 a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the 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 Notes outstanding.

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 Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries 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 ("*Permitted Debt*"):

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) €925 million, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Notes or a Note Guarantee, then the guarantee must be subordinated to the Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed; or (b) without limiting the covenant described under "—*Limitation on Liens*," 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 Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

    (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is a Restricted Subsidiary that is not a Guarantor, such Indebtedness is unsecured and, ((i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) to the extent legally permitted (the Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

(b) 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 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 (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by Notes (other than any Additional Notes) and the related Note Guarantees, and any "parallel debt" obligation under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(b) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Senior Facility Agreement or Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions and any other Indebtedness of the Target and its subsidiaries outstanding on the Issue Date after giving *pro forma* effect to the Transactions;

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b), this clause 4(c) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(d) Management Advances.

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a 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; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Operational Hedging Agreements, in each case not for speculative purposes (as determined in good faith by the Board of Directors or an Officer 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, 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 the greater of €30 million and 8% of Total Adjusted Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("*VAT*") or other tax

guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (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 or in respect of any governmental requirement; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from the Acquisition Agreement and 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, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness 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) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 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 any 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;

(11) Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €45 million and 12% of Total Adjusted Assets;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) 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 or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date other than the Equity Contribution; *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 third paragraph of the covenant described under "*—Limitation on Restricted Payments*" 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 (13) 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 third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon; and

(14) (i) Indebtedness of the Issuer or any Restricted Subsidiary Incurred under local overdraft and other local Credit Facilities and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness and (ii) Guarantees by the Issuer or any Restricted Subsidiary in respect of Indebtedness incurred by Associates and any Refinancing Indebtedness in respect thereof; *provided*, *however*, that the maximum aggregate principal amount of Indebtedness at any time outstanding under this clause (14) does not exceed €30 million.

provided, *however*, that no more than €45 million of Indebtedness at any time outstanding may be Incurred by a Restricted Subsidiary which is not a Guarantor under clauses (7), (11) and (14) above.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) 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;

(2) all Indebtedness outstanding under the Senior Facility Agreement on the Completion Date 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 this covenant, and Indebtedness incurred under clause (1) of the second paragraph of this covenant may not be reclassified;

(3) 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;

(4) 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), (11), (13) or (14) 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;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(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) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares 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 shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary 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 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, at the option of the Issuer, first committed or first Incurred, 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 amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target and its Restricted Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement 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.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless (a) in the case of the Issuer, such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms or (b) in the case of any Guarantor, such Indebtedness is *pari passu* in right of payment with the Note Guarantee of the Notes; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

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; and

  (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 another Restricted Subsidiary 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 of the Issuer 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 covenant described under "—*Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is 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 covenant described under "—*Limitation on Indebtedness*" 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 Completion Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (10), (11), (15) or (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second 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 fiscal quarter commencing immediately prior to the earlier of (x) the Issue Date and (y) the Completion 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 Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) 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 Completion 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 Completion Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) 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 clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) 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 Completion 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 (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions; and

(iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Completion Date (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) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Completion Date, an amount equal to the amount of such Guarantee;

(v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or assets or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Completion Date from an Unrestricted 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 in any of the foregoing clauses (iv), (v) or (vi).

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 in good faith by an officer of the Issuer, or, if such fair market value exceeds €15 million, by the Board of Directors.

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 or issuance (other than to a Subsidiary of the Issuer) 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) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) 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 preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under "—*Limitation on Sales of Assets and Subsidiary Stock*," but only (i) if the Issuer shall have first complied with the terms described under "—*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to 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) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "—*Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to 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 transaction or series of transactions) 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 such Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (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 or any Parent (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 (x) €7.5 million, plus €3 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (y) 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) 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) plus (z) the Net Cash Proceeds from key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions;

(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 covenant described under "—*Limitation on Indebtedness*";

(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 or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

  (a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

  (b) amounts constituting or to be used for purposes of making payments (i) in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) 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 to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent 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 (a) 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 or Designated Preference Shares or through Excluded Contributions) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 5.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €40 million and 11% of Total Adjusted Assets;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) 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 (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (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 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 or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) 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 or an Excluded Contribution or, in the case of Designated Preference Shares by such Parent or 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;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 3.5 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; *provided however*, that the total aggregate amount of Restricted Payments made under this clause (18)(a) does not exceed €7.5 million outstanding at any one time or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided however*, that the total aggregate amount of Restricted Payments made under this clause (18)(b) does not exceed €7.5 million outstanding at any one time;

(19) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction; and

(20) the repayment, upon the Release, of any amounts pre-funded by the Initial Investors or their Affiliates into the Escrow Account.

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 the Board of Directors of the Issuer acting in good faith.

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 upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture are directly secured, subject to the Agreed Security Principles, equally and ratably with, junior to, in the case of Liens with respect to Senior Indebtedness, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "—*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 or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Facility Agreement) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including, without limitation, the Acquisition Agreement), (b) the Indenture, the Notes, the Intercreditor Agreement or the Security Documents or (c) any other agreement or instrument with respect to the Target or any of its Subsidiaries, in each case, in effect on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise

combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under "—*Merger and Consolidation*"), 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;

(3) 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, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, 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;

(4) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(5) 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;

(6) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(7) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(8) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;

(9) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Operational Hedging Agreements;

(10) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if (A) 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 Notes than (i) the encumbrances and restrictions contained in the Senior Facility Agreement, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence 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 Notes or (b) constitutes an Additional Intercreditor Agreement;

(11) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing;

(12) any encumbrance or restriction existing by reason of any lien permitted under "—*Limitation on Liens*;" or

(13) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) through (12) of this paragraph or this clause (13) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) through (12) of this paragraph or this clause (13); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer).

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(a) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(b) Cash Equivalents;

(c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of its Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(d) Replacement Assets;

(e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €25 million and 7% of Total Adjusted Assets (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 395 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Senior Indebtedness of the Issuer or a Restricted Subsidiary or any Refinancing Indebtedness in respect thereof; *provided, however*, that, in connection with any prepayment, repayment, purchase or redemption of term Indebtedness Incurred pursuant to this clause (i), the Issuer or such Restricted Subsidiary will retire such term Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; (ii) prepay, repay, purchase or redeem any Indebtedness of a Restricted

Subsidiary of the Issuer that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); or (iii) prepay, repay, purchase or redeem any Pari Passu Indebtedness (other than Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Pari Passu Indebtedness pursuant to this clause (iii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness (other than the Notes);

(2) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, 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);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) not classified as current assets under IFRS that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; provided that, a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 395 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds*." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture. On the 396th day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €30 million, the Issuer will be required within 10 Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of 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 Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any (and in the case of Notes, Additional Amounts, if any), to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and such 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 Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and such Pari Passu Indebtedness. 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.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such 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 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 Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of 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 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 Notes and Pari Passu Indebtedness or portions of 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 Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agents, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the 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 Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will, via an authenticating agent, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

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 Notes pursuant to the 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 Indenture by virtue of such compliance.

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 an "*Affiliate Transaction*") 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 on an arm's length basis 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;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €20 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €35 million, the Issuer has received a written opinion (a "*Fairness Opinion*") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—*Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "—*Limitations on Restricted Payments*") or any Permitted

Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, 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 in connection with a Qualified Receivables Financing;

(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 (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) under the terms of any transaction pursuant to or contemplated by, 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, replaced 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, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business; *provided* that any such Tax Sharing Agreement or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and its Restricted Subsidiaries on a standalone basis;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, 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 (other than an Unrestricted Subsidiary) 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 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 Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €3 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee 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 that 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;

(13) pledges of Capital Stock of Unrestricted Subsidiaries; and

(14) any transaction effected as part of a Qualified Receivables Financing.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending September 30, 2015, annual reports containing: (i) an operating and financial review of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Acquisition and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, all material Affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events and (vi) Consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarter ending December 31, 2014, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ending December 31, 2014, unaudited quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (other than the Acquisition and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material commitments and contingencies since the most recent report and (v) a discussion of material subsequent events; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition (other than the Acquisition), disposition or restructuring, merger or similar transaction that is material to the Issuer and its Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

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, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target and its Subsidiaries may be provided in lieu thereof. At the Issuer's election it may include the financial statements of Auris Luxembourg I S.A. in lieu of those for the Issuer; *provided* that if the financial statements of Auris Luxembourg I S.A. are included in such report, a reasonably detailed description of material differences between the financial statements of Auris Luxembourg I S.A. and the Issuer shall be included for any period after the Issue Date and, in the event that Auris Luxembourg I S.A. conducts any material operating activities except through the Issuer and its Subsidiaries, will include a reasonably detailed reconciliation of the Issuer's results to those of Auris Luxembourg I S.A. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "Reports" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Issuer 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 Issuer or its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer 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 request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, to the extent and in the manner permitted by such rules, by posting such reports on the official website of the Luxembourg Stock Exchange.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the 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) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture 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 (in each case, in form and substance reasonably satisfactory to the 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 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 covenant described under "—*Limitation on Indebtedness*."

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 Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

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 properties or assets of a Person.

The Guarantors

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of 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 Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale assignment, conveyance, transfer, lease or other disposal;

B. (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; 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 Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture

provided however, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) or (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "—*The Issuer*" shall apply to such transaction; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, however, that clauses (1), (2) and (4) under the heading "—*The Issuer*" or clause (3) under the heading "—*The Guarantors*," as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "—*Limitation on Restricted Payments*";

(2) "—*Limitation on Indebtedness*";

(3) "—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "—*Limitation on Affiliate Transactions*";

(5) "—*Limitation on Sales of Assets and Subsidiary Stock*";

(6) "—*Limitation on Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "—*Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event 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 covenant described under "—*Limitation on Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of its Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption has been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

No Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; (ii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iii) the Issuer and its Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (iv) the Security Interest and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clause (i) and (iv) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors or the chief financial officer of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Limitation on Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Senior Facility Agreement, any other Credit Facility or any other Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide an Note Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under "—*Releases of the Note Guarantees*." A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or clause (1), (2), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*" and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement, (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In connection with such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "—*Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "—*Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Notes.

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the provisions of the Indenture unless such consideration is paid to all holders of 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 (the "*Consenting Holders*"), *provided* that the Issuer may in its sole discretion also furnish or cause to be furnished such consideration, in whole or in part, to any holder of Notes other than the Consenting Holders.

Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any tender offer, exchange offer, consent solicitation or other payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the provisions of the Indenture, to exclude holders of Notes in any jurisdiction or any category or number of holders of Notes (including, without limitation, holders that are not (i) "qualified institutional buyers" as defined in Rule 144A under the Securities Act, (ii) "non-U.S. Persons" as defined in Regulation S under the Securities Act, (iii) "accredited investors" as defined in Rule 501 under the Securities Act, or (iv) "qualified investors" as defined in Directive 2003/71/EC (and amendments thereof, including Directive 2010/73/EU) or the relevant implementing regulations adopted in any member state of the European Economic Area) where:

(1) the consideration proposed to be paid by the Issuer or any of its Restricted Subsidiaries in such tender offer, exchange offer, consent solicitation or other transaction is paid within a reasonable period of time to holders of Notes that have been specifically excluded from such tender offer, exchange offer, consent solicitation or other transaction;

(2) the solicitation of such consent, waiver or amendment, the making of such tender offer or exchange offer or the payment of the consideration therefor could be interpreted as requiring the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws or the laws of the European Economic Area or any of its member states), which the Issuer in its sole discretion determines would be materially burdensome or time-consuming; or

(3) the solicitation of such consent, waiver or amendment, the making of such tender offer or exchange offer or the payment of the consideration therefor could otherwise be deemed unlawful under applicable law in such jurisdiction or with respect to such category or number of holders of Notes, in each case as determined by the Issuer in its sole discretion.

To the extent that the provisions of any laws or regulations applicable to the solicitation of consents, waivers or amendments, the making of tender offers or exchange offers or the payment of the consideration therefor by the Issuer conflict with the provisions of this covenant, the Issuer and its Restricted Subsidiaries will be entitled to comply with such applicable laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of such compliance.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest on any Note issued under the 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 Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced by 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 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, (i) 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 €30 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30 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*");

(7) 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 Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of €7.5 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer, or, the Holders of at least 25% in aggregate principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the 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 Notes because an Event of Default described in clause (4) under the definition of "—*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the 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 Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such 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 Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and, if requested, the Trustee shall have received indemnity and/or security or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security or prefunding satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so 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 Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any

Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured or prefunded to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the 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 Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

However, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the aggregate principal amount of 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 Note or change the time at which any Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the 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 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 Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such 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 Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the Security Interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the 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 Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement or 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 Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any 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 Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for an Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" or "—*Limitation on Additional Guarantees*," to add Note Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the 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 trustee or security agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the relevant Security Agent for the benefit of the Holders or parties to the Senior Facility Agreement, in any property which is required by the Security Documents or the Senior Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the relevant Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "—*Certain Covenants—No Impairment of Security Interest*" is complied with; or

(10) as provided in "—*Certain Covenants—Additional Intercreditor Agreements*."

In connection with such matters, the Trustee shall be entitled to require and rely absolutely on an Officer's Certificate and Opinions of Counsel. The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the 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 Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of

Notes, mutilated, destroyed, lost or stolen 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 and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*" and clause (3)(B)(2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Guarantors*") 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 any of its Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("*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 Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the 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 covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*" and clause (3)(B)(2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Guarantors*"), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant 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 received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer; and

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and 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 Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent or Registrar for cancellation; or (b) all Notes not previously delivered to the Paying Agent or Registrar 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 Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), cash in euro or euro-denominated European Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the 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, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the 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 Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in aggregate principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the 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 Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, notices with respect to the Notes will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream (as applicable), which will give such notices to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

For so long as the Notes are represented by Global Notes, all notices, warnings, summons and other communications to the holders of the Notes from the Trustee shall be sent via Euroclear or Clearstream (as applicable) with a copy to the Issuer and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange). Any such notice or communication shall be deemed to be given or made when sent from Euroclear or Clearstream (as applicable). The Issuer's written notifications to the holders of Notes shall be sent through Euroclear or

Clearstream (as applicable) with a copy to the Trustee and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange).

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and Note Guarantees thereof is euro, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint 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 Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantors’ other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a currency other than euro shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF will be approved and settlement of such Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture 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. The Indenture will provide that the Issuer and each Guarantor will appoint CT Corporation, 111 Eighth Avenue, 13th Floor, New York, NY 10011 U.S.A., as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, 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 Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed and construed in accordance with the laws of England and Wales. The Security Documents will be governed and construed in accordance with the laws of the Grand Duchy of Luxembourg.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the "*Luxembourg Companies Act 1915*") are excluded. No Holder may initiate proceedings against the Issuer based on article 98 of the Luxembourg Companies Act 1915. Any resolution of the Holders to amend the corporate objects of the Issuer, the form of the Issuer, to change the nationality of the Issuer and/or increasing the commitments of the shareholders of the Issuer may only be taken, and any meetings of the Holders resolving thereupon must be convened and held, in accordance with the Luxembourg Companies Act 1915 as long as any specific requirements exist in this respect in the Luxembourg Companies Act 1915 (the "*Luxembourg Law Resolutions*"). A Luxembourg Law Resolution must be passed in accordance with the requirements of the Luxembourg Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Luxembourg Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of extraordinary resolutions.

Certain Definitions

" *Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, 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.

" *Acquisition*" means the acquisition of the Target by BidCo pursuant to the Acquisition Agreement.

" *Acquisition Agreement*" means the sale and purchase of shares in the Target dated October 20, 2014 between BidCo, as purchaser, Siemens Beteiligungen Inland GmbH, as seller, and Siemens Aktiengesellschaft.

" *Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Senior Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes 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 be deemed not 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, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its

Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "—*Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance or transfer 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 or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of €7.5 million and 2% of Total Adjusted Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payment*s" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "—*Certain Covenants—Limitation on Liens*";

(10) 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 or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) 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;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(18) 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 shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided*, *further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €10 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Redeemable Capital Stock that is permitted by the covenant described above under "—*Certain Covenants—Limitation on Indebtedness*" or

an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(20) sales, transfers or 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 arrangements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(21) 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 Indenture.

"*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 entered into by the Issuer or any Restricted Subsidiary of the Issuer.

" *Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, 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 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).

" *Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt, Germany, Luxembourg 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. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared 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 the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), 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 Senior Facility Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 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 any state of the United States of America, any province of Canada, any member of the European Union, Japan, Norway or Switzerland 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 the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(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; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date, and by the Target and its Subsidiaries on the Completion Date.

" *Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, 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, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any 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 that are held by a Person other than such Successor Parent); and

(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.

"*Clearstream*" means Clearstream Banking, *société anonyme*, as currently in effect or any successor securities clearing agency.

" *Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date, the Completion Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Note Guarantee.

" *Completion Date*" means the date of completion of the Acquisition.

" *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;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, 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 and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) 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 except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "—*Certain Covenants—Limitation on Affiliate Transactions*";

(8) costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan, agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Issuer or net cash proceeds of an issuance of Capital Stock of the Issuer solely to the extent that such net cash proceeds are excluded from the calculation set forth in clause (c) of the first paragraph under "—*Certain Covenants—Limitation on Restricted Payments*;"

(9) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such noncash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(10) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(11) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; and

(12) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period.

"*Consolidated Income Taxes*" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries 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 Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Funding) that was capitalized during such period; and

(7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person;

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

" *Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries 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 (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer or a Guarantor that holds the Equity Interests of such Restricted Subsidiary 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 Notes, the Indenture or any Additional Intercreditor Agreement, (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary (including pursuant to the Senior Facility Agreement or the Intercreditor Agreement) and with respect to the Target and its Restricted Subsidiaries and other restrictions with respect to such Restricted Subsidiary and with respect to the Target and its Restricted Subsidiaries that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under "—*Certain Covenants¬ Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (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, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-

retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(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, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations 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 other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or 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 or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring 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 Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

" *Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)), less the aggregate amount of cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries on a consolidated basis.

"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 four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related

financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS.

In calculating Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included in this calculation that are, or are derived from, the proceeds of Indebtedness in respect of which the *pro forma* calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which *pro forma* effect is given.

"*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 Senior Facility Agreement or any other 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 the Senior Facility Agreement 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 Note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

" *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.

" *Deemed Interest Payments*" means the amount of interest payments, as determined in good faith by the Issuer as of the relevant date, using the interest rate in effect in respect of such Notes as at the date of giving the notice of redemption.

" *Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer 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 covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

" *Designated Preference Shares*" means, with respect to the Issuer or any Parent, 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 (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. 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.

"*Equity Contribution*" means the equity contribution from the Initial Investors as described in the Offering Memorandum under the caption "Use of Proceeds."

" *Equity Offering*" means an offering of Capital Stock (other than Disqualified Stock and other than an offering to the Issuer or any of its Subsidiaries) of the Issuer or any Parent Entity pursuant to (x) a registration statement that has been declared effective by the U.S. Securities and Exchange Commission pursuant to the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issuable under any employee benefit plan) or a public offering outside of the United States or (y) Rule 144A and/or Regulation S or other private placement exemption under the U.S. Securities Act to professional market investors or similar persons, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated

Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“*euro*” or “*€*” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro (“*Other Currency*”), at any time of determination thereof by the Issuer or the Trustee, the amount of euros obtained by converting such Other Currency involved in such computation into euros at the spot rate for the purchase of euros with the Other Currency 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.

“*European Government Obligations*” means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated “A-1” or higher by Moody’s or “A+” or higher by S&P or the equivalent rating category of another internationally recognized rating agency on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“*Exchange Act*” means the 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) 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 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 substantially concurrently with the contribution.

“*Facility B*” means the term loan facility B made available under the Senior Facility Agreement.

“*fair market value*” wherever such term is used in this “*Description of the Notes*” or the Indenture (except in relation to an enforcement action or distressed disposal pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this “*Description of the Notes*” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Fixed Charge Coverage Ratio*” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Consolidated Interest Expense of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under the Senior Facility Agreement unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) 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 Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of the Fixed Charge Coverage Ratio shall be treated in accordance with IFRS; and

(7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

" *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.

" *Guarantors*" means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Notes.

" *Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or agreements entered into in order to hedge any operating expenses and capital expenditures.

" *Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

" *Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

" *IFRS*" means International Financial Reporting Standards as adopted by the European Union and in effect on the Issue Date or, with respect to the covenant "*Reports*", as in effect from time to time.

"*Incur*" means issue, create, assume, enter into any Note Guarantee of, incur 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" 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 or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Interest Rate Agreements and Operational Hedging 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).

The term "*Indebtedness*" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Completion Date or in the ordinary course of business.

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 Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) 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. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) 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

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement.

" *Indenture*" means the indenture governing the Notes entered into, among others, the Issuer and the Trustee on the Issue Date as amended from time to time.

"*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 EQT VI Limited and any Santo Investor, any Affiliate of EQT VI Limited or any Santo Investor and any funds or partnerships managed or advised (directly or indirectly) by EQT Holdings AB or any Santo Investor or an Affiliate thereof or an entity controlled by EQT Holdings AB or any Santo Investor; *provided* that any portfolio company of the foregoing, other than entities of which EQT Holdings AB beneficially owns in the aggregate a majority (or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer, shall not constitute an "Initial Investor."

" *Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

" *Intercreditor Agreement*" means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, the Notes Guarantors, the Security Agent and the Trustee, as amended from time to time.

" *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 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 covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

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; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

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 or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully Guaranteed or insured by a member of the European Union, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

" *Investment Grade Status*" shall occur when the 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 December 29, 2014.

" *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).

" *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, 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, its Subsidiaries or any Parent with (in the case of this subclause (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 €7.5 million in the aggregate outstanding at any time.

" *Management Investors*" means (i) members of the management team of the Issuer, any Parent or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Issuer as at the Completion Date and any subsequent members of the management team of the Issuer or any Restricted Subsidiary who invest directly or indirectly in the Issuer from time to time and (ii) such entity as may hold shares transferred by departing members of the management team of the Issuer or any Restricted Subsidiary for future redistribution to such management team.

" *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) under 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) (a) other than for purposes of the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*" all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or (b) 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, 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, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

"*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 Agreements).

"*Note Guarantee*" means the guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

" *Notes Proceeds Loan*" refers to the loan to be made under the loan agreement to be entered into on the Completion Date between the Issuer, as lender, and Auris Luxembourg III S.à r.l., as borrower, pursuant to which the proceeds of the Notes issuance will be advanced to Auris Luxembourg III S.à r.l. in order to allow Auris Luxembourg III S.à r.l. to make an additional loan to BidCo, which will apply the proceeds of the Notes to finance, in part, the Acquisition.

" *Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, 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 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.

" *Operational Hedging Agreements*" means, with respect to any Person, agreements entered into by such Person in order to hedge any price fluctuations with respect to operating expenses and capital expenditures of the Issuer or any Restricted Subsidiary.

" *Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

" *Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

" *Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the 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 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 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 in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Restricted Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €3 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) 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 (c) otherwise on an interim basis prior to completion of such offering so long as any Parent 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

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

" *Pari Passu Indebtedness*" means (a) with respect to the Issuer, any Indebtedness that ranks equally in right of payment with the Notes and (b) with respect to the Guarantors, any Indebtedness that ranks equally in right of payment with the Note Guarantees and, in each case, is secured by a Lien on all or a portion of the Collateral.

" *Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

(i) the Notes (other than any Additional Notes) and any related Note Guarantee;

(ii) Indebtedness permitted to be incurred under (a) the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*", (b) Indebtedness that is permitted to be incurred under clauses (1), (2) (in the case of (2) to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(iii) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (ii) and any Refinancing Indebtedness in respect of such Refinancing Indebtedness;

provided, *further*, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided, further*, that such Lien ranks (a) equal to all other Liens on such Collateral securing Senior Indebtedness of the Issuer or such Guarantor, as applicable, if such Indebtedness is Senior Indebtedness of the Issuer or the Guarantor, as applicable, or (b) equal to or junior to the Liens securing the Notes.

" *Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, 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) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of 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 and Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(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 any extension, modification or renewal of any such Investment; provided that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture; and with respect to the Target and its Subsidiaries, Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Operational Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "—*Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €40 million and 11% of Total Adjusted Assets; *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 covenant described under "—*Certain Covenants—Limitation on Restricted Payments*," 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;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—*Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Senior Facility Agreement, in the Notes and any Additional Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;

(17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the

covenant described above under the caption "—*Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers' acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;

(19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture; and

(20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business.

" *Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary securing any Senior Indebtedness and any Guarantee thereof permitted by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*"; and liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing any Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(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 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, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar 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;

(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 (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the 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;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" 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;

(11) Liens arising by virtue of any statutory or common law provisions or customary standard terms 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;

(12) 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;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, including with respect to the Target and its Restricted Subsidiaries;

(14) 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*, 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;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor 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 Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the 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;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (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;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) 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;

(21) Liens created or arising in connection with a Qualified Receivables Financing;

(22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens 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 escrow accounts or similar arrangement to be applied for such purpose;

(23) 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, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(24) 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;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(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;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Note Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture and the Senior Facility Agreement, and (c) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled "—*Limitation on Indebtedness*";

(29) Liens *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed €40 million;

(30) Liens on receivables securing Indebtedness described under clause (12) of the second paragraph of the covenant entitled "—*Limitation on Indebtedness*";

(31) Liens on the Escrow Account created for the benefit of, or to secure directly or indirectly, holders of the Notes;

(32) Liens securing Indebtedness described under clause (14) of the second paragraph of the covenant entitled "—*Limitation on Indebtedness*";

(33) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code; and

(34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intercompany receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a "*Reorganization*") that is made on a solvent basis (including, for the avoidance of doubt, the creation of a new holding company by Auris Luxembourg III S.à r.l., the sale or transfer of the shares of Siemens Medical Instruments Pte. Ltd. (or its successor) by Siemens Audiologische Technik GmbH (or its successor) to the new holding company and the sale or transfer of the shares in Siemens Audiologische Technik GmbH (or its successor) to the new holding company or to Siemens Medical Instruments Pte. Ltd. (or its successor)); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) prior to any such Reorganization occurring after the date that is six months from the Issue Date, the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming 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.

“ *Preferred Stock*,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“ *Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with 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 Market*” means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“ *Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

“*Purchase Money Obligations*” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“*Qualified Receivables Financing*” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of Receivables and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer 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 Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

“*Rating Agencies*” means Moody’s and S&P or, in the event Moody’s or S&P no longer assigns a rating to the Notes, any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

“*Receivable*” means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

“*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 (i) may sell, convey or otherwise transfer Receivables to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in, any Receivables (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 Receivables, all contracts and all guarantees or other obligations in respect of such Receivables, proceeds of such Receivables and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such Receivables.

"*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 Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables 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 other Restricted Subsidiary (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 other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, 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 other Restricted Subsidiary 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 other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*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 Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the 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, if shorter, the Stated Maturity of the 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 and in the case of pay-in-kind Indebtedness, the value of such Indebtedness including any interest paid in the form of any additional Indebtedness) 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 Notes, such Refinancing Indebtedness is subordinated to the 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 (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

" *Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(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; or

(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 imposed on payments made by any Parent), required to be paid (*provided* such taxes are in fact paid) by any Parent 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 Restricted Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Restricted 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 Restricted Subsidiaries; or

(e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent 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, any Taxes measured by income for which such Parent 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 Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

" *Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

" *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.

“ *Revolving Facility*” means the revolving credit facility made available under the Senior Facility Agreement.

“ *S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“Santo” means Santo Holding (Deutschland) GmbH, with its business address at Tölzerstrasse 12, 83607 Holzkirchen.

“*Santo Investor*” means, in respect of each of Dr. Andreas Strüngmann and Dr. Thomas Strüngmann:

(a) such individual, his parents or spouse and/or any of such individual’s, his spouse’s, or his parents’ respective direct descendants; and

(b) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or persons beneficially holding a 50.1% or more controlling interest of which consists of any one or more of such individual and/or any such other persons referred to in paragraph (a) above.

“*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 Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the Security Interests in the Collateral as contemplated by the Indenture.

“*Senior Facility Agreement*” refers to the senior facility agreement dated on or about the Issue Date between (among others) Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, UBS Limited and UniCredit Bank AG as mandated lead arrangers and Auris Luxembourg III S.à r.l., as the company, as the same may be amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

“*Senior Indebtedness*” means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer (only with respect to a Guarantee by the Issuer of Senior Indebtedness of a Guarantor) or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however,* that Senior Indebtedness will not include:

(a) any Indebtedness Incurred in violation of the Indenture;

(b) any obligation of the Issuer or any Guarantor to any Restricted Subsidiary;

(c) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, Guarantee or obligation of the Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer or such Guarantor;

(f) any Indebtedness, Guarantee or obligation of any Guarantor that is *pari passu* in right of payment with the Note Guarantee of such Guarantor; or

(g) any Capital Stock.

“ *Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer’s 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' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA 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 Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Special Purpose Vehicle*" means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

" *Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

" *Stated Maturity*" means, with respect to 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, including those described in "—*Change of Control*" and the covenant under "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," 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 Notes or any Note Guarantee of the Notes pursuant to a written agreement.

" *Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent 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 six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(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 six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material

respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Investor Liabilities" (as defined therein).

"*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.

" *Successor Parent*" with respect to any Person means any other Person with 100% of the total voting power of the Voting Stock (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) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned"(as defined below) by one or more Persons that "beneficially owned" (as defined below) 100% of the total voting power of the Voting Stock (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) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

" *Target*" means Siemens Audiologische Technik GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Fürth under registration number HRB 3825 and having its corporate domicile (*Sitz*) in Erlangen, Germany.

" *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 or 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 Indenture.

" *Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

" *Temporary Cash Investments*" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Japan, Switzerland or Norway, (iv) 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 (v) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Senior Facility Agreement; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (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-3" 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 the United States of America, Canada, any European Union member state or Japan, Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (a) 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 or (b) rated "AAA" by S&P or "Aaa" 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).

"*Total Adjusted Assets*" means Total Assets less goodwill as shown on the most recent consolidated balance sheet of the Issuer and its Restricted Subsidiaries prepared in accordance with IFRS.

" *Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent balance sheet of such Person prepared on the basis of IFRS.

" *Transactions*" has the meaning assigned to such term in this offering memorandum under the heading "Summary–The Acquisition."

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*U.S. Government Obligations"* means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, rated at least "*A-1*" by S&P or "*P-1*" by Moody's, and which are not callable or redeemable at the option of the issuer thereof.

"*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:

(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 Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation 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 covenant described under "—*Certain Covenants—Limitation on Indebtedness*" 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 shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the 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.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE SECURITY AND THE GUARANTEES

Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests in each of the jurisdictions in which Guarantees or Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests on the Collateral.

Also set out below is a brief description of certain aspects of insolvency law in the United States, the European Union, England and Wales, Germany, Luxembourg, Singapore and Japan. In the event that any one or more of the Issuer or the Guarantors, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

The United States of America

Fraudulent Transfer

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer or fraudulent conveyance laws, the incurrence of the obligations under the Notes and the issuance of the guarantees, whether now or in the future, by guarantors domiciled in the United States of America (together, the "**U.S. Obligors**") could be avoided, if, among other things, at the time the U.S. Obligors incurred the obligations or issued the related guarantee, the U.S. Obligors intended to hinder, delay or defraud any present or future creditor; or received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness and either:

- were insolvent or rendered insolvent by reason of such incurrence;
- were engaged in a business or transaction for which the U.S. Obligors' remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that they would incur, debts beyond their ability to pay such debts as they mature.

In those cases where the U.S. Obligors' solvency is a relevant factor, the measures of insolvency will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a party would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing indebtedness, including contingent liabilities, as they become absolute and mature; or
- it could not pay its indebtedness as it becomes due.

We cannot be sure as to the standard that a court would use to determine whether or not a party was solvent at the relevant time, or, regardless of the standard that the court uses, that the incurrence of the obligations under the Notes and the issuance of the guarantees, whether now or in the future by the U.S. Obligors would not be voided or the guarantee would not be subordinated to the Guarantors' other debt. If such a case were to occur, the guarantee could also be subject to the claim that, since the Guarantees were incurred for our benefit and only indirectly for the benefit of the Guarantors, the obligations of the applicable Guarantor were incurred for less than fair consideration.

Ability to Confirm a Chapter 11 Plan Notwithstanding the Dissenting Votes of Creditors

Under the U.S. Bankruptcy Code, a chapter 11 plan can be imposed on a creditor or equityholder (or class of creditors or equityholders) that does not accept the plan. A chapter 11 plan provides for the comprehensive treatment of all claims asserted against the debtor and its property, and may provide for the readjustment or extinguishment of equity interests. Claims and interests may be classified by type. Only those classes of claims and interests impaired by the plan may vote to accept or reject such plan. Classes of claims and interests that are unimpaired are not entitled to vote on the plan, and are deemed to accept it. Classes of claims and interests that receive no distributions under the plan are not entitled to vote on the plan, and are deemed to reject it.

A class of claims is deemed to accept the plan if more than one half in number of claims holders and two thirds in claims amount in that class vote in favor of the plan. Subject to specific statutory requirements, a plan can be confirmed by the bankruptcy court over the dissenting votes of members of a class that accepts the plan overall. Furthermore, even if one or more impaired classes reject the plan, it may still be confirmed in accordance with the "cram down" provisions of the U.S.

Bankruptcy Code, so long as (i) at least one impaired class of claims votes in favor of the plan, and (ii) the plan does not discriminate unfairly and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. This could allow the debtor or other plan proponent to confirm its plan over the objection of one or more dissenting classes.

European Union

The Issuer and several of the Guarantors are organized or incorporated under the laws of member states of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**") which applies within the EU (other than Denmark), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different member states may have differing and even conflicting views. Furthermore, "center of main interests" is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that a company would have its respective "center of main interests" in the member state in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." The European Court of Justice has ruled in a recent judgment that a debtor company's main center of interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the center of the company's main interests is located in that place, shall be irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above mentioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other member state. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties. It is noted in this respect that a revision of the EU Insolvency Regulation is currently pending which may change the above analysis.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction has jurisdiction to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings governed by the *lex fori concursus, i.e.* the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one member state under the EU Insolvency Regulation are to be recognized in the other member states (other than Denmark), (save for situation in which recognition of the opening of the insolvency proceedings would be manifestly contrary to a member state's public policy, in particular its fundamental principles of the constitutional rights and liberties of the individual), although secondary proceedings may be opened in another member state. If the "center of main interests" of a debtor is in one member state (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another member state (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other member state. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other member state. If the company does not have an establishment in any other member state, no court of any other member state has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

England and Wales

One of the Guarantors is a company incorporated under the laws of England and Wales (the "**English Obligor**"). Therefore, any insolvency proceedings by or against the English Obligor would likely be based on English insolvency laws. However, pursuant to the EC Regulation No. 1346/2000 on Insolvency Proceedings ("**EC Regulation on Insolvency Proceedings**"), where a company incorporated under English law has its "centre of main interests" in a Member State of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the Member State in which its centre of main interest is located and be subject to the laws of that Member State. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross- Border Insolvency in the United Kingdom, provide that a foreign (i.e. non-European) court may have jurisdiction where any English company has a centre of its main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

Administration

The English insolvency statutes empower English courts to make an administration order in respect of an English company or a company with its centre of main interest in England. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" (as defined in Section 123 of the Insolvency Act) and that the administration order is reasonably likely to achieve one or more of the purposes of administration specified in the legislation. An English company, the directors of such company or the holder of a qualifying floating charge where the floating charge has become enforceable, may also appoint an administrator out of court.

The purpose of an administration is comprised of three parts that must be looked at successively: (i) rescuing the company as a going concern; (ii) or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than immediate liquidation; and (c) or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property in order to make a distribution to one or more secured or preferential creditors. The administrator must perform his functions in the interests of the company's creditors as a whole.

The rights of creditors, including secured creditors, are curtailed in an administration. Upon the appointment of an administrator, in general no steps may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the commencement, institution or continuation of legal process (including legal proceedings, execution, distress or diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if the English Obligor were to enter into administration, the Guarantees may not be enforced while the relevant company was in administration without first obtaining the permission of the court or consent of the administrator. There can be no assurance that the permission of the court or consent of the administrator would be given.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration (including property subject to a floating charge).

However, the general prohibition against enforcement by secured creditors without consent of the administrator or permission of the court, and the administrator's powers with respect to property subject to a floating charge, do not apply to any security interest created or arising under a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003. A financial collateral arrangement includes (subject to certain other conditions) a fixed charge over cash or financial instruments such as shares in a company, where both the collateral provider and collateral taker are non-natural persons.

Administrative receivership

The holder of a qualifying floating charge that has been created since September 15, 2003 can generally no longer appoint an administrative receiver of that company unless one of the exceptions to the general prohibition on applies. The most relevant exception allows for the appointment of an administrative receiver under security forming part of a "capital market arrangement" (as defined in the Insolvency Act), which is the case if the relevant company incurs a debt of at least £50 million during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, but is generally a rated, listed or traded debt instrument).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure), and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver over part of the company's property must resign if required to do so by the administrator.

Liquidation/winding-up

Liquidation is a company dissolution procedure under which the assets of a company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. There are two forms of winding up: (i) compulsory liquidation, by order of the court; and (ii) voluntary liquidation, by resolution of the company. The primary ground for the compulsory winding up of an insolvent company is that it is unable to pay its debts (as defined in

Section 123 of the Insolvency Act). A creditor's voluntary winding up (other than as an exit from administration) is effected by a resolution of the members, not the creditors, but once in place operates under the control of the creditors.

The effect of a compulsory winding-up differs in a number of respects from that of a creditors' voluntary winding-up. In a compulsory winding-up, under Section 127 of the Insolvency Act, if a company is in liquidation, any disposition of the company's property made after the commencement of the winding-up is, unless sanctioned by the court, void. When an order is made for the winding up of a company by the court, it is deemed (by Section 129 of the Insolvency Act) to have commenced from the time of the presentation of the winding-up petition. Once a winding-up order is made by the court, a stay of all proceedings against the company will be imposed. No legal action may be continued or commenced against the company without permission of the court.

In the context of a voluntary winding-up however, there is no equivalent to the retrospective effect of a winding up order; the winding up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary winding up—it is for the liquidator to apply for a stay.

Onset of insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which (i) the court application for an administration order is issued or (ii) the notice of intention to appoint an administrator is filed at court, or (iii) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be as for the initial administration.

Avoidance of transactions

Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to unwind a transaction, including the issuance of a guarantee, entered into by such company, if such company was unable to pay its debts (as defined in Section 123 of the Insolvency Act) at the time of, or as a result of, the transaction and the onset of insolvency occurs within two years of the completion of the transaction. Such a transaction might be subject to a challenge if it was entered into by a company "at an undervalue", that is, it involved a gift by the company or the company received consideration of significantly less value, in money or money's worth, than the benefit given by such company. However, a court generally will not intervene if a company entered into the transaction in good faith and for the purpose of carrying on its business and at the time it did so there were reasonable grounds for believing the transaction would benefit such company. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent, unless a beneficially of the transaction was a connected person (as defined in the Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

If the liquidator or administrator can show that the English Obligor has given "preference" to any person within six months of the onset of insolvency (or two years if the preference is to a "connected person"), then the court has the power, among other things, to unwind the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, is better than if the action had not been taken. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors or otherwise prejudices the interests of a person who may make a claim against the company, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction.

An administrator or liquidator can apply to the court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company in the three years preceding the onset of insolvency. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or upon certain contingencies) in respect of the provision of the credit or otherwise grossly contravened ordinary principles in fair dealing.

If an English company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge (plus certain interest). The requirement for the English company to be unable to pay its debts at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant company is solvent or insolvent at the time of grant. The floating charge can be challenged if the relevant company enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a 'connected person') or two years (if the beneficiary is a 'connected person') from the date the relevant company grans the floating charge. If however the floating charge is a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulation 2003 (as amended), the floating charge will not be subject to challenge as described in this paragraph as any floating charge created during the relevant period is automatically invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant English company is solvent or insolvent at the time of grant.

A liquidator has the power to disclaim onerous property, which is any unprofitable contract or other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be profitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the English Obligor that may be detrimental to creditors. However, this power does not apply to an executed contract, nor can it disturb accrued rights and liabilities.

Any interest accruing under or in respect of the Notes for any period from the date of commencement of administration or liquidation proceedings, to the extent not fully covered by the assets securing the Notes, could be recovered by Noteholders only from any surplus remaining after payment of all other debts provided in the proceeding and interest accrued that was unpaid up to the date of the commencement of the proceeding.

Priority of claims

Under English insolvency law preferential claims payable on an insolvency include certain unpaid contributions to occupational pension schemes and unpaid employees' remuneration in respect of the four month period prior to the date of insolvency and amounts owed by way of accrued holiday remuneration in respect of any period before the relevant date. Payment of these claims ranks behind the distribution of realized funds to fixed charge holders and the payment of the costs and expenses of the insolvent estate, but ahead of distributions to floating charge holders and unsecured creditors.

The prescribed part

Under English insolvency law, an administrator, receiver (including administrative receiver) or liquidator of the company will be required to make a prescribed part of the proceeds of enforcement of floating charge security available for the benefit of certain unsecured creditors. Under current law, the prescribed part is 50% of the first £10,000 of net floating charge realizations and 20% of the net floating charge realisations over £10,000, with a maximum aggregate cap of £600,000.

Limitation on enforcement

The grant of a Guarantee by the English Obligor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the English Obligor's memorandum and articles of association. To the extent that they do not allow such an action, there is the risk that the grant of the Guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English obligor in good faith; however, the relevant legislation is not without difficulties in interpretation. Further, corporate benefit must be established for the English Obligor by virtue of entering into the proposed transaction. Section 172 of the UK Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Foreign Exchange

Under English insolvency law any debt of a company payable in a currency other than pounds sterling must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event the English Obligor entered into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Germany

Insolvency

Certain Guarantors of the Notes are organized under the laws of Germany ("**German Guarantors**"). Consequently, in the event of an insolvency of any such German Guarantor, subject to the information presented in "—European Union," insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company's "center of main interests" is found to be in a member state other than Germany (please see "European Union"). There are a number of factors that are taken into account to ascertain the "center of main interests", which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third-parties. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Act (*Insolvenzordnung*) may be less favorable to your interests as creditors than the insolvency law of other jurisdictions including in respect of the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings.

The following is a brief description of certain aspects of the insolvency laws of Germany:

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that a company subject to the German insolvency law regime (hereinafter also referred to as the or a debtor) and/or a creditor file a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings must (subject to the further descriptions in this section "*Germany—Insolvency*") be initiated by the debtor and can be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*).

The debtor is over-indebted if its liabilities exceed the value of its assets (based on their liquidation value or the going concern value if a sale of the debtor as a whole is likely) and there is no positive going concern prognosis for its business.

A company is considered to be illiquid if it is unable to pay its debts when they are due. In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk of the debtor becoming unable to pay its debts as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor or a right of a creditor to file for insolvency proceedings.

If a debtor is a German limited liability company ("**GmbH**") (*Gesellschaft mit beschränkter Haftung*), a German stock corporation (*Aktiengesellschaft*), a European law stock corporation based in Germany (*Societas Europaea* — "SE") or any other company not having an individual as a personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) or other authorized representatives or under certain circumstances the shareholders of that debtor must file a petition for the opening of insolvency proceedings without undue delay but in any event no later than three weeks after that debtor has become illiquid and/or over-indebted. The management of a debtor can be exposed to criminal sanctions as well as damage claims in the event that filings for insolvency are delayed or not made at all.

If a company faces imminent illiquidity and/or is over-indebted it may also file for a preliminary "debtor in possession" protection scheme unless — from a third party perspective — there is no reasonable chance of a successful restructuring. In such case and upon request of the debtor, the court will appoint a preliminary trustee (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor must prepare an insolvency plan which will ideally be implemented in formal "debtor-in-possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are court-controlled, and, upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. This only applies, where the debtor has not applied for so-called self-administration (*Eigenverwaltung*), in which event the court will only appoint a preliminary trustee (*vorläufiger Sachwalter*), who will supervise the management of the affairs by the debtor. During preliminary insolvency proceedings, a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) generally will be appointed by the court if the debtor satisfies two of the following three requirements:

- a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over-indebted),
- revenues of at least €9,680,000 in the 12 months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual-average basis.

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions taken during the preliminary insolvency proceedings. It will, for example, have the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for "self-administration" proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary trustee (*vorläufiger Sachwalter*). The court opens formal insolvency proceedings (*Insolvenzeröffnung*) if certain formal requirements are met (in particular, but not limited to, evidence being provided of an existing cause of insolvency) and there are sufficient assets to cover at least the cost of the insolvency proceedings.

If the assets of the debtor are not expected to be sufficient, the insolvency court will only open main insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of the insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) is usually appointed by the court who has full administrative and disposal authority over the debtor's assets unless debtor-in-possession proceedings (*Eigenverwaltung*) are ordered. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations or may deem it necessary to wind down the Issuer. Satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Notes, the most important consequences of such opening of formal insolvency proceedings against a debtor would be the following:

- the right to administer and dispose of assets of the debtor would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by management of the debtor after the opening of formal insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the debtor may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if e.g. they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

Any person that has a right to segregation (*Aussonderung*) with respect to any of its assets from the assets in the possession of the debtor does insofar not participate in the insolvency proceedings and the relevant asset does not constitute part of the insolvency estate; the claim for segregation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All other creditors, whether secured or unsecured (other than to the extent they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)) who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors other than creditors with preferred claims (*Absonderung der Masseverbindlichkeit*) is subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Certain secured creditors have preferential rights regarding the enforcement of their security interests, but German insolvency law imposes certain restrictions on their ability to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security.

The insolvency administrator generally has, *inter alia,* the sole right (a) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (e.g., movable assets which are subject to a transfer by way of security (*Sicherungsübereignung*)) as well as (b) to collect any claims that are subject to security assignments (*Sicherungsabtretungen*). If such enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (a) assessing the value of the secured assets (*Feststellungskosten*) and (b) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any)), are paid to the creditor holding the relevant security interest in the relevant collateral up to an amount equal to its secured claims. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceedings (*Massekosten*) first and afterwards the preferred creditors of the insolvency estate (*Massegläubiger*). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate (*Masseverbindlichkeiten*). Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity swap with regards to the debt owed to it by the debtor if it does not consent to such swap. Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the (net) disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges as described above are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (as described above) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If a German subsidiary or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors whose claims are secured by such security. The proceeds resulting from such collateral securing the claims of creditors other than the holders of the Notes may not be sufficient to satisfy the holders of the Notes under a Guarantee granted by the debtors after satisfaction of such secured creditors.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use. It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (i.e., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the various entities of a group or their respective creditors, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Limitation on Enforcement

Any security (including a guarantee) granted by a Guarantor of the Notes that incorporated or established in Germany in the form of a GmbH or a German limited partnership with a German limited liability company as general partner ("**GmbH & Co. KG**") and being an affiliate (but not a direct or indirect shareholder) of the Issuer (i.e. being a direct or indirect shareholder of the Issuer without itself being such shareholder) (a "**Relevant Affiliate**") is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung* — the "**GmbHG**").

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH or GmbH & Co. KG from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's, or in the case of a GmbH & Co. KG, its general partner's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (i.e., assets minus liabilities and liability reserves) is or would fall below, or if the disbursement increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees and any other security granted by a GmbH or by a GmbH & Co. KG in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to secure the liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated or established in the legal form of a GmbH or a GmbH & Co. KG in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees or security interests agree to enforce the guarantees or security interests against the German subsidiary only to the extent that such enforcement would not result in the GmbH's (or, in case of a GmbH & Co. KG, its general partner's) net assets falling below, or in an increase of an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any documentation providing for a security interest or a Guarantee provided by a Relevant Affiliate of the Issuer incorporated or established in the legal form of a GmbH or a GmbH & Co. KG in Germany will contain such limitation language in the manner described. This could lead to a situation in which the respective Guarantee or security granted by a GmbH or a GmbH & Co. KG cannot be enforced at all. German capital maintenance rules are subject to evolving case law. Future court rulings may further limit the access of a shareholder to assets of its subsidiaries constituted in the form of a GmbH (or of a GmbH & Co. KG, the general partner or general partners of which is or are a GmbH or GmbHs), which can negatively affect the ability of the German (direct or indirect) subsidiaries of the Issuer to make payments under the Guarantees, of the beneficiaries of the Guarantees to enforce the Guarantees or of the secured parties to enforce, or receive or retain the proceeds of the enforcement of, the collateral.

Hardening Periods and Fraudulent Transfer

In the event that insolvency proceedings with respect to a German Guarantor, which would most likely be based on and governed by the insolvency laws of Germany, the security interests granted as well as a guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Based on these rules, an insolvency administrator may challenge (*anfechten*) transactions that are deemed detrimental to insolvency creditors and were effected prior to the filing of the petition for the opening of insolvency proceedings. Such transactions can include the payment of any amounts to the holders of the Notes as well as (directly or indirectly) granting them any security interest (including guarantees). The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings. In the event such a transaction, i.e. the Notes, the Guarantees or security, is successfully avoided, the holders of the Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment and the holders of the Notes would be under an obligation to repay the amounts received out of or for the account or to the detriment of the insolvency estate or to waive such Guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the provision of security or the repayment of debt) may be avoided in the following cases:

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) (i) if such act was performed during the last three months prior to the filing of the petition for the commencement of the insolvency proceedings and the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor had knowledge of such illiquidity (or of the circumstances that imperatively suggested that the debtor was illiquid) at such time, or (ii) if such act was performed after the filing of the petition for the commencement of the insolvency proceedings and the creditor had knowledge of the illiquidity of the debtor or the filing of such petition (or of the circumstances that imperatively suggested such illiquidity or filing);

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) to which such creditor was not entitled or which was granted or obtained in a form to which such creditor was not entitled or at a time to which or at which such creditor was not entitled to such security or satisfaction if (i) such act was performed during the last month prior to the filing of the petition for the commencement of the insolvency proceedings or after such filing, (ii) such act was performed during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was performed during the second or third month prior to the filing of the petition for the commencement of the insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggested such detrimental effect);

- any transaction (*Rechtsgeschäft*) by the debtor that is directly (*unmittelbar*) detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (a) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (b) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;

- any act (*Rechtshandlung*) by the debtor without (adequate) consideration (*unentgeltlich*) (e.g., whereby a debtor grants security or a guarantee for a third-party debt, which might be regarded as having been granted without consideration), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;

- any act (*Rechtshandlung*) performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention (*Vorsatz*) to prejudice its insolvency creditors and the other party knew of such intention at the time of such act;

- any non-gratuitous (*entgeltlich*) contract concluded between the debtor and a related party of the debtor which directly (*unmittelbar*) operates to the detriment (*benachteiligen*) of the creditors can be avoided unless such contract was concluded more than two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to act to the detriment (*benachteiligen*) of its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act (*Rechtshandlung*) that provides security or satisfaction for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or a similar claim if (a) in case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition, or (b) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and

- any act (*Rechtshandlung*) whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (a) the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (b) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party," there is a general statutory presumption that such party had "knowledge." Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Luxembourg

Insolvency

The insolvency laws of Luxembourg may not be as favorable to holders of Notes as insolvency laws of jurisdictions with which investors may be familiar. The following is a brief description of certain aspects of insolvency laws in Luxembourg. Under Luxembourg law, the following types of proceedings (altogether referred to as Luxembourg insolvency proceedings) may be opened against the Issuer, Auris Luxembourg I S.A. and Auris Luxembourg III S.à r.l. (together, the "**Luxembourg Security Providers**" or the "**Luxembourg Guarantors**", as appropriate) which are incorporated and have their center of main interests (*centre des intérêts principaux*) within the meaning ofthe EU Insolvency Regulation in Luxembourg:

- bankruptcy proceedings (*faillite*);

- controlled management proceedings (*gestion contrôlée*); and

- composition proceedings (*concordat préventif de la faillite*).

In addition, your ability to receive payment on the relevant Notes may be affected by a decision of a court to grant a suspension of payments proceedings (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*).

The following is a brief description of the key features of Luxembourg insolvency proceedings and certain aspects of insolvency laws in Luxembourg.

Bankruptcy (faillite)

General Administration of Bankruptcy Proceedings

The opening of bankruptcy proceedings may be requested by the Luxembourg Security Providers or by any of their creditors. Following such a request, the Commercial District Court (*Tribunal d'arrondissement siégeant en matière commerciale*) having jurisdiction may open bankruptcy proceedings in the event that the Luxembourg Security Providers (a) have ceased to make payments (*cessation de paiements*) and (b) have lost their commercial creditworthiness (*ébranlement de crédit*). If the Commercial District Court considers that these conditions are met, it may open bankruptcy proceedings on its own motion, absent a request made by the Luxembourg Security Providers or a creditor.

If the Commercial District Court declares a company bankrupt, it will appoint one or more bankruptcy receivers (*curateur*(s)*)*, depending on the complexity of the proceedings and a supervisory judge (*juge-commissaire*) to supervise the bankruptcy proceedings.

The period within which creditors must file their proof of claims (*déclaration de créance*) is specified in the judgment adjudicating the company bankrupt. Claims filed after such period may nevertheless be taken into account by the bankruptcy receiver subject to certain limitations as to distributable proceeds.

The bankruptcy receiver takes over the management and control of the company in place of the directors or the managers, as applicable. The bankruptcy receiver will realize the company's assets and distribute the proceeds to the company's creditors in accordance with the statutory order of payment and, if there are any funds left, to the bankrupt company's shareholders. The bankruptcy receiver represents the company as well as the creditors collectively (*masse des créanciers*).

The bankruptcy receiver will need to obtain the Commercial District Court's permission for certain acts, such as agreeing to a settlement of claims or deciding to pursue the business of the company during the bankruptcy proceedings.

Bankruptcy is governed by public policy and rules, which generally delay the process and limit restructuring options of the group to which the bankrupt company belongs.

On closing of the bankruptcy proceedings, the bankrupt company will normally be dissolved.

Effects of Bankruptcy Proceedings

The main effect of bankruptcy proceedings is the suspension of all measures of enforcement against the Luxembourg Security Providers except i) subject to certain limited exceptions for secured creditors including as provided for by the Luxembourg act of 5 August 2005 on financial collateral arrangements, as amended (the "**Collateral Act 2005**") and ii) the payment of creditors in accordance with their rank upon the realization of assets.

In principle, contracts of the bankrupt company are not automatically terminated on commencement of bankruptcy proceedings, save for contracts for which the identity or solvency of the company was crucial (*intuitu personae* agreements). However, certain contracts are terminated automatically by law, such as employment contracts, unless expressly confirmed by the receiver. Contractual provisions purporting to terminate a contract upon bankruptcy are generally held as being valid. The receiver may choose to terminate contracts of the company subject to the rule of "*exceptio non adimpleti contractus*" and the creditors' interest.

Controlled Management Proceedings (gestion contrôlée)

General Administration of Controlled Management Proceedings

The Luxembourg Security Providers, which have lost their commercial creditworthiness (*ébranlement de crédit*) or which are not in a position to completely fulfill their obligations, can apply for the regime of controlled management in order either (i) to restructure their business or (ii) to realize their assets in good conditions. An application for controlled management can only be made by the company.

The loss of commercial creditworthiness (*ébranlement de crédit*) is identical to the credit test applied in bankruptcy proceedings. As to the second criteria (that is, the case where a company is not in a position to completely fulfil its obligations), a broad view of the total situation of the company is taken. Controlled management proceedings are only available to debtors acting in good-faith.

Controlled management proceedings are rarely used as they are not often successful and generally lead to bankruptcy proceedings. They are occasionally applied to companies, in particular holding or finance companies, which are part of an international group and whose inability to meet obligations results from a default of group companies.

The proceedings are divided into three steps:

1. The company must file an application with the Commercial District Court. The Commercial District Court can reject the application because (i) the company has already been declared bankrupt or (ii) the evidence brought forward by the company does not ensure the stabilization and the normal exercise of the company's business or improve the realization of the company's assets in better conditions. If the application is upheld at this stage, the Commercial District Court will appoint an investigating judge (*juge délégué*) to make a report on the overall situation of the company.

2. Once the investigating judge has delivered a report, the Commercial District Court may (i) turn down the application on the ground that the proposals made by the applicant are unlikely to lead to the reorganization of the business or

the realization of the assets in better conditions or (ii) appoint one or more administrators (*commissaires*) who will supervise the management of the assets of the company. If the Commercial District Court ascertains that the company is unable to pay its creditors (i.e. the company has ceased its payments (*cessation de paiements*)), it may set the date as from which the company will be deemed to have been in such situation. Such date may be set up to six months prior to the filing of application for controlled management proceedings. However, bankruptcy may only be declared if the two conditions for bankruptcy are met (cessation of payment (*cessation de paiements*) and loss of commercial creditworthiness (*ébranlement de crédit*)), and if the application has been dismissed either before or after consideration of the report by the investigating judge or after the reorganization plan proposed by the administrators (*commissaires*) at the third step described below. The administrators will draw up the inventory of the assets as well as the financial situation of the company. They are also in charge of the annual accounts of the company. The administrators may also prescribe any act they consider to be in the interests of the applicant or its creditors. The administrators have to be convened to any meeting of the board of directors or of managers. They may attend all board meetings but have no voting rights. They have the right to convene such board meetings.

3. The administrators will draft a reorganization plan in respect of the applicant's business or a plan for realization of the assets, within the deadlines set forth by the Commercial District Court. The plan shall equitably take into account all interests involved and will comply with the ranking of mortgages (*hypothèques*) and privileges (*privilèges*) as required by law, without taking into account any contractual clause regarding termination, penalties or acceleration. The administrators will notify the draft plan to the creditors, joint debtors and guarantors. Within fifteen days of such notification or publication, the creditors will inform the Commercial District Court whether they agree or object to the draft plan. Any creditor who abstains will be considered as having adhered to the plan. The creditors, the company, the joint debtors and the guarantors may submit written observations to the Commercial District Court. The Commercial District Court may (i) approve the plan if a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed thereto or (ii) disagree with the plan proposed by the administrators even though a majority of the creditors representing, via their claims which have not been challenged by the administrators, at least half of the company's liabilities have agreed to such plan, in which case the application for controlled management will be dismissed or (iii) ask the administrators to propose an amended plan (such amended plan will have to be submitted again to the creditors). The judgment approving the plan will be binding upon the company and its creditors, joint debtors and guarantors. The fees of the administrators will be fixed by the Commercial District Court and will be borne by the company. The administrators who at the same time are creditors of the applicant are not entitled to any fees.

Effects of Controlled Management Proceedings

As from the day of the appointment of the investigating judge and up to the final decision on the application for controlled management, any subsequent enforcement proceedings or acts, even if initiated by privileged creditors (including creditors who have the benefit of pledges (*gages*) and mortgages (*hypothèques*)) are stayed, save as provided for by the Collateral Act 2005. The company may not enter into any act of disposition, mortgage, contract or accept any movable asset without the authorization of the investigating judge.

Once the administrators have been appointed, the company may not carry out any act (including receiving funds, lending money, granting any security, or making any payment) without the prior authorization of the administrators. The administrators may bring any action before the Commercial District Court in order to have any act made in violation of the legislation governing the controlled management or in fraud of the creditors' rights be set aside. Subject to the prior authorization of the Commercial District Court, they may bring an action (i) to have the directors, managers or the statutory auditor be held liable or (ii) if the Commercial District Court has declared the company to be in cessation of payments, to have certain payments, compensations or security interests be set aside (under certain conditions set forth in Articles 445 *et seq*. of the Luxembourg Code of Commerce (*code de commerce*)).

Composition Proceedings (concordat préventif de la faillite)

General Administration of Composition Proceedings

The Luxembourg Security Providers may enter into a composition proceedings (*concordat préventif de la faillite*) in order to resolve its financial difficulties by entering into an agreement with its creditors, the purpose of which is to avoid bankruptcy.

Composition proceedings may only be applied for by a company which is in financial difficulty. Similar to controlled management proceedings, the composition proceedings are not available if the company has already been declared bankrupt by the Commercial District Court or if the company is acting in bad faith. The application for the composition proceedings can only be made by the company and must be supported by proposals of composition.

The Commercial District Court will delegate to a delegated judge (*juge délégué*) the duty to verify, and to prepare a report on, the situation of the company. Based on such report, the Commercial District Court will decide whether or not to pursue the composition proceedings. If the Commercial District Court considers that the procedure should not be pursued, it will in the same judgment declare the bankruptcy of the company (which bankruptcy may also be declared during the composition proceedings if the conditions for the composition proceedings are not met). If the Commercial District Court considers that the procedure may be pursued, it will set the place, date and hour of a meeting (*assemblée concordataire*) at which the creditors will be convened. The delegated judge will make its report at the *assemblée concordataire*.

The composition may only be adopted if a majority of the creditors representing, by their unchallenged claims, three-quarters of the company's debt, has adhered to the proposal and if the composition has been homologated by the Commercial District Court. Creditors benefiting from mortgages (*hypothèques*), privileges (*privilèges*) or pledges (*gages*) only have a deliberating voice in the operations of the concordat, if they renounce the benefit of their mortgages, privileges or pledges. The vote in favor of the concordat entails renunciation. The renunciation may be limited by the secured creditors to only a portion (but representing at least 50% in value) of their claims with corresponding voting rights.

The composition has no effect on the claims secured by a mortgage, a privilege or a pledge and on claims by the tax authorities, save as specified above. If the application results in a composition arrangement sanctioned by the Commercial District Court, the composition could still either be annulled (if it has not been executed) or terminated (in case of fraud or bad faith of the company). In such scenarios, the Commercial District Court may adjudicate bankrupt the company. The bankruptcy judgment can decide to set the date of cessation of payment to the date of the application for the preventive composition proceedings. If that date is less than six months prior to the bankruptcy judgment, the court can of course set the cessation of payment date at six months prior to its judgment.

Composition proceedings are rarely used in practice since they are not binding upon secured creditors.

Effects of Composition Proceedings

The company's business activities continue during the composition proceedings. While the composition is being negotiated, the company may not dispose of, or grant any security over, any assets without the approval of the delegated judge. Once the composition has been agreed by the Commercial District Court, this restriction is lifted. However, the company's business activities will still be supervised by the delegated judge.

While the composition is being negotiated, creditors may not take action against the company to recover their claims. Secured creditors (including secured creditors benefiting from a financial collateral arrangement governed by the Collateral Act 2005) who do not participate in the composition proceedings may take action against the company to recover their claims and to enforce their security. Fraudulent transactions which took place before the date on which the Commercial District Court commenced composition proceedings may be set aside (please see the bankruptcy proceedings section above).

Suspension of Payments Proceedings (sursis de paiements)

General Administration of Suspension of Payments Proceedings

A suspension of payments (*sursis de paiements*) for commercial companies is different from the *sursis de paiement* proceedings available to banks and insurance companies. It can only be applied to a company which, as a result of extraordinary and unforeseeable events, has to temporarily cease its payments but which has on the basis of its balance sheet sufficient assets to pay all amounts due to its creditors. The suspension of payments may also be granted if the situation of the applicant, even though showing a loss, presents serious elements of reestablishment of the balance between its assets and its debts.

The purpose of the suspension of payments proceedings is to allow a business undertaking experiencing financial difficulties to suspend its payments for a limited time after a complex proceeding involving both the Commercial District Court and the *Cour supérieure de justice* and the approval by a majority of the creditors representing, by their claims, three-quarters of the company's debts (excluding claims secured by privilege (*privilège*), mortgage (*hypothèque*) or pledge (gage)).

The suspension of payments is, however, not for general application, which is one of the main reasons it has lost its attractiveness. It only applies to those liabilities which have been assumed by the debtor prior to obtaining the suspension of payment and has no effect as far as taxes and other public charges or secured claims (by right of privilege, a mortgage or a pledge) are concerned.

Effects of Suspension of Payments Proceedings

During the suspension of payments, ordinary creditors cannot open enforcement proceedings against the debtor or the debtor's assets. This stay on enforcement does not extend to preferred creditors, or to creditors which are secured by mortgages (*hypothèques*), pledges (*gages*) or financial collateral arrangements governed by the Collateral Act 2005. The debtor continues to manage its own business under the supervision of a court-appointed administrator who must approve most of the transactions carried out by the debtor.

When a suspension of payments ends, the stay on enforcement is terminated and the debtor's directors can run the business again.

Judicial Liquidation

Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the Luxembourg commercial code or of the Luxembourg law dated 10 August 1915 on commercial companies, as amended (the **Companies Act 1915**).

The management of such judicial liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

Preferential Debts

Liability of any Issuer or any other Luxembourg Security Provider in respect of the relevant Notes will, in the event of a liquidation of the entity following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg company during the period before bankruptcy, the so-called "hardening period" (*période suspecte*) which is a maximum of six months (and 10 days, depending on the transaction in question) preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the hardening period at an earlier date; if the bankruptcy judgment was preceded by controlled management judgmentunder Luxembourg law, the court may set the maximum up to six months prior to the filing for such controlled management. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce, specified transactions (such as, in particular, the granting of a security interest for pre-existing debts, save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005 concerning financial collateral arrangements, as amended; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the hardening period (and the 10 days preceding it depending on the transaction in question) must be set aside or declared null and void, if so requested by the bankruptcyreceiver;

- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the hardening period are subject to cancellation by the court upon proceedings instituted by the bankruptcy receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and

- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Civil Code (*action paulienne*) the bankruptcy receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

Insolvency proceedings may hence have a material adverse effect on a Luxembourg company's business and assets and a Luxembourg company's respective obligations under the Notes (as Issuer or Luxembourg Guarantor or security provider, as applicable).

Limitations on Enforcement of Guarantees and Security

The Companies Act 1915 does not provide for rules governing the ability of a Luxembourg guarantor to guarantee the indebtedness of another entity of the same group. Within a group of companies, the corporate interest (*intérêt social*) of each individual corporate entity could, to a certain extent, be tempered by, and subordinated to, the interest of the group. The notion of interest of group is recognized neither by the Luxembourg law nor by published Luxembourg case law. A reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company. However, this assistance must be temporary and in proportion with the real financial means of the assisting company. A Luxembourg guarantor may give a guarantee provided that the giving of the guarantee is covered by the company's corporate objects and is in the best interest of the company. The test regarding the Luxembourg guarantor's corporate interest is whether the company that provides the guarantee receives some (direct or indirect) consideration in return (such as an economic or commercial benefit) and whether the benefit is proportional to the burden of the assistance. A guarantee that substantially exceeds the guarantor company's ability to meet its obligations to the beneficiary of the guarantee and to its other creditors would expose its directors or managers (as applicable) to personal liability. Furthermore, under certain circumstances, the directors or managers (as applicable) of a Luxembourg company might incur criminal penalties based on the concept of misappropriation of corporate assets (article 171-1 of the Companies Act 1915).

There is no published Luxembourg case law and only limited Luxembourg legal literature in connection with enforcement of guarantees granted by a Luxembourg guarantor for a company of the group (whether downstream, cross-stream or upstream guarantees).

In addition to the above, it is generally admitted that the granting of a guarantee by a Luxembourg company for the obligations of another group company shall be subject to the following conditions: (i) it must be within the corporate purpose of the guarantor as set out in its articles of association; (ii) it shall correspond to a demonstrable and commensurate corporate benefit received by the guarantor company and (iii) the financial obligations assumed by the guarantor must not be disproportionate to the financial capacity of the guarantor.

The question of corporate benefit is determined on a case-by-case basis.

According to the limited Luxembourg doctrine on this matter, in the event the above conditions are not met, the directors of the company may be held liable and it is only in exceptional cases in which it is demonstrated that the beneficiary was aware of the *ultra vires* nature of the guarantee or that the guarantee was given with the intent to defraud creditors of the guarantor that a court may void the guarantee itself.

In accordance with the principle *fraus omnia corrumpit*, a guarantee would not be enforceable under Luxembourg law if it is called upon in a manifestly abusive way by the beneficiary of the guarantee.

Set forth below is a summary of certain limitations on the enforceability of security interests and guarantees in Luxembourg.

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

Corporate power

Limits on corporate power can either be imposed (i) by law or (ii) by the articles of association of the Luxembourg company.

Limitations imposed by law

Pursuant to the Luxembourg Civil Code, a Luxembourg company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every Luxembourg company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a Luxembourg company as contemplated by law. A Luxembourg company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the company's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances when there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee/security interest could be challenged for lack of any interest by the guarantor in providing the guarantee/security interest.

In addition to this general legal restriction, other limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

Limitations imposed by the articles of association

The provision of guarantees or security interest by a Luxembourg company must fall under the limits of the corporate objects clause of its articles of association.

Should the provision of a guarantee or security by a Luxembourg company be considered to exceed the corporate objects as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objects or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate Authority

When a Luxembourg company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

Corporate Benefit

The granting by a Luxembourg company of a guarantee or security interest must be "in the corporate interest of the company", which words are a translation of the Luxembourg legal concept *intérêt social*. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior." Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In that context, the concept of a group of companies and group interest may be relevant.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economic, social, or financial policy applicable throughout the whole group;
- the existence of a group should be evidenced through capital links; or
- the proposed action must not (i) be without any consideration, or alternatively (ii) break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee/security interest. In certain circumstances the guarantees may be limited to a certain percentage of, among others, the relevant company's net worth.

The failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the guarantee/security interest so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or
- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee/security interest granted; or
- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the guarantee/security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the guarantee/security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the "assisting" company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates, the benefit must be proportionate to the burden of the assistance;
- the guarantee must not exceed the assisting company's financial means;
- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and
- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above have to be applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor.

Security Interests Considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such (i) as registered shares in Luxembourg companies, (ii) preferred equity certificates, (iii) bank accounts held with a Luxembourg bank, (iv) receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, (v) tangible assets located in Luxembourg, (vi) securities which are held through an account located in Luxembourg, (vii) bearer securities physically located in Luxembourg, etc.

The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over financial instruments including, among others, (i) registered shares, (ii) preferred equity certificates, (iii) bank accounts and (iv) receivables located or deemed to be located in Luxembourg, granted to secure financial obligations. Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A registered share pledge agreement must be (i) acknowledged and accepted by the company which has issued the shares and/or (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will *inter alia* require additional registration in the shareholders' register of such company. A registered preferred equity certificates pledge agreement must be (i) acknowledged and accepted by the company which has issued the preferred equity certificates and (ii) registered in the preferred equity certificates' register of such company. If future registered preferred equity certificates are pledged, the perfection of such pledge will *inter alia* require additional registration in the preferred equity certificates' register of such company. A pledge over receivables becomes enforceable against the debtor of the receivables and third parties from the moment when the agreement pursuant to which the pledge was created is entered into between the pledgor and the pledgee. However, if the debtor has not been notified of the pledge or if he did not otherwise acquire knowledge of the pledge, he will be validly discharged if he pays the pledgor. For ranking purposes, a bank account pledge agreement must be notified to and accepted by the account bank so as to ensure that the account bank has waived any pre-existing security interests and other rights in respect of the relevant account. If (future) bank accounts are pledged, additional notification to, acceptance and waiver by the account bank will be required. Article 11 of the Collateral Act 2005 sets out enforcement remedies available upon the occurrence of an enforcement event, including, but not limited:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at a value determined in accordance with a valuation method agreed upon by the parties;

- sell or cause the sale of the pledged assets (i) in a private transaction (*vente de gré à gré*) at normal commercial terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange (if listed shares) or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The Collateral Act 2005 expressly provides that financial collateral arrangements including enforcement measures are valid and enforceable, even if entered into during the hardening period, against third parties including supervisory, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting any one of the parties.

Pursuant to article 20 of the Collateral Act 2005, Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as enforcement measures and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable even if entered into during the hardening period against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the opening of insolvency or similar proceedings (save in the case of fraud).

Pursuant to article 21(2) of the Collateral Act 2005, notwithstanding the hardening period as referred to in articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into on the date of the commencement of a reorganization measure or winding-up proceedings, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it.

In accordance with article 24 of the Collateral Act 2005, the rules of Luxembourg insolvency proceedings are inapplicable where the collateral provider of financial collateral arrangement or similar security interest governed by a foreign law other than Luxembourg law, is established or resides in Luxembourg.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third-party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in article 20 (4) of the Collateral Act 2005, a third-party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third-party beneficiaries, present or future, to the extent that such third-party beneficiaries are or may be determined.

Registration in Luxembourg

The registration of the transaction documents with the *Administration de l'Enregistrement et des Domaines* in *Luxembourg* may be required in the case of legal proceedings before Luxembourg courts or in the case that they must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Collateral Act 2005.

The Luxembourg courts or the official Luxembourg authority may require that the transaction documents and any judgment obtained in a foreign court be translated into French or German.

Singapore

Corporate Authorization and Capacity

In general, a company incorporated in Singapore (a "**Singapore Company**") must have the requisite capacity and power to borrow, to provide guarantees and to create such security interests within the parameters of its constitutional documents in order to enter into such transactions. A Singapore Company must also take all corporate action, including the passing of corporate resolutions required under its constitutional documents, to authorize the execution by it of the security documents or guarantees and the exercise by it of its rights and the performance by it of its obligations under the security documents or guarantees.

General Limitations on Enforcement

General impediments to enforcement of security or guarantees in Singapore include the following:

- bankruptcy, insolvency, liquidation, reorganization and other laws affecting the rights of the creditors, including the appointment of a judicial manager over the Singapore Company's assets under Part VIIIA of the Singapore Companies Act (Chapter 50) (the "**Singapore Companies Act**") and the avoidance of vulnerable or fraudulent transactions;
- general principles of equity which may dictate that equitable remedies may not always be given if damages are adequate or which may deny or postpone relief where the circumstances dictate;
- limitation, laws of defenses of set-off and counterclaim; and
- illegality or public policy reasons.

Difference in Insolvency Law

One of the Guarantors is incorporated under the laws of Singapore ("**Singapore Guarantor**").

Any insolvency proceedings applicable to it will be likely to be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the Notes to recover the amount in respect of the Singapore Guarantor's guarantee of the Notes than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

Priority of Secured Creditors

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors.

However, in the event of an application, or the making of an order, for the appointment of a judicial manager, all creditors are prevented from enforcing any security over the Singapore Company's assets, except with the court's or judicial manager's permission. A judicial manager also has certain powers to dispose of assets of a Singapore Company subject to security interests. However, the judicial manager would (unless there are grounds to challenge the security itself) be obligated to recognize the priority of the secured parties to the proceeds or property derived from the sale or disposal.

Certain claims may be granted priority in an insolvency of a Singapore Company that may rank ahead of the security.

The lenders under the Senior Secured Term Loans Agreement have, or will have, security interests on certain of the assets of the Singapore Guarantor.

Scheme of Compromise or Arrangement

When a scheme of compromise or arrangement is proposed, the Singapore court may on the application of the Singapore Company or of any member or creditor, restrain further proceedings in any action or proceeding against the Singapore Company except by leave of the Singapore court.

Enforcement in Foreign Jurisdiction

The UNCITRAL Model Law on Cross-Border Insolvency has not been adopted by Singapore. Court orders made in Singapore in respect of the Singapore Company's insolvency therefore do not have extraterritorial effect as of right in a foreign jurisdiction. However it may be possible (depending on the law of the foreign jurisdiction in question) to apply for enforcement in a foreign jurisdiction of an order or direction made pursuant to a Singapore liquidation, scheme of arrangement or judicial management.

Fraudulent Trading

Where it appears in the course of the winding up of a Singapore Company that any business of a Singapore Company has been carried on with intent to defraud creditors of the Singapore Company or creditors of any other person or for any fraudulent purpose, the court may declare that any person who was knowingly a party to the carrying on of the business in such a manner shall be personally liable for all or any of the debts or liabilities of the Singapore Company as the court may direct. This cause of action may be used by any creditor or contributory of the Singapore Company and is not therefore limited to liquidators or judicial managers. There is no statutory time limit within which the challenge must be made and the relevant Singapore Company does not need to be insolvent at the time of the transaction. Further, every person who was knowingly a party to the carrying on of the business with such intent or purpose shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $15,000 or to imprisonment for a term not exceeding seven years or to both. The fraudulent trading regime is supplemented by section 73B of the Conveyancing and Law of Property Act (Chapter 61 of Singapore) which makes voidable every conveyance of property made with the intent to defraud creditors and that was not made to a person for valuable consideration and in good faith.

Preferential Creditors

Under Section 328 of the Singapore Companies Act, in a winding-up of a Singapore company, preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts. The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:

(a) costs and expenses of the winding up;

(b) employees' wages and salaries (including any gratuity payable to an employee on termination of his services);

(c) retrenchment benefits under employment contracts;

(d) work injury compensation under the Work Injury Compensation Act (Chapter 354 of Singapore);

(e) certain amounts due under employee's superannuation or provident funds or under any scheme of superannuation which is an approved scheme under Singapore income tax laws;

(f) other remuneration payable to employees such as vacation leave and death benefits; and

(g) taxes assessed and goods and services tax.

Transactions at Undervalue or Unfair Preference

Under Singapore insolvency law, a liquidator or judicial manager may apply to the court to set aside the granting of a guarantee or security on several grounds including on the basis that if such liquidator or judicial manager believed that the granting of the guarantee or security constituted a transaction at an undervalue.

The transaction can be set aside if such transaction occurs in the period commencing five years the earliest of:

(a) the making of the winding up application;

(b) in a case where a provisional liquidator was appointed before the resolution for voluntary winding up of the Singapore Company has been passed the time when the statutory declaration made pursuant to Section 291(1) of the Singapore Companies Act was filed with the Registrar of Companies;

(c) the passing of a resolution for winding up; or

(d) the making of the judicial management application,

and the Singapore Company was insolvent when it entered into the transaction or became insolvent as a consequence of the transaction.

Where the transaction was entered into with a person who is an associate of the Singapore Company (otherwise than by reason only of being its employee), the requirement that the Singapore Company was insolvent at the time of the transaction or became insolvent as a result of the transaction shall be presumed to be satisfied unless the contrary is shown. A Singapore Company will be treated as having entered into a transaction with a person at an undervalue if it involved a gift by the Singapore Company, if the Singapore Company received no consideration or if the Singapore Company received consideration of significantly less value, in money or money's worth, than the consideration given by the Singapore Company. There is a statutory defence however, so if the counterparty can establish that the Singapore Company entered into the transaction in good faith and for the purpose of carrying on its business and there were reasonable grounds for believing that the transaction would benefit the Singapore Company at that time, then the transaction will not be set aside.

A liquidator or judicial manager may also apply to the court for an order avoiding any action taken by a Singapore Company in the period commencing six months (or two years if the person receiving the preference is connected with the Singapore Company) before earliest:

(a) the winding up application being made;

(b) in a case where a provisional liquidator was appointed before the resolution for voluntary winding up of the Singapore Company has been passed the time when the statutory declaration made pursuant to Section 291(1) of the Singapore Companies Act was filed with the Registrar of Companies;

(c) the passing of a resolution for winding up; or

(d) the making of the judicial management application,

if that action constitutes an unfair preference to another person.

The Singapore Company will be treated as having given an unfair preference to another person if (a) that person is a creditor of the Singapore Company or a surety or guarantor for a debt or other liability of the Singapore Company, and (b) the Singapore Company does anything or suffers anything to be done that (in either case) has the effect of putting the person into a position which, in the event of the winding up or judicial management of the Singapore Company, will be better than the position he would have been in if that thing had not been done. In order to be successful, it must be shown that the Singapore Company was influenced by a desire to produce the result referred to in (b) above and that, at the time or as a result of the preference, the Singapore Company was insolvent or became insolvent as a consequence of the preference. The desire to prefer is presumed in the case where the person receiving the preference is connected with the Singapore Company (otherwise than by reason only of being its employee).

Disclaimer of Onerous Contracts

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable by reason of its binding the company to any onerous act or payment of any sum, the liquidator may apply to disclaim such property within 12 months of (i) commencement of winding-up or (ii) such time as the liquidator becomes aware of such property or such extended period as is allowed by the court.

Extortionate Credit Transactions

Extortionate credit transactions may be voidable if they are entered into within a period of three years before the commencement of winding up or judicial management of a Singapore Company. Credit transactions are extortionate if, having regard to the risk accepted by the creditor, either the terms are such as to require grossly exorbitant payments to be made in respect of the provision of the credit or it is harsh and unconscionable or substantially unfair. If that is the case, it shall be presumed, unless the contrary is proved, that such credit transaction was extortionate.

Financial Assistance

Section 76 of the Singapore Companies Act prohibits the giving of financial assistance by a Singapore Company for the purpose of or in connection with the acquisition or proposed acquisition by any person of shares in the Singapore Company or shares in its holding company. The giving of financial assistance includes (without limitation) the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt. A contract or transaction by which a Singapore Company acquires its own shares or shares in its holding company or by which a Singapore Company lends money on the security of its own shares or shares in its holding company in contravention of section 76 of the Singapore Companies Act shall be void. If the giving of guarantees and provision of security by the Singapore Company would constitute unlawful financial assistance under section 76 of the Singapore Companies Act, certain requirements and procedures in Section 76 of the Singapore Companies Act (known as "whitewash procedures") must first be complied with before the guarantees and security can be granted by the Singapore Company.

Japan

Siemens Hearing Instruments K.K. ("**Siemens Japan**") is a corporation in Japan and subject to Japanese laws and procedures affecting debtors and creditors, such as bankruptcy, corporate reorganization, civil rehabilitation or special liquidation proceedings. Under the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended), a petition for the commencement of bankruptcy proceedings may be filed with a court by a company or any of its directors or creditors if a company is generally and continuously unable to pay its debts as they become due because of a lack of ability to pay or if its liabilities exceed its assets. Under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), a petition for the commencement of corporate reorganization proceedings may be filed with a court by a company or certain qualified shareholders or creditors if it is likely that any of the grounds for bankruptcy as described above will arise. In addition, a company may file a petition for the commencement of corporate reorganization proceedings if it is likely that the payment of a debt which becomes due would cause serious impediments to its continued business operations. Under the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended), a petition for the commencement of civil rehabilitation proceedings may be filed with a court by a company or any of its creditors if it is likely that any of the grounds for bankruptcy as described above will arise. A petition for civil rehabilitation may be also filed by a company if the company is unable to make any payments as they become due without causing serious impediments to the continuation of its business. Under the Companies Act of Japan (Act No. 86 of 2005, as amended, "**Companies Act of Japan**"), a petition for the commencement of special liquidation proceedings may be filed with a court by any of a company's creditors, statutory auditors or shareholders if, after liquidation proceedings have commenced, circumstances exist which would seriously impede the carrying out of its liquidation or if there exists any possibility or doubt that its liabilities exceed its assets. In addition, liquidators may file a petition for the commencement of special liquidation proceedings if, after liquidation proceedings have commenced, circumstances exist which would seriously impede the carrying out of its liquidation, and liquidators must file the same if, after liquidation proceedings have commenced, if there exists any possibility or doubt that its liabilities exceed its assets. The court will be required to order the commencement of bankruptcy proceedings at its initiative if, after a special liquidation has been commenced, the court determines that there exists a fact which constitutes a cause for commencement of the bankruptcy proceedings while: (i) there is no prospect of entering into a settlement agreement; (ii) there is no prospect of performing a settlement agreement; or (iii) the special liquidation conflicts with the general interest of the creditors.

In any of the insolvency proceedings mentioned above, the company's liabilities under the Guarantee would, in general, be paid to holders of the Guarantee and creditors ranking equally with such holders in right of payment on a pro rata basis, only after all of its debts that are entitled to a preferred status (*yuusen ken*) under the insolvency laws (such as employment remuneration claims, expenses of insolvency proceedings and taxes) have been paid. Also, the rights of the holders of the Guarantee will be subordinate to those of secured creditors (*tanpo-kensha*) who will be entitled to exercise their rights over the company's assets outside of the insolvency proceedings, although the exercise of such rights by the secured creditors may be suspended upon a special order of the court in civil rehabilitation proceedings. Moreover, in corporate reorganization proceedings, secured creditors will be required to participate in such proceedings, and their rights could be impaired or modified in accordance with a reorganization plan.

However, it is likely that claims of general creditors, including holders of the Guarantee, would be subordinated under the plan to secured claims to the extent of the net value of the security interest at the commencement of the proceedings.

Under Japanese insolvency laws, no party (including, without limitation, any director of a company) is expressly obligated to file for the commencement of insolvency proceedings in any particular circumstance (except that liquidators are required to file for the commencement of special liquidation proceedings as stated above). However, a company's directors are subject to general fiduciary duties under the Companies Act of Japan, which may in certain circumstances require them to take appropriate steps, including filing for the commencement of insolvency proceedings when a cause for insolvency arises. If a company's directors do not take appropriate action in such circumstances, they could be subject to civil and criminal liabilities.

If, based on a petition for the commencement of bankruptcy proceedings, a court orders the commencement of such bankruptcy proceedings, a trustee in bankruptcy (*hasan kanzainin*) will be appointed to administer the company's operations, realize all assets belonging to the bankruptcy estate and make distributions to creditors. If, based on a petition for the commencement of corporate reorganization proceedings, a court orders the commencement of such reorganization proceedings, a reorganization administrator (*kousei kanzainin*) will be appointed to take over the company's operations, assess all assets and liabilities, propose a reorganization plan and, if the plan is approved by a company's creditors and confirmed by the court, transfer management responsibilities to the new management under the plan. If, based on a petition for the commencement of civil rehabilitation proceedings, a court orders the commencement of such rehabilitation proceedings, a company's directors will remain in position (subject to supervision by a court appointed rehabilitation supervisor (*kantoku i-in*)) to propose a rehabilitation plan and, if approved by the creditors and confirmed by the court, execute the plan. If, based on a petition for the commencement of special liquidation proceedings, a court orders the commencement of such special liquidation proceedings, a liquidator (*seisan-nin*) will, under court supervision, liquidate all remaining assets and liabilities and make distributions to creditors under a settlement agreement approved by its creditors and confirmed by the court.

The issuance of the Guarantee and payments made to the holders of the Guarantee may be avoided in insolvency proceedings (except for special liquidation proceedings) by the bankruptcy trustee, reorganization administrator or rehabilitation supervisor pursuant to their "right of avoidance" (*hi-nin ken*) as a fraudulent conveyance or voidable preference.

The acts that are subject to this right of avoidance include:

- any act by the debtor taken with the knowledge that such act will prejudice creditors and the beneficiary of such act was aware, at the time of the act, of the fact that such act will prejudice creditors (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations);
- any act that (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations):
    - prejudices creditors;
    - occurs after the debtor has suspended payments or after the filing of a petition; and
    - the beneficiary of such act was aware, at the time of the act, that the debtor has suspended payments or the filing of a petition has been made, and of the fact that such act will prejudice creditors;
- any act that relates to the creation of a security interest or the extinguishment of obligations as to the already existing obligations and that;
    - occurs after the debtor has become unable to pay debts in general and the creditor was aware, at the time of the act, of such debtor's inability or suspension of payments by the debtor or occurs after the filing of a petition and the creditor was aware, at the time of the act, of such filing; or
    - is not obligatory in terms of the act itself or the time of performance of the act, and occurs within 30 days prior to the debtor becoming unable to pay debts in general and the creditor was aware, at the time of the act, of the fact that such act will prejudice other creditors; and
- any gratuitous act (or act deemed to be gratuitous) by the debtor after, or within six months prior to, either the suspension of payments by the debtor or the filing of a petition.

For example, the issuance of or payment on the Guarantee may be avoided if: (i) with respect to the issuance or payment, a company is deemed to have been aware at the time of the issuance or payment that it would be to the detriment of its creditors and the holders of the Guarantee are deemed to have had notice of such fact at that time; (ii) the payment takes place after it have become unable to pay its debts in general, or a petition for insolvency proceedings has been filed, and the holders of the Guarantee are deemed to have been aware of such fact at that time; or (iii) where the payment is not obligatory in terms of the act itself or the time of performance of the act, and the payment takes place within 30 days prior to the debtor becoming unable to pay debts in general and the holders of the Guarantee were aware, at the time of the payment, of the fact that such payment will prejudice other creditors.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**"). The Regulation S Global Notes representing the Notes (the "**Regulation S 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.

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**" and, together with the Regulation S Global Notes, the "**Global Notes**"). The 144A Global Notes representing the Notes (the "**144A 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.

The 144A Global Notes and the Regulation S Global Notes are collectively referred to herein as the "**Global Notes**."

Ownership of interests in the 144A Global Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interest**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or 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 or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, owners of interest 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 the notes under the indenture for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear or Clearstream, as applicable (or its nominees) will be considered the holders of Global Notes for all purposes under the indenture. As such, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the indenture.

Neither the Issuer, the Registrar, Deutsche Bank AG, London Branch as common depositary for Euroclear and Clearstream, nor the Trustee under the indenture 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.

Issuance of Definitive Registered Notes

Under the terms of the indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes (as defined below):

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if Euroclear or Clearstream so requests following an Event of Default under the indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

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, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant indenture, unless that legend is not required by the indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; provided that a Definitive Registered Note will only be issued in denominations of €100,000 or in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, we will issue and the Trustee or an Authenticating Agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*."

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agents and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book- Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The 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 €100,000 principal amount at maturity, or less, 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) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the indenture governing the Notes, the Issuer and the Trustee will treat the registered holder of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the Registrar nor any Paying Agent 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;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes (the "**Euroclear/Clearstream Holders**") through Euroclear or Clearstream, as applicable, in euro.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Global Notes in U.S. dollars.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Global Notes in U.S. dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such holder.

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 the 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 the 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 and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act (if available).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book- Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only as described under "*Description of the 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 "*Notice to Investors*."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations, they also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book- entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and 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 and Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear and 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 Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, 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 the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar and Senior Notes Registrar or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their 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 euros. 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 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.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

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 European Union Tax Considerations

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Taxation Directive**"), Member States are required to provide to the tax or other relevant authorities of another Member State details of certain payments of interest (or similar income) paid or secured by a person within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at the rate of 35% (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). However, during that transitional period, withholding will not apply under the Taxation Directive to a payment if the beneficial owner of that payment authorizes exchange of information instead. The Luxembourg Government has abolished the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the Directive.

A number of non-EU countries and territories, have adopted similar measures (either provision of information or transitional withholding).

On March 24, 2014, the Council of the European Union adopted a council directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Taxation Directive to include certain additional types of income and establish procedures to look through entities to prevent the circumvention of the Taxation Directive by the use of intermediaries. Member States are required to apply these new requirements from January 1, 2017.

Certain Luxembourg Taxation Considerations

The following discussion provides information on certain important Luxembourg taxation principles that may be relevant to you if you invest in, own, hold or dispose of the Notes. Unless otherwise indicated, all information contained in this section is based on laws, regulations, practice and decision in effect in Luxembourg at the date of this offering memorandum (as referred to herein, collectively, "**Luxembourg Tax Laws**"), and as such, may be superseded after such date. Any subsequent changes to Luxembourg Tax Laws could apply retroactively and could affect the continued accuracy of this information. This information does not purport to be a comprehensive description of all Luxembourg Tax Laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of the Notes and is not intended as tax advice to any particular investor or potential investor in the Notes. You should consult your own tax advisors about the tax consequences of investing in, owning, holding or disposing of the Notes (including with respect to receiving interest on and redeeming the Notes). This information does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Luxembourg.

The residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Any reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

A Luxembourg non-resident noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

Withholding Tax

Except as indicated below, under the Luxembourg income tax law currently applicable there is no withholding tax on the payment of interest, principal, premium or accrued but unpaid interest in respect of the Notes, to the extent the transaction is conducted on an arms-length basis, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes.

Resident Noteholders

Under the Luxembourg law dated December 23, 2005, as modified, a 10% withholding tax is levied on interest payments (or similar income) made by Luxembourg paying agents to or for the benefit of Luxembourg individual residents (including payments to residual entities for the benefit of Luxembourg resident individuals, except if the residual entity elects to exchange information or elects to be treated or is treated as an undertaking for collective investment in transferable securities authorised under the European Council Directive 85/611/EEC, as amended) ("**UCITS**"). This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. As from 2009, Luxembourg resident individuals acting in the course of the management of their private wealth, who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in certain dependent and associated territories (the "**Territories**") in the sense of the European Council Directive 2003/48/EC on taxation of savings income (the "**EU Savings Directive**"), may also opt for a final 10% flat tax. In such case, the 10% flat tax is calculated on the same amounts as for the payments made by Luxembourg resident paying agents.

Non-resident Noteholders

Under the law dated June 21, 2005, as modified, implementing the EU Savings Directive (the "**Law**") within the Luxembourg law, a Luxembourg based paying agent is required to withhold tax on interest and other similar income (including reimbursement of premium received at maturity) paid or ascribed by it to (or under certain circumstances, to or for the immediate benefit of) an individual resident or a residual entity established in another Member State of the European Union unless the beneficiary/residual entity of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or residual entities resident in any of the Territories.

The withholding tax rate is 35% as from July 1, 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain non-EU countries. The Luxembourg Government has abolished the withholding system with effect from 1 January 2015, in favor of automatic information exchange under the EU Savings Directive.

In each case described here above, responsibility for the withholding tax levied in accordance with the Luxembourg law dated December 23, 2005, as modified, and the Law (or the relevant treaties) will be assumed by the Luxembourg paying agent.

In this section, "interest", "residual entities" and "paying agent" have the meaning given thereto in the Law (or the relevant treaties). "Interest" will include accrued or capitalized interest at the sale, repayment or redemption of the Notes. "Residual entities" include, in general, all entities established in the EU and certain dependent or associated territories other than legal entities, UCITS, and entities taxed as enterprises. "Paying agent" is defined broadly for this purpose and in the context of the Notes means any economic entity established in Luxembourg which pays interest on the Notes to, or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the residual entity whether the entity is, or acts on behalf of, the issuer or is instructed by, the beneficial owner, or the residual entity, as the case may be, to collect such payment of interest.

Taxation of the Noteholders

Taxation of Luxembourg Residents

Noteholders who are residents of Luxembourg, or non-resident noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

Luxembourg Resident Individuals

A Luxembourg resident individual noteholder acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied on such payments. See "—*Withholding Tax—Resident Noteholders*".

Gains realized upon the sale, repurchase or redemption of the Notes by a Luxembourg resident individual noteholder, who acts in the course of the management of his/her private wealth, in any form whatsoever, are subject to Luxembourg income tax provided this sale or disposal took place prior to or within six months after the acquisition of the Notes. Any gains realised six months after the acquisition of the Notes should be exempt from Luxembourg income tax, except for the portion of such gains corresponding to accrued but unpaid interest income, except if tax has been levied on such interest in accordance with the Luxembourg law dated December 23, 2005, as modified.

Luxembourg resident individual noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (income tax levied at progressive rates and municipal business tax). For Luxembourg resident individuals receiving interest as income from assets used in their professional capacity, the 10% withholding tax levied is credited against their final tax liability. The same tax treatment applies to non-resident noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

Luxembourg Corporate Residents

Luxembourg corporate noteholders must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes (corporate income tax and municipal business tax).

Luxembourg Corporate Residents Benefiting from a Special Tax Regime

Luxembourg corporate resident noteholders who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of December 17, 2010, as amended, (ii) specialized investment funds subject to the law dated February 13, 2007, as amended, or (iii) family wealth management companies subject to the law dated May 11, 2007, as amended, are exempt from income tax in Luxembourg, but are subject to an annual subscription tax (*taxe d'abonnement*). Thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

Taxation of Non-resident Noteholders

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable for any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realize capital gains upon redemption, repurchase, sale or exchange of any Notes. Noteholders who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

Net Wealth Tax

Luxembourg resident noteholders or non-resident noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to an annual Luxembourg net wealth tax on such Notes levied at a rate of 0.5%, except if the noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of December 17, 2010, as amended, (iii) a company governed by the law of March 22, 2004 on securitization, as amended, (iv) a company governed by the law of June 15, 2004 on venture capital vehicles, as amended, (v) a specialized investment fund subject to the law of February 13, 2007, as amended, or (vi) a family wealth management company subject to the law of May 11, 2007, as amended.

Other Taxes

Registration Taxes and Stamp Duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply (i) upon voluntary registration of the Notes in Luxembourg, (ii) in the case of legal proceedings before Luxembourg courts, (iii) in the case that the documents relating to the Notes issuance must be produced before an official Luxembourg authority (*autorité constituée*) or (iv) in the case that the documents relating to the Notes issuance are referred to in a public deed.

Value Added Tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services. Due to the activity of the Issuer, this value-added tax could be a final cost. Foreign value-added tax that might be payable in respect of fees charged for certain services rendered to the Issuer could also be a final cost.

Inheritance Tax and Gift Tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a noteholder in cases where the deceased was not a resident of Luxembourg at the time of his death for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes in instances where the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

General: Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes), it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

United States

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of 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 discussions on 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 United States 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 certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities that elect to mark to market, 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 or the unearned income Medicare contribution tax, and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to investors for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets for U.S. federal income tax purposes.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any State thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if 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 Notes, the U.S. federal income 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 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 other federal, state, local, non-U.S. or other tax laws.

Payments of Stated Interest

Subject to the foreign currency rules discussed below, payments of stated interest on the Notes (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 income at the time that such payments are received or accrued, in accordance with such U.S. holder's regular 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 the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the foreign currency interest payment (determined based on 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 stated interest, but may recognize exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in foreign currency that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such foreign currency denominated accrued stated 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 stated interest income into U.S. dollars using 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, using the spot rate of exchange on the last day of the portion of such accrual period within the applicable taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated 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.

An accrual method U.S. holder will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received in an amount equal to the difference, if any, between the U.S. dollar value of the foreign currency payment received (determined based on the spot rate of exchange on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of the stated 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 U.S. source ordinary income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note (including any additional amounts paid in respect thereto) 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 foreign tax withheld from a payment to a U.S. 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 that the election to deduct or credit foreign taxes applies to all of a U.S. holder's applicable foreign taxes for a particular tax year). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or other Taxable Disposition of Notes

Subject to the foreign currency rules discussed below, 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 stated 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. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date.

If a U.S. holder receives foreign currency on such 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 date of 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 and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. If the Notes are not traded on an established securities market (or the relevant holder is an accrual basis U.S. holder that does not make the special settlement date election), a U.S. holder 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 foreign 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. Gain or loss attributable to fluctuations in foreign currency exchange rates with respect to the principal amount of a Note 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, determined at the spot rate of exchange on the date principal is received or 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, determined 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 exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "—*Payments of stated interest*." However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any exchange gain or loss (including with respect to accrued interest) 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 exchange gain or loss attributable to such disposition generally will be U.S. source 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.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the Notes offered hereunder (the "**original Notes**") and are indistinguishable from the original Notes (because the Additional Notes have the same CUSIP or ISIN as the original Notes), in some cases may be treated as a separate series from the original Notes for U.S. federal income tax purposes. This could arise, for example, where the Additional Notes are issued with more than *de minimis* original issue discount for U.S. federal income tax purposes and do not qualify as a fungible "qualified" reopening. In such event, because the Additional Notes would not be distinguishable from the original Notes, the market value of the Notes may be adversely affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder is not exempt and fails to provide a taxpayer identification and comply with other requirements under 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 meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including 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. 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).

Individual U.S. holders that own "specified foreign financial assets" (which includes debt of foreign entities) with an aggregate value in excess of certain thresholds generally are required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) 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. federal income tax on payments of interest on certain debt instruments and the gross proceeds from the disposition of such debt instruments. However, because we are a non-U.S. entity that is not engaged in a U.S. trade or business, this potential withholding under FATCA applies to interest payments on and gross proceeds from the disposition of the Notes only if we are considered a "foreign financial institution". Moreover, even if we were treated as a foreign financial institution, the Notes would be "grandfathered" from FATCA unless (i) they are "materially modified" (for U.S. federal income tax purposes) after the date that is six months on or after the date on which applicable final Treasury regulations are filed (the "**FATCA Grandfathering Date**") or (ii) we issue additional Notes after the FATCA Grandfathering Date that are subject to FATCA and, because such additional Notes are indistinguishable from the original Notes (because such additional Notes have the same CUSIP or ISIN as original Notes), as discussed above under "*Additional Notes*", an applicable withholding agent treats the original Notes as also becoming subject to FATCA. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes, including the effect of any current or future intergovernmental agreements between the United States and an applicable non-U.S. government. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

NOTICE TO INVESTORS

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 any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We have not registered and will not register the Notes or the Guarantees under the U.S. Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act) or acting on our behalf and you are either:

(a) a QIB, within the meaning of Rule 144A under the U.S. Securities Act and are aware that any sale of these Notes to you will be made in reliance on Rule 144A under the U.S. Securities Act, and such acquisition will be for your own account or for the account of another QIB; or

(b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) You acknowledge that none of us, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the 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 make 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 or accounts for which you are purchasing the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, 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 under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act 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 to 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 (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the indenture is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. 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) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) 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 ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE

AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you 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.

(6) 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.

(7) 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 under the U.S. Securities Act.

(8) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes is no longer accurate, it 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.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the 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 such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

ERISA Considerations

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) subject to the provisions of Part 4 of Subtitle B of Title I of ERISA or a plan, individual retirement account or other arrangement to which Section 4975 of the Code applies (each, a "**Plan**"), (ii) an entity whose underlying assets include "plan assets" " (within the meaning of 29 C.F.R. Section 2510.3-101 as modified by Section 3(42) of ERISA or any applicable Similar Laws (as defined below)) with respect to a Plan by reason of a Plan's investment in such entity or otherwise (each, a "**Benefit Plan Investor**") or (iii) a governmental (as defined in Section 3(32) of ERISA), church (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) or non-U.S. plan (as described in Section 4(b)(4) of ERISA) or other arrangement that is subject to any Federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("**Similar Laws**"), transferee or holder of the Notes will be deemed to have represented, agreed and acknowledged (as applicable) in its corporate and fiduciary capacity, that:

(a) With respect to the acquisition, holding and disposition of the Notes, or any interest therein, (1) either (A) it is not, and it is not acting directly or indirectly on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting directly or indirectly on behalf of), a Plan, a Benefit Plan Investor or a governmental, church or non-U.S. plan or other arrangement that is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan or other arrangement that is subject to Similar Laws, or (B) (i) its acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Part 4 of Subtitle B of Title I of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan or other arrangement, a violation of any applicable Similar Laws); and (ii) none of the Issuer, the guarantors, the Initial Purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a "fiduciary" (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non- U.S. plan or other arrangement, any definition of "fiduciary," or any substantially similar concept, under any applicable Similar Laws) with respect to the purchaser, transferee or holder in connection with any acquisition, holding or disposition of such Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with such Notes, and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the purchaser, transferee or holder in connection with such Notes and the transactions contemplated with respect to such Notes; and (2) it will not sell or otherwise transfer such Notes or any interest therein other than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

(b) The acquirer and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuer, the guarantors, the Initial Purchasers, the Trustee and/or their respective affiliates, from and against any cost, damage or loss incurred by the Issuer, the Guarantors, the Initial Purchasers, the Trustee and/or any of their respective affiliates, as applicable, as a result of any of the foregoing representations and agreements being or becoming false.

(c) Any purported acquisition or transfer of any note or beneficial interest therein to a purchaser or transferee that does not comply with the requirements of the above provisions shall be void *ab initio*.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") to be dated the date of this offering memorandum by and among the Issuer, the Issue Date Guarantors and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, Notes in the aggregate principal amount of €275 million.

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 their counsel.

The Initial Purchasers propose to offer the Notes initially at the price 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 in the United States may be made through certain affiliates of the Initial Purchasers.

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 we 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. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 60 days after the date hereof, we will not, and the Guarantors will not, without the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any of the Guarantors that are substially similar to the Notes.

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 except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "*Notice to Investors*."

Each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*."

We and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbor of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF Market, 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 a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by 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. See "*Risk Factors—Risks Relating to the Notes and our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

Delivery of the Notes was made against payment on the Notes on the date specified on the cover page of this Offering Memorandum, which was ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 10"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three 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 following six 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, Deutsche Bank AG, London Branch (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, 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, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past, may currently provide and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, the Initial Purchasers may, now or in the future, own, acquire or dispose of securities of us and our affiliates in the ordinary course of business for their own account or for the account of others. We have agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain costs and expenses incurred.

Deutsche Bank AG, London Branch, Goldman Sachs International and UBS Limited are each, directly or indirectly, a mandated lead arranger, underwriter and lender under the Senior Facilities Agreement and will receive customary compensation in connection with such roles. Additionally, Deutsche Bank AG, London Branch is an affiliate of Deutsche Bank AG, Bangalore Branch, which is a lender under a facility agreement, dated May 19, 2014, with Siemens Hearing Instruments Private Limited, which may be fully repaid upon the Completion Date. Further, UBS Limited provided advisory services to the Seller and each of Deutsche Bank AG, London Branch and Goldman Sachs International provided advisory services to the Investors in connection with the Acquisition.

Certain board members and other senior management, directly or indirectly, have placed a purchase order for and have been allocated Notes and may, from time to time, make further investments in the Notes.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins (London) LLP, as to matters of U.S. federal and New York state law, Latham & Watkins LLP, as to matters of English, German and Singapore law, and by Bonn & Schmitt, as to matters of Luxembourg law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP, as to matters of U.S. federal, New York state and English law, and Allen & Overy LLP, as to matters of Luxembourg, German and Singapore law.

INDEPENDENT AUDITORS

The Combined Financial Statements of Siemens Audiology Solutions as of and for the fiscal years ended September 30, 2012, 2013 and 2014, included in this offering memorandum, have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Munich, as stated in their auditor's report appearing herein.

WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendment or supplement to this offering memorandum. Each person receiving this offering memorandum acknowledges that: (1) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein; (2) such person has not relied on any of the Initial Purchasers or any person affiliated with any Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Guarantees 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 any Initial Purchaser. We have agreed in the indenture governing these Notes that, for so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon written request of a holder or beneficial owner of the Notes, furnish to such holder or beneficial owner or to the Trustee or any relevant 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 23, Rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg.

So long as the Notes are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in Luxembourg.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer and many of the Guarantors are companies incorporated in Luxembourg. Other Guarantors are organized under the laws of the United States, England and Wales, Germany, Luxembourg, Singapore and Japan and future Guarantors may also be organized under the laws of non-U.S. jurisdictions. Most of our directors and executive officers and many of the directors and officers of the Guarantors are non-residents of the United States. Although we and each of the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers and the directors and executive officers of the Guarantors or security providers. In addition, as many of our and the Guarantors' assets and the assets of our and their directors and executive officers are located outside of the United States, you may be unable to enforce against them or us judgments obtained in the U.S. courts predicated on civil liability provisions of the Federal securities laws of the United States.

If a judgment is obtained in a U.S. court against us or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

England and Wales

The following summary with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to us by U.S. and English legal advisors. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

Germany

The following discussion with respect to the enforceability of certain U.S. court judgments in Germany is based upon advice provided to us by German legal advisors.

The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for a payment rendered by any court in the United States would not automatically be enforceable in Germany.

Notwithstanding the preceding, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would generally be recognized and enforced in Germany in an action before a German court, and such German court generally will not investigate the merits of the original matter decided by a U.S. court. The recognition and enforcement of the U.S. judgment by a German court would be conditional upon a number of factors, including all of the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;
- the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;
- the judgment is not contrary to (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment is not in contradiction to any such prior judgment;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Luxembourg

The Issuer has been advised by Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d’Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is final and duly enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction, both according to its own national jurisdiction rules and to the Luxembourg principles of conflicts of jurisdiction and in particular, Luxembourg courts had no exclusive jurisdiction over the case at hand, to adjudicate the respective matter under applicable U.S. federal or state jurisdictions rules;
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts in accordance with Luxembourg conflict of laws rules;
- the U.S. judgment does not contravene Luxembourg international public policy or overriding mandatory provisions of Luxembourg law;
- the U.S. court has acted in accordance with its own procedural laws;

- the principles of natural justice have been complied with and the U.S. judgment was granted following proceedings where the defendant had the opportunity to appear and, if it appeared, to present a defense; and

- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Luxembourg courts do currently not review the merits of New York judgments even though there is no statutory prohibition of such review.

With regards to the enforcement of a judgment through legal proceedings in Luxembourg (including the exequatur of foreign court decisions in Luxembourg), Luxembourg courts as well as a Luxembourg authority (*autorité constituée*) may require the prior registration with the *Administration de l'Enregistrement et des Domaines* in Luxembourg of any document if it was to be produced in a Luxembourg court action or presented to a Luxembourg *autorité constituée* as the case may be, in which case either a nominal registration duty of €12.00 or an *ad valorem* duty of 0.24% (calculated on the basis of the payment obligation concerned), depending on the nature of the document submitted to registration would become payable. If registration is so required, the Luxembourg courts or the official Luxembourg authority may require that the agreements and/or any judgments obtained in the U.S. federal or state courts must be translated into French or German.

Subject to the foregoing, investors may be able to enforce in Luxembourg judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Luxembourg. In addition, it is questionable whether a Luxembourg court would accept jurisdiction and impose civil liability if the original action was commenced in Luxembourg instead of the United States, and predicated solely upon U.S. federal securities laws.

Singapore

Singapore does not currently have any arrangement with the United States for reciprocal recognition and enforcement of judgments or any domestic legal provision which enables the recognition of judgments of United States courts. Any judgment obtained in the United States Federal Courts or the superior courts of the State of New York would therefore have to be enforced by action at common law in Singapore by bringing a new suit.

Generally, the following requirements must be satisfied:

(i) the judgment is on a matter of substance which is final and conclusive under the laws of New York or the United States (as the case may be);

(ii) the relevant Federal Court or New York court has international jurisdiction (as defined by Singapore law); and

(iii) the judgment must be for a fixed and ascertainable sum of money.

In relation to (i), the judgment must be final and conclusive in that there must be a final determination of rights between the parties. A judgment is not final and conclusive: (a) if it can be re-opened by the same court or if the court can alter its terms or (b) if there is another body, not being the appellate or supervisory body that can override the decision of the said court.

With regards to (ii), this would be satisfied if that party was present, or resident in the relevant jurisdiction at the time of commencement of the foreign proceedings, or if that party had submitted or had agreed to submit to the jurisdiction of the relevant foreign court.

In respect of (iii), a judgment must be for the payment of a fixed and ascertainable sum of money, that is, the judgment sum can be derived by simple arithmetical calculation, as opposed to a judgment ordering specific relief such as specific performance or an injunction.

The Singapore courts will however not enforce the judgment if the defendant establishes any of the following defenses:

(a) it was procured by fraud;

(b) its enforcement would be contrary to public policy in Singapore;

(c) its enforcement would conflict with an earlier judgment in Singapore or an earlier foreign judgment recognized under the Singapore courts;

(d) the proceedings in which it was obtained were contrary to natural justice; or

(e) if enforcing the foreign judgment will amount to the direct or indirect enforcement of a foreign penal, revenue or other public law.

Japan

In general, under present Japanese law, the Japanese courts would recognize as a valid judgment any final judgment obtained in a US court of competent jurisdiction against a person residing in Japan, if:

- the jurisdiction of such US court is permitted under Japanese law or treaty;
- such person has received service of process necessary for the commencement of the relevant proceedings by a method other than public notice or any method comparable thereto or has appeared before such court;
- neither the content of such judgment nor the procedure under which it was made is repugnant to public policy as applied in Japan; and
- there exists reciprocity as to recognition by a US court of a final judgment obtained in a Japanese court.

An action for enforcement of a US judgment must be brought before a competent Japanese court in order to enforce such a judgment. If the US judgment satisfies all of the requirements above, the court would render a judgment to permit its enforcement without examination of the merits. However, there is doubt as to the enforceability in Japan of liabilities predicated solely upon US federal or state securities laws.

Also, Siemens Hearing Instruments K.K. is a stock company (*kabushiki kaisha*) in Japan. As a result, it may not be possible for investors to effect service of process within the United States upon Siemens Hearing Instruments K.K. or its directors or management residing in Japan.

LISTING AND GENERAL INFORMATION

1. The Issuer, Auris Luxembourg II S.A. (previously Auris Luxembourg II S.à r.l.), is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg on October 13, 2014. It is registered at the Luxembourg Trade and Companies Register under number B191.405. The address of the Issuer's registered office is 23, Rue Aldringen, L-1118 Luxembourg, Grand Duchy of Luxembourg. The share capital of the Issuer consists of 31,000 ordinary shares of €1 each, all of which are held by Auris Luxembourg I S.A. and are fully paid.

2. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market.

3. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, (i) copies of the Issuer's Articles of Association and those of the Guarantors and the indenture (including the Guarantees granted thereunder), (ii) copies of the Issuer's audited annual financial statements and the Issuer's combined audited annual financial statements, combined quarterly financial information and all subsequent fiscal years and (iii) copies of the security documents and the Intercreditor Agreement will be available free of charge during normal business hours on any weekday at the offices of such Listing Agent referred to in paragraph 8 below.

4. We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

5. Except as disclosed herein, there has been no material adverse change in the Issuer or Siemens Audiology Solution's combined financial position since September 30, 2014.

6. Neither the Issuer, we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.

7. The Trustee for the Notes is Deutsche Trustee Company Limited and its address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The Trustee will be acting in its capacity as trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in the indenture.

8. We have appointed Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as principal paying agent, escrow agent and security agent and Deutsche Bank Luxembourg S.A., as registrar, transfer agent and listing agent. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website. The Paying Agent will act as intermediary between the holders of the Notes and us and so long as the Notes are listed on the Euro MTF Market we will maintain a paying agent and a transfer agent.

9. The issue of the Notes was authorized by resolutions of the Issuer's board of directors passed at meetings held on December 5, 2014. The Guarantees of the Issue Date Guarantors were authorized by resolutions of the respective board of managers of such Issue Date Guarantors passed at meetings held on or before December 5, 2014.

10. The Global Notes sold pursuant to Regulation S and Rule 144A under the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 115337408 and 115337459, respectively. The ISIN number for the Notes sold pursuant to Regulation S is XS1153374084 and the ISIN number for the Notes sold pursuant to Rule 144A is XS1153374597.

11. Set forth below is certain information with respect to the Guarantors. For more information, see "*Description of the Notes—The Guarantors*."

Company	Jurisdiction	Registered Office
Auris Luxembourg III S.A.	Luxembourg	23, rue Aldringen L-1118 Luxembourg
Auris Holding GmbH	Germany	Westendstrasse 28 60325 Frankfurt/Main
Siemens Audiologische Technik GmbH	Germany	Gebbertstr. 125 Erlangen 91058
AS-Audio Service GmbH	Germany	Zeppelinstr. 9 Herford 32051
Siemens Medical Instruments Pte. Ltd.	Singapore	28 Ayer Rajah Crescent, #06-08 Singapur 139959

Company	Jurisdiction	Registered Office
Siemens Hearing Instruments Ltd..	England and Wales	Newton Road Crawley, Sussex RHIO 9TT
Siemens Hearing Instruments, Inc.	United States	320 Pinebush Road, unit 7 Cambridge, Ontario N1T 1Z6
Audiology Distribution, LLC	United States	10455 Riverside Drive Wilmington, DE 33410
Siemens Hearing Instruments K.K.	Japan	3-1-33 Sagamiohno, Sagamihara-shi, Marutoku Bldg 2F Kanagawa-ken

12. As of its date of incorporation, October 13, 2014, the Issuer had total assets of €66,510 and total liabilities of €66,510.

13. Auris Luxembourg III S.à r.l. was originally incorporated as Auris Luxembourg III S.A. on April 10, 2014. It was converted to Auris Luxembourg III S.à r.l. on November 21, 2014. Auris Luxembourg III S.à r.l. is a private company that currently has no published financial statements.

14. Auris Holding GmbH was incorporated on October 10, 2014. Auris Holding GmbH is a private company that currently has no published financial statements.

14. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, all notices concerning the Issuer and intended for the bondholders will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website.

GLOSSARY

“Behind-the-ear” or “BTE”	hearing instrument that consists of a plastic case worn behind the ear and connected to a plastic earmold inside the outer ear. The BTE unit is generally bigger and more visible than other alternatives and is used for all types of hearing losses from mild to profound. Many BTE hearing aids offer multiple directional microphone systems for improved understanding of speech in noisy situations
“Binaural”	having the perception of sound in both ears
“binax”	Our most advanced technology platform, introduced in October 2014, that provides audio exchange between two hearing instruments in a binaural fitting through three types of RIC hearing instruments
“Cochlear implants”	hearing instrument with an external portion that sits behind the ear and a second portion that is surgically placed under the skin
“Completely-in-canal” or “CIC”	type of ITE hearing instrument that fits completely in the ear canal and is barely visible
“Concha”	the outer ear
“In-the-canal”	hearing instruments that fit into the ear canal of the user and fill only the bottom half of the external ear and are used for mild to moderately severe hearing loss
“In-the-ear” or “ITE”	custom-made hearing instruments, which sits entirely within the ear and is fitted individually based on an impression of the wearer’s ear, designed for people with mild to moderately severe hearing losses
“ITC”	“In-the-canal”
“micon”	one of our technology platforms, introduced in 2012, that introduced the concept of “Soundability” and is available through RIC, BTE and ITE hearing instruments
“Penetration”	the number of active users of hearing instruments among the total hearing impaired population
“Receiver-in-canal” or “RIC”	type of BTE hearing instrument where the receiver is placed within the canal and connected to the BTE unit via a thin tube. RIC hearing instruments offer users the combined benefits of both comfort and discretion and are designed for people with mild to moderate hearing losses

INDEX TO COMBINED FINANCIAL STATEMENTS

Siemens Audiology Solutions

Combined Financial Statements
for the fiscal years ended September 30, 2014, 2013 and 2012
in accordance with
International Financial Reporting Standards
(IFRS as adopted by the EU)

SIEMENS AUDIOLOGY SOLUTIONS

COMBINED STATEMENTS OF INCOME
For the fiscal years ended September 30, 2014, 2013 and 2012
(in thousands of €, except where otherwise stated)

		Year ended September 30,		
	Note	**2014**	**2013**	**2012**
Revenue	27	690,395	668,738	650,265
Cost of goods sold		(290,315)	(297,520)	(285,820)
Gross profit		400,080	371,218	364,445
Research and development expenses		(45,659)	(46,279)	(54,415)
Selling and general administration expenses		(229,232)	(223,182)	(226,330)
Other operating income		1,076	346	451
Other operating expenses		(307)	(615)	(364)
Interest income	5	1,829	1,787	1,987
Interest expenses	5	(3,573)	(2,983)	(3,280)
Other financial income (expenses), net		(125)	65	(60)
Income before income taxes		124,089	100,358	82,434
Income taxes	6	(15,761)	12,247	(41,326)
Net Income		**108,328**	**112,605**	**41,108**
Attributable to:				
Non-Controlling Interests		974	1,089	276
Siemens Group		107,354	111,516	40,832

SIEMENS AUDIOLOGY SOLUTIONS

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended September 30, 2014, 2013 and 2012
(in thousands of €, except where otherwise stated)

	Year ended September 30,		
	2014	2013	2012
Net income	**108,328**	**112,605**	**41,108**
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit plans, net of tax			
Change in accumulated remeasurement gains/(losses)	(1,498)	2,064	(8,642)
Tax effect	248	(888)	2,813
Net actuarial gains/(losses) from pensions and similar obligations	(1,250)	1,176	(5,829)
Items that may be reclassified to profit and loss			
Currency translation differences			
Net change in accumulated unrealized gains/(losses)	7,755	(16,693)	17,883
Other comprehensive income from derivative financial instruments			
Change in accumulated unrealized gains/(losses)	3,226	1,301	3,372
Net realized gains/(losses) reclassified to statement of income	239	(3,503)	(1,985)
Tax effect	(175)	111	(75)
Net unrealized gains/(losses)	3,290	(2,091)	1,312
Total other comprehensive income net of income taxes	**9,795**	**(17,608)**	**13,366**
Total comprehensive income	**118,123**	**94,997**	**54,474**
Attributable to:			
Non-Controlling Interests	1,444	1,089	205
Comprehensive income attributable to Siemens Group	116,679	93,908	54,269

SIEMENS AUDIOLOGY SOLUTIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
For the fiscal years ended September 30, 2014, 2013 and 2012 and October 1, 2011
(in thousands of €, except where otherwise stated)

		September 30,			October 1,
	Note	**2014**	**2013**	**2012**	**2011**
Assets					
Current assets					
Cash and cash equivalents	24	11,950	7,632	8,944	10,877
Trade receivables	7	101,411	103,093	100,788	94,072
Other current financial assets	8	9,896	4,722	6,065	5,084
Receivables from Siemens Group	24	78,183	79,612	177,865	107,990
Inventories	9	66,172	64,134	60,182	57,695
Current income tax assets		3,352	2,970	444	1,035
Other current assets	10	11,038	9,497	9,071	10,528
Total current assets		**282,002**	**271,660**	**363,359**	**287,281**
Goodwill	11	66,694	56,610	55,583	50,938
Other intangible assets	12	46,196	47,765	55,626	54,786
Property, plant and equipment	13	50,424	48,202	46,693	37,920
Other financial assets	14	9,421	11,947	15,931	13,222
Deferred tax assets	6	36,496	33,007	33,882	28,484
Other assets	10	638	516	422	537
Total assets		**491,871**	**469,707**	**571,496**	**473,168**
Liabilities and equity					
Current liabilities					
Short-term debt and current maturities of long-term debt	24	202	85	145	1,257
Trade payables	24	51,026	47,583	46,390	40,767
Other current financial liabilities	15	8,079	6,796	4,149	3,979
Payables to Siemens Group	24	119,466	131,673	121,067	104,723
Current provisions	16	28,561	27,653	24,734	25,897
Current income tax liabilities		14,053	19,040	38,496	11,023
Other current liabilities	17	58,470	53,980	58,173	42,190
Total current liabilities		**279,857**	**286,810**	**293,154**	**229,836**
Post-employment benefits	18	49,154	45,210	46,876	39,190
Deferred tax liabilities	6	5,023	151	315	1,469
Provisions	16	12,129	11,527	9,875	8,998
Other financial liabilities		1,286	713	412	370
Other liabilities	19	14,037	10,774	9,363	12,161
Total liabilities		**361,486**	**355,185**	**359,995**	**292,024**
Equity					
Net assets attributable to Siemens Group		129,432	124,338	204,798	187,777
Other components of equity		(4,701)	(14,026)	3,583	(9,853)
Therein: Derivative financial instruments		*2,167*	*(1,123)*	*968*	*(344)*
Remeasurements of defined benefit plans		*(9,173)*	*(7,923)*	*(9,099)*	*(3,268)*
Currency translation differences		*2,305*	*(4,980)*	*11,713*	*(6,241)*
Total equity attributable to Siemens Group		124,731	110,312	208,380	177,924
Non-controlling interests		5,654	4,210	3,121	3,220
Total equity		130,385	114,522	211,501	181,144
Total liabilities and equity		**491,871**	**469,707**	**571,496**	**473,168**

SIEMENS AUDIOLOGY SOLUTIONS

COMBINED STATEMENTS OF CASH FLOWS
For the fiscal years ended September 30, 2014, 2013 and 2012
(in thousands of €, except where otherwise stated)

	Year ended September 30,		
	2014	2013	2012
Cash flow from operating activities			
Net income	108,328	112,605	41,108
Adjustments to reconcile net income to cash provided			
Amortization, depreciation and impairments	24,287	25,118	26,003
Income taxes	15,761	(12,247)	41,326
Interest (income) expense, net	1,744	1,196	1,293
(Gains) losses on sales and disposals of businesses, intangibles and property, plant and equipment, net	4	169	35
Change in current assets and liabilities			
(Increase) decrease in inventories	731	(9,125)	2,360
(Increase) decrease in trade and other receivables	4,245	(5,700)	(3,240)
(Increase) decrease in other current assets	(6,633)	166	1,802
Increase (decrease) in trade payables	1,079	8,868	3,548
Increase (decrease) in current provisions	(140)	3,634	(1,945)
Increase (decrease) in other current liabilities	3,017	672	13,065
Change in other assets and liabilities	5,438	1,049	405
Income taxes paid	(19,238)	(10,791)	(16,437)
Interest received	1,605	1,064	1,227
Net cash provided by (used in) operating activities	140,228	116,678	110,550
Cash flows from investing activities			
Additions to intangible assets and property, plant and equipment	(18,784)	(24,988)	(30,809)
Acquisitions, net of cash acquired	(7,430)	(5,933)	(2,014)
(Increase) decrease in receivables from financing activities	10,566	91,878	(61,901)
Proceeds from sales of businesses, intangibles and property, plant and equipment	1,248	1,319	345
Net cash provided by (used in) investing activities	(14,400)	62,276	(94,379)
Cash flows from financing activities			
Change in short-term debt and other financing activities	(21,914)	11,355	9,573
Interest paid	(1,542)	(1,087)	(834)
Dividends paid	(98,220)	(189,614)	(22,649)
Dividends paid to non-controlling interests	—	—	(304)
Net cash provided by (used in) financing activities	(121,676)	(179,346)	(14,214)
Effect of exchange rates on cash and cash equivalents	166	(921)	338
Net increase (decrease) in cash and cash equivalents	4,318	(1,313)	2,295
Cash and cash equivalents at beginning of period	7,632	8,944	6,649
Cash and cash equivalents at end of period (Combined Balance Sheets)	**11,950**	**7,632**	**8,944**

SIEMENS AUDIOLOGY SOLUTIONS

COMBINED STATEMENTS OF CHANGES IN EQUITY
For the fiscal years ended September 30, 2014, 2013 and 2012
(in thousands of €, except where otherwise stated)

	Net assets attributable to Siemens group	Currency translation differences	Pension reserve	Derivative Financial Instruments	Total equity attributable to Siemens Group	Non Controlling Interests	Total Equity
Balance at October 1, 2011	187,777	(6,241)	(3,268)	(344)	177,924	3,220	181,144
Net Income	40,832	—	—	—	40,832	276	41,108
Other comprehensive income for the year	—	17,954	(5,829)	1,312	13,437	(71)	13,366
Dividends	(22,649)	—	—	—	(22,649)	(304)	(22,953)
Other changes in equity*	(1,164)	—	—	—	(1,164)	—	(1,164)
Balance at September 30, 2012	**204,798**	**11,713**	**(9,099)**	**968**	**208,380**	**3,121**	**211,501**
Balance at October 1, 2012	204,798	11,713	(9,099)	968	208,380	3,121	211,501
Net Income	111,516	—	—	—	111,516	1,089	112,605
Other comprehensive income for the year	—	(16,693)	1,176	(2,091)	(17,608)	—	(17,608)
Dividends	(189,614)	—	—	—	(189,614)	—	(189,614)
Other changes in equity*	(2,362)	—	—	—	(2,362)	—	(2,362)
Balance at September 30, 2013	**124,338**	**(4,980)**	**(7,923)**	**(1,123)**	**110,312**	**4,210**	**114,522**
Balance at October 1, 2013	124,338	(4,980)	(7,923)	(1,123)	110,312	4,210	114,522
Net Income	107,354	—	—	—	107,354	974	108,328
Other comprehensive income for the year	—	7,285	(1,250)	3,290	9,325	470	9,795
Dividends	(98,220)	—	—	—	(98,220)	—	(98,220)
Other changes in equity*	(4,040)	—	—	—	(4,040)	—	(4,040)
Balance at September 30, 2014	**129,432**	**2,305**	**(9,173)**	**2,167**	**124,731**	**5,654**	**130,385**

* Other changes in equity mainly relate to the deemed contributions/withdrawals in respect of taxes and financing arrangements with Siemens Group. See Note 26 *Related party disclosures* for further details

NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the fiscal years ended September 30, 2014, 2013 and 2012
(in thousands of €, except where otherwise stated)

1. Basis of Preparation

Background

On November 6, 2014, Siemens AG ("Siemens") announced that it is selling its Audiology Solutions Business Unit (hereafter referred to as "Siemens Audiology Solutions" or "the Company") to the investment company EQT and Germany's Strüngmann family of entrepreneurs as co-investor. The transaction is expected to close in the first quarter of calendar 2015.

The accompanying Combined Financial Statements consist of Combined Statements of Income, Combined Statements of Comprehensive Income, Combined Statements of Financial Position, Combined Statements of Cash Flow, Combined Statements of Changes in Equity and Notes to the Combined Financial Statements for the fiscal years 2014, 2013 and 2012, as well as a Combined Statement of Financial Position in accordance with IFRS 1 as of October 1, 2011 (collectively referred to hereafter as "Combined Financial Statements").

Description of the Audiology Business and the Combination Group

The Company's primary activities are the manufacturing and distribution of audiology products (hearing instruments) and related products, supplies and services. The Company has historically been a largely stand-alone business comprised of Siemens Audiologische Technik GmbH ("SAT GmbH", the "sub-group holding company") and 28 subsidiaries fully dedicated to the audiology business as well as audiology business in Siemens regional companies (Siemens Audiology Solutions Combination Group as defined in Note 29 *List of companies included in the Combined Financial Statements*), all operating together under common control and the under common management of the Business Unit Audiology Solution ("Management"). As of October 1, 2014, all Audiology Business in Siemens regional companies has been transferred to SAT GmbH or one of its subsidiaries, except for the business in Korea and Brazil. Therefore, for the year presented in the Combined Financial Statements, the Company is not a legal group for consolidated financial statement reporting purposes in accordance with IFRS10 but is presented on the basis of a notional group structure. All of the Company's principal activities have historically been presented as a Business Unit within Siemens' Healthcare Sector in Siemens' Consolidated Financial Statements. As a consequence, combined or consolidated financial statements for the Company have not been published historically. For further detailed information regarding the Company see Note 2 *Summary of significant accounting policies.*

Combined Financial Statements

The Company has prepared these Combined Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Combined Financial Statements represent the first financial statements of the Company in accordance with IFRS 1.3. The Company prepared the Combined Financial Statements using IFRS 1.D16(a) ("predecessor accounting method"). The Company used the same accounting policies and valuation methods for the preparation of the Combined Financial Statements, as those used by the Siemens Audiology Solutions entities for the preparation of the financial statements included in Siemens' Consolidated Financial Statements, unless such accounting policies and valuation methods are not in accordance with IFRS when presenting Siemens Audiology Solutions as a group of entities independent of Siemens. These accounting policies have been disclosed in Note 2 *Summary of significant accounting policies*. The Combined Financial Statements were prepared on a historical cost basis as included in Siemens' Consolidated Financial Statements, based on Siemens' date of transition to IFRS (October 1, 2004).

Since IFRS does not provide guidance for the preparation of Combined Financial Statements, IAS 8.12 has been used for the preparation of the Combined Financial Statements. IAS 8.12 requires that the latest pronouncements of other standard setters, other accounting literature and accepted industry practice should be considered.

The Combined Financial Statements are comprised of assets, liabilities, revenues and expenses directly attributable to the Company's legal entities, as well as assets and liabilities, revenues and expenses which are allocated on a specific identification basis reflecting the internal reporting structure of the audiology operations in Siemens regional companies. Charges from Siemens AG or other Siemens entities are only included if they relate to specifically contracted services. All of the Company's activities are under common control of Siemens and common management of the management of the Audiology Solutions Business Unit. The Company is currently preparing the legal transfer of the remaining audiology operations in the Siemens regional companies to a subsidiary of SAT GmbH.

As a result, the Combined Financial Statements have been prepared on a “carve out” basis from the Siemens consolidated financial statements using the historical results from operations, assets and liabilities and cash flows attributable to the Company and include allocations of expenses, assets and liabilities from Siemens. All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between companies belonging to the Audiology Combination Group were eliminated when preparing the Combined Financial Statements. All investments and the respective parent’s portion of equity of each subsidiary within the Audiology Combination Group are also eliminated.

Invested Equity of the Company represents Siemens’ residual interest in the net asset basis of the Company, including the Company’s cumulative operating results and other items, recognized directly in equity.

The Company has historically been managed as a single economic entity and is presented on the basis of a notional group structure. Other than financing services performed by Siemens Financial Services, the Company does not have significant recurring inter-business relationships or significant interdependencies and only limited common facilities with other Siemens businesses. Balances with non-Audiology Group entities of Siemens AG and its subsidiaries, which are directly or indirectly controlled (“Siemens Group”), are disclosed as receivables from or payable to Siemens Group.

Until December 31, 2009, SAT GmbH was part of Siemens AG’s tax group for corporate income tax purposes. All income tax payments for the tax group were made and borne by Siemens AG and reported in Siemens AG’s consolidated financial statements. The Combined Financial Statements only include income taxes that were assessed against SAT GmbH as taxable entity and were borne by it and does not include retrospective tax payments and tax refunds related to the time SAT GmbH was part of the Siemens AG tax group.

The Combined Financial Statements have been prepared in thousand Euros (€). Rounding differences may occur in respect of individual amounts or percentages.

The Combined Financial Statements were authorized for issue by the Management of SAT GmbH on November 18, 2014.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this Combined Financial Statements.

Key accounting estimates and judgments—The preparation of the Combined Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of income, expenses, assets and liabilities. Actual results may differ from management’s estimates. Estimates and assumptions are reviewed on an on-going basis, and changes in estimates and assumptions are recognized in the period in which the changes occur and in future periods impacted by the changes. The estimates in accordance with the basis of preparation made in the Combined Financial Statements are consistent with estimates made for the same dates in accordance with the reporting requirements under IFRS as part of the consolidation group of Siemens AG, unless there is objective evidence that those estimates are not in accordance with IFRS on a stand-alone basis. In addition, the areas involving a high degree of judgment or where estimates and assumptions are significant to the Combined Financial Statements are disclosed in Note 3 *Critical accounting estimates*.

Basis of combination—The Combined Financial Statements include the accounts of SAT GmbH’s and its subsidiaries as well as audiology operations in Siemens regional companies. Subsidiaries are companies which are directly or indirectly controlled. Control is generally conveyed by ownership of the majority of voting rights. Intercompany balances and transactions with combined entities have been eliminated. Intercompany balances with Siemens and its other subsidiaries are presented as receivables from and payable to Siemens Group.

Business combinations—Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in net income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured; subsequent settlement is accounted for within equity. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Uniform accounting policies are applied. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). After initial recognition non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests.

Foreign currency translation—The assets, including goodwill, and liabilities of foreign subsidiaries, where the functional currency is other than the €, are translated using the spot exchange rate at the end of the reporting period, while the Combined Statements of Income are translated using average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized. The Combined Statements of Cash Flow are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

The exchange rate of the significant currencies outside of non-€ countries used in the preparation of the Combined Financial Statements are as follows:

		Spot exchange rate				Annual average rate		
		€1 quoted into currencies specified below				€1 quoted into currencies specified below		
		September 30,			October 1,	Year ended September 30,		
Currency	**ISO Code**	**2014**	**2013**	**2012**	**2011**	**2014**	**2013**	**2012**
U.S. dollar	USD	1.2583	1.3505	1.2930	1.3503	1.3568	1.3126	1.3034
Singapore dollar	SGD	1.606	1.696	1.585	1.759	1.706	1.633	1.647
Japanese yen	JPY	138.11	131.78	100.37	103.79	138.88	120.97	102.46

Foreign currency transaction—Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognized in net income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition—Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Under the condition that persuasive evidence of an arrangement exists, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognized is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty.

In case of a right of return, the sale is analyzed on a case-by-case basis to determine whether delivery is considered probable considering the relevant contractual conditions and other circumstances, as well as historical experience and current forecasts. Only if returns can be reliably estimated at the time of sale, revenue is recognized and a provision for returns is recorded against revenue. In all other cases revenue is deferred until the right of return elapses or returns can be estimated reliably. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Sales of goods and services sometimes involve the provision of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, foremost if the delivered element(s) has (have) value to the customer on a stand-alone basis, the arrangement is separated and the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

Discounts and Rebates, Sales Incentives for Customers—When measuring revenue, trade discounts and volume rebates are deducted from revenue. Generally, sales incentives are recorded as a reduction of revenue, if they serve, in substance, to reduce the price the customer pays to the Company, unless the Company receives an identifiable benefit in return for the cash incentive that is sufficiently separable from the customer's purchase of Company products and the fair value of the benefit received from the customer can be reasonably estimated.

Interest income—Interest is recognized using the effective interest method.

Income from lease arrangements—Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term. An arrangement that is not in the legal form of a lease is accounted for as a lease if it is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Dividends—Dividends are recognized when the right to receive payment is established.

Functional costs—In general, operating expenses by type are assigned to the functions following the functional area of the corresponding profit and cost centers.

Product-related expenses and losses from onerous contracts—Provisions for estimated costs related to product warranties are recorded in line item *Cost of sales* at the time the related sale is recognized and reflect historic experience of warranty costs and other relevant information. Expected losses from onerous contracts are recognized in the period when the current estimate of total contract costs exceeds contract revenue.

Research and development costs—Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if (1) development costs can be measured reliably, the product or process is (2) technically and (3) commercially feasible, (4) future economic benefits are probable and (5) the Company intends, and (6) has sufficient resources, to complete development and to use or sell the asset. The costs capitalized include the cost of materials, direct labour and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in line item Other intangible assets as other internally generated intangible assets. Other development costs are expensed as incurred. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three years. Amortization expense is included in costs of goods sold.

Goodwill —Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit, which is the lowest level at which goodwill is monitored for internal management purposes.

In fiscal years 2014, 2013 and 2012, the goodwill impairment test was performed at the Audiology Solution Business Units level within the Siemens Group, since the monitoring of goodwill was performed by Siemens Group Management at this level.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit to which the goodwill is allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit is recognized. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit or the group of cash-generating units to which the goodwill is allocated.

There was no impairment to goodwill in 2014, 2013 or 2012.

Other intangible assets—Other intangible assets are valued at cost less accumulated depreciation and impairment losses. Other intangible assets consist of software and other internally generated intangible assets, customer relationships, trademarks, patents, licenses and similar rights. The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to ten years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and trademarks. Estimated useful life for customer relationships acquired ranged from five to ten years. The trademark Hear USA is considered to be closely related to the Company and therefore no separate impairment test from that for the Company as a whole has been carried out relating to this asset.

Property, plant and equipment—Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. Costs of construction of qualifying assets, i.e. assets that require a substantial period of time to be ready for its intended use, include capitalized interest, which is amortized over the estimated useful life of the related asset. The following useful lives are assumed:

Factory and office buildings	20 to 50 years

Technical machinery & equipment	4 to 10 years
Furniture & office equipment	3 to 5 years

Impairment of property, plant and equipment and other intangible assets—The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level, instead, it is performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or cash-generating unit exceeds their recoverable amount. If the fair value cannot be determined, the assets' value in use is applied as their recoverable amount. The assets' value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which caused the impairment no longer exist, the Company assesses the need to reverse all or a portion of the impairment.

Income taxes—The Company calculates current taxes based on the profit (loss) of the fiscal year and in accordance with local tax rules of the tax jurisdiction respectively. Expected and executed additional tax payments respectively, tax refunds for prior years are also taken into account. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement, unless related to items directly recognized in equity, in the period the new laws are enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. See additional information in *Basis of preparation*.

Inventories—Inventories are valued at the lower of acquisition or production costs and net realizable value, costs being generally determined on the basis of an average or first-in, first-out method. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are presented net of advance payments received.

Defined benefit plans and other post-employment benefits—The entitlements of the defined benefit plans are measured by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the Company considers future compensation and benefit increases, because the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases. The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the fiscal year will be based on the discount rate for the respective year multiplied by the net liability at the preceding fiscal year's period-end date. The fair value of plan assets and DBO and thus the interest income on plan assets and the net interest expenses on DBO are adjusted for significant events during the fiscal year end, such as a supplemental funding, plan changes or business combinations and disposals. The DBO includes the present value from the effects of taxes payable by the plan on contributions or benefits relating to services already rendered.

Current service cost, past service cost and settlements for post-employment benefits as well as other administration costs which are unrelated to the management of plan assets are allocated among functional costs (line items Cost of sales, Research and development expenses, Selling and general administrative expenses) following the functional area of the corresponding profit and cost centers. Past service cost and settlement gains (losses) are recognized immediately in profit or loss when the plan amendment, curtailment or settlement occurs. Administration costs which are related to the management of plan assets and taxes directly linked to the return on plan assets and payable by the plan itself are included in the return on plan assets and are recognized in other comprehensive income, net of income taxes. For unfunded plans, the Company recognizes a post-employment benefit liability equal to the DBO. For funded plans, the Company offsets the fair value of the plan assets with the benefit obligations. The Company recognizes the net amount, after adjustments for effects relating to any asset ceiling, in line item post-employment benefits or in line item other current assets. In the US, the plan assets are held in a Master Trust, administered centrally by Siemens. Plan assets are allocated to the Company based on the relative fair value of the Company's DBO.

Remeasurements comprise actuarial gains and losses, resulting for example from an adjustment of the discount rate, as well as the difference between the return on plan assets and the amounts included in interest income on the net defined benefit liability (asset) and are recognized in other comprehensive income, net of income taxes.

Countries with major pension plans include Germany and the U.S.

Provisions—A provision is recognized in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognized as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognized in the Combined Statements of Income. The present value of the recognized obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development or normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the useful life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognized by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement.

Termination benefits—Termination benefits are recognized in the period incurred and when the amount can be reasonably estimated. Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date or from an entity's decision to terminate the employment. Termination benefits in accordance with principles of IAS 19, Employee Benefits, are recognized as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

Leasing— The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company as lessee, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the Combined Statements of Income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Combined Statements of Income on a straight-line basis over the term of the lease. Since the Combined Financial Statements present the Company as an independent business, leasing arrangements with Siemens are accounted for as either finance or operating leases in accordance with the aforementioned accounting.

Financial instruments—A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, trade receivables, loans receivable and derivative financial instruments with a positive fair value. Financial liabilities of the Company mainly comprise loans from banks, trade payables and derivative financial instruments with a negative fair value. The Company does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value.

Financial instruments are recognized in the Combined Statements of Financial Position when the Company becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only included in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category—cash and cash equivalents, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading—to which they are assigned.

Cash and cash equivalents—The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. Restricted cash is considered within other current financial assets.

Loans and receivables—Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognized using separate allowance accounts. Loans and receivables bearing no or lower interest rates compared to market rates with a maturity of more than one year are discounted.

Financial liabilities—The Company measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

Derivative financial instruments—Derivative financial instruments are foreign currency exchange contracts and are measured at fair value. Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized periodically either in net income or, in the case of a cash flow hedge, in line item *Other comprehensive income*, net of income taxes

Cash flow hedges—The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognized in line item *Other comprehensive income, net of income taxes*, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Segment information—Operating segments are identified on the basis of whether the allocation of resources and/or the assessment of performance of a particular component of the Company's activities are regularly reviewed by the chief operating decision maker as a separate operating segment. By these criteria, the activities of the Company are considered to be one segment, which comprises the *"the manufacture and distribution of audiology products (hearing instruments) and related products, supplies and services"*, and the segmental analysis is the same as the analysis for the Company as a whole. The Chief Executive Officer of the Siemens Healthcare Business Unit, Audiology Solutions is identified as the chief operating decision maker and reviews the combined operating results regularly to make decisions about the resources and to assess overall performance.

Recently Adopted Accounting Pronouncements

As of October 1, 2013, the Company adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities and consequential amendments to IAS 27, Separate Financial Statements (amended 2011) and IAS 28, Investments in Associates and Joint Ventures (amended 2011). IFRS 10 provides a comprehensive concept of control in determining whether an entity is to be consolidated, IFRS 11 provides guidance on accounting for joint arrangements by focusing on rights and obligations of the arrangement and IFRS 12 provides comprehensive disclosure requirements for all forms of interests in other entities. The standards are applied on a retrospective basis. The adoption of the new standards did not have a material impact on the Company's Combined Financial Statements.

As of October 1, 2013, the Company adopted IFRS 13, Fair Value Measurement. The new standard defines fair value and standardizes disclosures on fair value measurements of both financial and non-financial instrument items. The standard is applied on a prospective basis. The adoption of IFRS 13 did not have a material impact on the Company's Combined Financial Statements.

Recent Accounting Pronouncements, not yet adopted

The following pronouncements, issued by the IASB, are not yet effective and have not yet been adopted by the Company:

In July 2014, the IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9: Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice on IFRS 9. The Company is currently assessing the impacts of adopting IFRS 9 on the Company's Combined Financial Statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's Combined Financial Statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted. The Company is currently assessing the impact of adopting IFRS 15 on the Company's Combined Financial Statements and will determine the adoption date as well as the transition method.

3. Critical accounting estimates

The Company's significant accounting policies, as described in Note 2 *Summary of significant accounting policies* are essential to understanding the Combined Financial Statements.

The preparation of the Combined Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. Actual results may differ from management's estimates. Estimates and assumptions are reviewed on an ongoing basis, and changes in estimates and assumptions are recognized in the period in which the changes occur and in future periods impacted by the changes. The estimates in accordance with the basis of accounting are consistent with estimates made for the same date in accordance with the reporting requirements as part of the consolidation of Siemens, unless there is objective evidence that those estimates were in error.

Revenue recognition—The Company maintains various contractual terms with customers related to the sales of its products. In some cases these contracts include multiple elements for which fair values need to be estimated for purposes of determining the amount of revenue, if any, which should be deferred to future periods. Significant judgment is required to allocate contract consideration to each unit of accounting and determine whether the arrangement is a single unit of accounting or a multiple element arrangement. Depending upon how such judgment is exercised, the timing and amount of revenue recognized could differ significantly. Deferred revenue (current and non-current) as of September 30, 2014, 2013 and 2012 and October 1, 2011 amounted to €13,604, €13,624, €10,661 and €11,374 respectively. Additionally, in some markets the customers are granted a right of return. If returns can be reliably estimated at the time of sale, revenue is recognized and a provision for returns is recorded against revenue. The Company has estimated and accrued for the amounts to be returned in the subsequent period. This estimate is based on the right of return policies and practices along with historical data, sales trends and the timing of returns from the original transaction date when applicable. Change in the trend of returns could lead to actual returns being different from the amounts estimated and accrued. Provisions for rights of return as of September 30, 2014, 2013 and 2012 and October 1, 2011 were €11,847, €8,926, €8,462 and €12,020 respectively.

Trade and other receivables—The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, and analysis of historical bad debts on a portfolio basis.

For the determination of the country-specific component of the individual allowance, Siemens Audiology Solutions also considers country credit ratings, which are centrally determined based on information from external rating agencies. As of September 30, 2014, 2013 and 2012 and October 1, 2011, the Company recorded a total valuation allowance for trade and other receivables of €12,519, €11,221, €11,731 and €10,650 respectively.

Impairment —The goodwill impairment test is performed at the level of cash-generating units, which is the lowest level at which goodwill is monitored for internal management purposes. In fiscal years 2014, 2013 and 2012, Siemens Group management monitored goodwill at the Audiology Solutions Business Unit level and, accordingly, performed the goodwill impairment test at the level of the entire audiology business. The determination of the recoverable amount of a cash-generating unit to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. The Company generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment, other intangible assets and investments accounted for using the equity method are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management that can have a material impact on the respective values and ultimately the amount of any impairment.

Post-employment benefit accounting—Obligations for pension and other post-employment benefits and related defined benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected salary and inflation increases, mortality rates and health care trend rates. The discount rate assumptions reflect the rates available on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full directly in equity in the period in which they occur without affecting profit or loss.

Provisions —Significant estimates are involved in the determination of provisions related to warranty costs, right of return, legal proceedings and onerous contracts. Due to the technological features of the Company's products, the Company incurs a substantial amount of warranty costs and the determination of future warranty costs related to products sold is based on historic results as well as estimated product defects. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated.

The Company is from time to time subject to legal disputes and regulatory proceedings in several jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, damage claims and other claims, or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, the Company may incur charges in excess of the recorded provisions for such matters. It cannot be excluded that the financial position or results of operations of the Company will be materially affected by an unfavorable outcome of legal or regulatory proceedings or government investigations.

Income taxes—The Company operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, that portion would not be recognized. See Note 2 *Summary of significant accounting policies.*

4. Acquisitions and dispositions

a) Acquisitions

During the fiscal years ended September 30, 2014, 2013 and 2012, the Company completed a number of acquisitions. The acquisitions made during fiscal year 2014, 2013 and 2012 have been accounted for under the purchase method and have been included in the Company's Combined Financial Statements since the date of acquisition. The acquisitions made during fiscal year 2011 have been accounted for using the predecessor accounting method.

aa) Acquisitions in the fiscal year 2014

During the fiscal year 2014 the Company continued to acquire local retail businesses in the USA. Through the year, eight businesses were acquired by Audiology Distribution LLC and two businesses were acquired by HearX West LLC by way of asset deals for a total consideration of €8,150, which includes contingent consideration of €694 which becomes payable in a two to four year period based on performance measures such as revenues achieved. Therefore, it is not yet possible to estimate a range of the amount of contingent consideration that will be paid. The businesses are solely dedicated to the audiology business of Siemens. In each case, 100% of the entity was acquired. The difference between purchase price and net assets at fair value at the acquisition date amounting to €6,179 was recorded as goodwill. The goodwill is deductible for tax purposes, except for the portion that relates to the contingent consideration that has not yet been paid. Significant identified intangible assets are customer relationships of €1,811. Goodwill comprises intangible assets that are not separable such as employee know-how and expected synergy effects. In the Combined Statement of Income for the fiscal year ended September 30, 2014, revenue of €3,345 has been recognized in relation to the retail businesses acquired during fiscal year 2013.

ab) Acquisitions in the fiscal year 2013

In January 2013, Siemens Medical Instruments Pte. Ltd. acquired a 100% interest in a retail chain based in Turkey for a consideration of €4,200. The entity, Siemens Isitme Cihazlari Sanayi Ve Ticaret Anonim Sirketi, Istanbul, (SIC), is solely dedicated to the audiology business of Siemens. The total consideration includes contingent consideration of €297 which becomes payable based on performance measures such as revenues achieved. Therefore, it is not yet possible to estimate a range of the amount of contingent consideration that will be paid. The difference between purchase price and net assets at the acquisition date amounting to €1,992 was recorded as goodwill which is not deductible for tax purposes. No separable intangible assets were identified. Goodwill comprises intangibles that are not separable such as employee know-how and expected synergy effects. Other major components of the net assets are accounts receivable of €2,250, inventories of €425, cash and cash equivalents of €160 and accounts payable of €21. In the Combined Statement of Income for the fiscal year ended September 30, 2013, revenue of €3,460 and a net loss after tax of €871 have been recognized in relation to the operations of SIC.

During the fiscal year 2013, five retail businesses based in the US were acquired by Audiology Distribution LLC by way of asset deals for a total consideration of €2,181. The total consideration includes contingent consideration of €335 which becomes payable in a two to four year period based on performance measures such as revenues achieved. Therefore, it is not yet possible to estimate a range of the amount of contingent consideration that will be paid. The businesses are solely dedicated to the audiology business of Siemens. In each case, 100% of the entity was acquired. For the net assets, fair values have been determined as of the acquisition date. Major intangible assets comprise the identified customer relationships of €441. The difference between purchase price and net assets at fair value at the acquisition date amounting to €1,755 was recorded as goodwill. The goodwill is deductible for tax purposes, except for the portion that relates to the contingent consideration that has not yet been paid. In the Combined Statement of Income for the fiscal year ended September 30, 2013, revenue of €1,178 has been recognized in relation to the retail businesses acquired during fiscal year 2013.

ac) Acquisitions in the fiscal year 2012

During the fiscal year 2012, two retail businesses based in the US were acquired by Audiology Distribution LLC by way of asset deals for a total consideration of €2,707. The total consideration includes contingent considerations €580 which becomes payable in a two to four year period based on performance measures such as revenues achieved. Therefore, it is not yet possible to estimate a range of the amount of contingent consideration that will be paid. The businesses are solely dedicated to the audiology business of Siemens. In each case, 100% of the entity was acquired. Goodwill comprises intangibles that are not separable such as employee know-how and expected synergy effects. For the net assets, fair values have been determined as of the acquisition date. Major intangible assets comprise the identified customer relationships of €462. The difference between purchase price and net assets at fair value at the acquisition date amounting to €2,453 was recorded as goodwill. The goodwill is deductible for tax purposes, except for the portion that relates to the contingent consideration that has not yet been paid. In the Combined Statement of Income for the fiscal year ended September 30, 2012, revenue of €706 have been recognized in relation to the retail businesses acquired during fiscal year 2012.

b) Dispositions

During the fiscal year 2012, the Company lost control over Koden, Hiroshima. This change in control is the result of the Company not participating in a capital increase by Koden, after which the shares held by the Company were diluted from 54.2% to 43.3%. Upon closing of this capital increase, the Company retained significant influence over Koden, however, did not retain control. As of the date the Company lost control, Koden represented net assets of (€142), which includes customer financing of €113, cash and cash equivalents of €233, bank loans of €213 and accounts payable of €361. At that point in time, the Company recorded an investment at zero value given the negative equity held by Koden. The Company recorded the difference between the negative equity share of the Company and zero value investment recognized as a gain of €72, which is included in the Combined Statement of Comprehensive Income in fiscal year 2012. This gain includes also €16 of other comprehensive income which has been reclassified to the Combined Statement of Comprehensive Income and represents foreign currency translation differences.

5. Interest income, interest expenses and other financial income (expenses), net

Interest income and expenses primarily relate to deposits and funding with SFS, as well as receivables from customers and payables to suppliers. Other financial expense includes expenses as a result of allowances and write-offs of finance receivables.

The components of financial income are as follows:

	Year ended September 30,		
	2014	2013	2012
Interest income, other than pension	1,829	1,787	1,987
Interest income, other than pension	**1,829**	**1,787**	**1,987**

The components of financial expense and other financial expense are as follows:

	Year ended September 30,		
	2014	2013	2012
Interest expense, other than pension	(2,094)	(1,591)	(1,503)
Interest expense from pension plans	(1,479)	(1,392)	(1,777)
Interest expense	**(3,573)**	**(2,983)**	**(3,280)**

	Year ended September 30,		
	2014	2013	2012
Other financial income (expense), net	(125)	65	(60)
Other financial income (expense), net	**(125)**	**65**	**(60)**

Interest income (expense), net, other than pension includes primarily interest relating to transactions with Siemens Treasury (“Siemens Treasury”) and includes only the interest income (expenses) from financial assets (financial liabilities) not measured at fair value through profit or loss.

	Year ended September 30,		
	2014	2013	2012
Interest income, other than pension plans	1,829	1,787	1,987
Interest expense, other than pension plans	(2,094)	(1,591)	(1,503)
Interest income (expense), net, other than pension	**(265)**	**196**	**484**

See Note 18 *Post-employment benefits* for further details on Interest income (expense) from pension plans.

6. Income taxes

Income from continuing operations before income tax is €124,089 in 2014, €100,358 in 2013 and €82,434 in 2012.

Income tax expense (benefit) consists of the following:

	September 30,		
	2014	2013	2012
Current tax	13,482	(10,750)	44,099
Deferred tax	2,279	(1,497)	(2,773)
Income tax expense (benefit)	**15,761**	**(12,247)**	**41,326**

The current income tax (benefit) expense in fiscal 2014, 2013 and 2012 includes adjustments recognized for current tax of prior years in the amount of €46, €(22,544) and €30,052, respectively. In fiscal 2013 the current tax benefit is mainly affected by the reversal of transfer price tax reserves, which was recorded in 2012.

The deferred tax expense (benefit) in fiscal 2014, 2013 and 2012 includes tax effects of the origination and reversal of temporary differences of €210, €(1,607) and €(540), respectively.

In Germany, the calculation of current tax is based on a corporate tax rate of 15% and a solidarity surcharge thereon of 5.5%, for all distributed and retained earnings. In addition to corporate taxation, trade tax is levied on profits earned in Germany. As the German trade tax is a non-deductible expense, the average trade tax rate amounts to 15% and the combined total tax rate results in 31%. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

For foreign subsidiaries, current taxes are calculated based on the local tax laws and applicable tax rates in the individual foreign countries. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Income tax expense differs from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

	September 30,		
	2014	2013	2012
Expected income tax expense	38,468	31,111	25,555
Increase (decrease) in income taxes resulting from:			
Non-deductible losses and expenses	2,439	4,490	2,855
Tax-free income	(223)	(951)	(420)
Taxes for prior years	(1,367)	(35,527)	30,217
Change in realizability of deferred tax assets and tax credits	(24)	74	994
Change in tax rates	25	(44)	190
Foreign tax rate differential	(11,601)	(6,100)	(9,502)
DIE status	(11,318)	(5,528)	(8,095)
Other, net	(638)	228	(468)
Actual income tax expense	**15,761**	**(12,247)**	**41,326**

Siemens Medical Instruments Pte. Ltd. is taxed on a reduced corporation tax rate because of the DEI status (Development and Expansion Incentive) in Singapore. Deferred income tax assets and liabilities on a gross basis are summarized as follows:

	September 30,		
	2014	2013	2012
Assets			
Financial assets	209	239	200
Intangible assets	898	1,186	1,129
Property, plant and equipment	525	511	885
Inventories	8,838	8,320	8,590
Receivables	4,821	5,106	4,176
Pension plans and similar commitments	8,640	7,902	8,753
Provisions	8,197	8,270	8,114
Liabilities	1,619	1,294	1,239
Tax loss and credit carry-forward	4,927	5,997	6,682
Other	1,556	79	11
Deferred tax assets	**40,230**	**38,904**	**39,779**
Liabilities:			
Financial assets	18	21	33
Intangible assets	3,673	1,289	2,577
Property, plant and equipment	3,353	3,088	1,684
Inventories	394	323	170
Receivables	671	608	918
Provisions	590	464	382
Liabilities	55	42	41
Other	4	213	407
Deferred tax liabilities	**8,758**	**6,048**	**6,212**
Total deferred tax assets, net	**31,472**	**32,856**	**33,567**

	September 30,		
	2014	2013	2012

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Company will realize the benefits of these deductible differences.

Deferred tax assets on tax loss carryforwards are mainly resulted from the U.S. tax group.

Deferred tax assets have not been recognized with respect of the following items (gross amounts):

	September 30,		
	2014	2013	2012
Capital loss carry-forward	3,052	2,519	2,519
Tax loss carry-forward	246	358	33
	3,298	**2,877**	**2,552**

As of September 30, 2014, €246 of the unrecognized tax loss carryforwards expire over the periods to 2017.

The Company recorded deferred tax liabilities for income taxes and foreign withholding taxes on future dividend distributions from subsidiaries which are rather intended to be repatriated. Apart from this liability, the company has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €173,358, €143,468 and €225,938, respectively in fiscal 2014, 2013 and 2012 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including the items charged or credited directly to equity and the expense (benefit):

	September 30,		
	2014	2013	2012
Income and expense recognized in income	15,761	(12,247)	41,326
Income and expense recognized directly in equity	(73)	778	(2,738)
	15,688	**(11,469)**	**38,588**

7. Trade receivables

	September 30,			October 1,
	2014	2013	2012	2011
Trade receivables from sales of goods and services, net	101,411	103,093	100,788	94,072
	101,411	**103,093**	**100,788**	**94,072**

Changes to the valuation allowance of short term trade receivables are as follows:

	Year ended September 30,		
	2014	2013	2012
Valuation allowance as of the start of the fiscal year	10,188	10,553	9,836
Increase in valuation allowances recorded in the statement of income	1,685	1,860	2,427
Write-offs charged against allowance	(243)	(143)	(259)
Release of valuation allowances	(998)	(1,729)	(1,640)
Foreign exchange translation differences	136	(353)	189
Valuation allowance as of the end of the fiscal year	**10,768**	**10,188**	**10,553**

8. Other current financial assets

	September 30,			October 1,
	2014	2013	2012	2011
Loans receivables from third parties	1,584	2,021	2,239	1,573
Derivative financial instruments	6,859	1,760	2,026	56
Other	1,453	941	1,800	3,455
	9,896	**4,722**	**6,065**	**5,084**

Loans receivables from third parties primarily consist of the short-term portion of interest bearing loans receivables from customers in association with long-term supply agreements.

Derivative financial instruments consist solely of foreign currency exchange contracts. The increase in derivative financial instruments as of September 30, 2014 is due to a positive position on the majority of outstanding derivatives, compared with a negative position in general as of September 30, 2013. For additional information see Note 24 *Additional disclosures on financial instruments*.

The decrease in the Other line item between October 1, 2011 and September 30, 2012 is primarily the result of a restricted cash deposit in the amount of €1,679 held as of October 1, 2011, which was required as collateral for a standby letter of credit. The requirement to maintain this cash deposit for the standby letter of credit ended in fiscal year 2012.

9. Inventory

	September 30,			October 1,
	2014	2013	2012	2011
Raw materials and supplies	11,830	20,280	18,458	19,753
Work in process	17,182	11,700	12,508	9,170
Finished goods and merchandise	39,092	34,379	30,959	29,283
Advances to suppliers	157	102	48	40
Advance payments received	(2,089)	(2,327)	(1,791)	(551)
	66,172	**64,134**	**60,182**	**57,695**

Raw materials and supplies, work in process as well as finished goods and merchandise are valued at the lower of acquisition/production cost and net realizable value. Write-downs to inventory were €10,220 during the fiscal year 2014 (2013: €16,872, 2012: €6,673).

Cost of goods sold mainly includes costs relating to inventories sold.

10. Other assets

Other current assets are as follows:

	September 30,			October 1,
	2014	2013	2012	2011
Miscellaneous tax receivables	6,616	6,140	5,634	6,647
Prepaid expenses, current	3,712	2,644	2,560	2,745
Other	710	713	877	1,136
	11,038	**9,497**	**9,071**	**10,528**

Other non-current assets are as follows:

	September 30,			October 1,
	2014	2013	2012	2011
Prepaid expenses, non-current	113	59	49	34
Other	525	457	373	503
	638	**516**	**422**	**537**

11. Goodwill

Refer to Note 2 *Summary of significant accounting policies* for information regarding goodwill impairment testing within the Company.

	September 30,		
	2014	2013	2012
Net book value			
Balance as of the beginning of the fiscal year	56,610	55,583	50,938
Translation differences	3,906	(2,720)	2,192
Acquisitions and purchase accounting adjustments	6,179	3,747	2,453
Balance as of the end of the fiscal year	**66,694**	**56,610**	**55,583**

The Company does not have any accumulated impairment losses or other charges to goodwill.

In fiscal year 2014, the acquisition of nine retail businesses increased goodwill in the amount of €6,179.

In fiscal year 2013, the acquisition of Siemens Isitme Cihazlari Sanayi Ve Ticaret Anonim Sirketi increased goodwill in the amount of €1,992. Additionally, the acquisitions of five retail businesses in fiscal year 2013 increased goodwill in the amount of €1,754.

In fiscal year 2012, the acquisitions of two retail businesses increased goodwill in the amount of €2,453.

Refer to Note 4 *Acquisitions and dispositions* for additional information regarding increases in goodwill related to acquisitions. The Company performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment tests 2014, 2013 and 2012 were estimated to be higher than the carrying amount. Key assumptions on which management has based its determination of the fair value less costs to sell are the estimated growth rates for the periods beyond the five year planning horizon and discount rates. The growth rates applied in the annual impairment test were 2.2% in fiscal year 2014, 1.9% in fiscal year 2013 and 2.7% in fiscal year 2012, and after-tax discount rates were 7.0% in fiscal year 2014, 7.5% in fiscal year 2013, and 7.5% in fiscal year 2012, respectively.

For the purpose of estimating the fair value less costs to sell, cash flows were projected based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions for the 5 year planning period. The inputs used to determine the fair value of goodwill are assigned to level 3 of the fair value hierarchy.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates reflect the current market assessment of the specific risks and are based on the weighted average cost of capital. Terminal value growth rates take into consideration external macroeconomic sources of data and trends in the industry.

12. Intangible assets

Fiscal year 2014

	Gross carrying amount as of 1/10/13	Translation differences	Additions	Additions through business combinations	Retirements	Gross carrying amount as of 30/09/14	Accumulated amortization and impairment	Net book value as of 30/09/14	Amortization during fiscal year 2014
Software and other intangible assets	39,084	1,189	1,517	—	(170)	41,620	(29,735)	11,885	(3,124)
Customer relationships, trademarks, patents and similar rights	31,717	2,388	266	1,936	(33)	36,274	(12,431)	23,843	(3,330)
Capitalized development cost	20,635	1,353	2,794	—	—	24,782	(14,314)	10,468	(4,365)
	91,436	**4,930**	**4,577**	**1,936**	**(203)**	**102,676**	**(56,480)**	**46,196**	**(10,819)**

Fiscal year 2013

	Gross carrying amount as of 1/10/12	Translation differences	Additions	Additions through business combinations	Retirements	Gross carrying amount as of 30/09/13	Accumulated amortization and impairment	Net book value as of 30/09/13	Amortization during fiscal year 2013
Software and other intangible assets	37,508	(1,106)	3,224	20	(562)	39,084	(26,109)	12,975	(4,125)
Customer relationships, trademarks, patents and similar rights...	32,607	(1,365)	100	441	(66)	31,717	(8,386)	23,331	(3,329)
Capitalized development cost...	18,616	(1,337)	3,581	—	(225)	20,635	(9,176)	11,459	(4,658)
	88,731	**(3,808)**	**6,905**	**461**	**(853)**	**91,436**	**(43,671)**	**47,765**	**(12,112)**

Fiscal year 2012

	Gross carrying amount as of 1/10/11	Translation differences	Additions	Additions through business combinations	Retirements	Gross carrying amount as of 30/09/12	Accumulated amortization and impairment	Net book value as of 30/09/12	Amortization during fiscal year 2012
Software and other intangible assets	27,090	944	9,530	—	(56)	37,508	(22,673)	14,835	(9,990)
Customer relationships, trademarks, patents and similar rights....	31,196	1,053	265	462	(369)	32,607	(5,407)	27,200	(3,179)
Capitalized development cost....	14,287	1,645	2,684	—	—	18,616	(5,025)	13,591	(1,550)
	72,573	**3,642**	**12,479**	**462**	**(425)**	**88,731**	**(33,105)**	**55,626**	**(14,719)**

Additions to Software and other intangible assets in fiscal years 2014, 2013 and 2012 include capitalized costs for the implementation of an ERP system, which began in fiscal year 2012 and went live in fiscal year 2013 for businesses in Singapore, Indonesia and China. Additions to Software and other intangible assets relating to the ERP amounted to €9,770 in fiscal year 2012. The ERP system has an estimated useful life of 10 years. Other ERP related software has an estimated useful life of three years.

Additions to Capitalized development cost during fiscal year 2014 primarily relate to the development of the D9 product platform and during fiscal year 2013 primarily relate to the development of the Micon/D8 and D9 platforms. The Micon/D8 platform was launched in fiscal year 2013 and the D9 platform during fiscal year 2014. Capitalized development costs generally have an estimated useful life of three years.

Customer relationships, trademarks, patents and similar rights consist primarily of customer relationships and a trademark related to the acquisition of HearUSA in 2011. These customer relationships are amortized over 7 years and the carrying amounts as of September 30, 2014, 2013, 2012 and October 1, 2011 were €11,828, €13,834, €17,388 and €19,464, respectively. The trademark HearUSA has been determined to have an indefinite useful life as it is the brand under which the Company operates in the US retail market as a whole rather than being linked to specific products. The carrying value of this asset as of September 30, 2014 was €9,590.

Amortization of Software and other intangibles is primarily related to the amortization of the ERP system amounting to €2,146 in fiscal year 2014 (Fiscal year 2013: €3,249, Fiscal year 2012: €9,069). The decline in amortization during fiscal years 2014 and 2013 is primarily related to an increase in the expected useful life of the Company's existing ERP in December 2012. The useful life was adjusted as a result of delays in the implementation of the new ERP system.

Amortization and impairment on intangible assets is contained in line items Cost of sales, Research and development expenses or, Selling and general administrative expenses, depending on the use of the asset.

There were no impairment losses recognized on intangible assets in any fiscal year.

As of September 30, 2014 contractual commitments for purchases of intangible assets amount to €1,254 (September 30, 2013: €105, September 30, 2012: €5,285 and October 1, 2011: €53). The increase in purchase commitments as of September 30, 2014 relates primarily to the ERP implementation, and as of September 30, 2012 relates primarily to the ERP implementation and Micon/D8 and D9 platforms.

13. Property, plant and equipment

Fiscal year 2014

	Gross carrying amounts as of 1/10/13	Translation differences	Additions	Additions through business combinations	Reclassifications	Retirements	Gross carrying amounts as of 30/09/14	Accumulated depreciation and impairment	Net book value as of 30/9/14	Depreciation during fiscal year 2014
Land and buildings.........	43,609	2,508	3,964	—	1,386	(540)	50,927	(30,248)	20,679	(3,276)
Technical machinery and equipment	40,274	1,938	1,222	—	974	(2,415)	41,993	(33,959)	8,034	(2,015)
Furniture and office equipment	85,987	4,348	6,665	—	(592)	(2,704)	93,704	(74,040)	19,664	(8,209)
Advances to suppliers and construction in progress..........	2,083	68	2,356	—	(1,768)	(692)	2,047	—	2,047	—
	171,953	8,862	14,207	0	0	(6,351)	188,671	(138,247)	50,424	(13,500)

Fiscal year 2013

	Gross carrying amounts as of 1/10/12	Translation differences	Additions	Additions through business combinations	Reclassifications	Retirements	Gross carrying amounts as of 30/09/13	Accumulated depreciation and impairment	Net book value as of 30/9/13	Depreciation during fiscal year 2013
Land and buildings.........	42,265	(1,871)	4,828	56	—	(1,669)	43,609	(25,301)	18,308	(2,592)
Technical machinery and equipment	41,512	(1,746)	3,219	—	131	(2,841)	40,274	(32,662)	7,612	(2,273)
Furniture and office equipment	88,277	(5,600)	7,843	133	2,798	(7,464)	85,987	(65,787)	20,200	(8,218)
Advances to suppliers and construction in progress..........	3,790	(204)	2,195	—	(2,929)	(769)	2,083	—	2,083	—
	175,845	(9,421)	18,085	189	—	(12,744)	171,952	(123,750)	48,202	(13,081)

Fiscal year 2012

	Gross carrying amounts as of 1/10/11	Translation differences	Additions	Additions through business combinations	Reclassifications	Retirements	Gross carrying amounts as of 30/09/12	Accumulated depreciation and impairment	Net book value as of 30/9/12	Depreciation during fiscal year 2012
Land and buildings.........	38,271	1,752	2,324	—	102	(184)	42,265	(25,356)	16,909	(2,254)
Technical machinery and equipment	36,129	2,632	1,902	—	1,779	(930)	41,512	(34,535)	6,977	(2,419)
Furniture and office equipment	73,048	5,346	11,548	29	78	(1,771)	88,277	(69,260)	19,017	(6,611)
Advances to suppliers and construction in progress...........	2,942	491	2,537	—	(1,958)	(222)	3,790	—	3,790	—
	150,391	10,220	18,311	29	—	(3,108)	175,844	(129,151)	46,693	(11,284)

Depreciation expense, impairment charges if any, as well as reversals of impairment if any on plant and equipment are included in Cost of goods sold, Research and development expenses, Marketing selling and general administrative expenses, depending on the use of the asset.

During fiscal years 2014, 2013 and 2012, the Company invested in the acquisition and opening of new retail shops in the US as well as the modernization of existing shops. Its US retail organization contributed 25.1% of the total additions in fiscal year 2014, 25.6% in fiscal year 2013 and 51.4% in fiscal year 2012.

The increase in additions to Technical machinery and equipment during fiscal year 2013 relates primarily to purchases of automation machinery at the production facility in Singapore. Additions to Technical machinery and equipment at this location increased from €841 in fiscal year 2012 to €2,313 in fiscal year 2013.

As of September 30, 2014 contractual commitments for purchases of property, plant and equipment amount to €2,797 (September 30, 2013: €1,573, September 30, 2012: €1,032 and October 1, 2011: €395). The increase in contractual commitments as of September 30, 2014 relates mainly to new automation lines.

14. Other financial assets

	September 30,			October 1,
	2014	2013	2012	2011
Loans receivable	3,570	5,453	7,943	4,032
Cash surrender value of life insurance	3,261	3,127	4,040	4,619
Trade receivables, non-current..............................	1,403	2,187	1,975	2,596
Other	1,187	1,180	1,973	1,975
	9,421	11,947	15,931	13,222

Loans receivable primarily consists of the long-term portion of interest bearing loans receivables from customers in association with long-term supply agreements.

The Company owns life insurance policies for its employees and directors in Japan. The Company records an asset for the insurance policy based on the cash surrender value as of the balance sheet date.

15. Other current financial liabilities

	September 30, 2014	September 30, 2013	September 30, 2012	October 1, 2011
Derivative financial instruments	967	2,217	197	470
Customers with net credit balances	1,097	851	805	1,081
Contingent consideration from acquisitions	851	642	236	—
Other	5,164	3,086	2,911	2,428
	8,079	6,796	4,149	3,979

Derivative financial instruments represent negative fair market values of foreign currency exchange forwards and options.

Contingent consideration from acquisitions relates to components of the purchase prices for which the payments depend on the achievement of defined performance measures. For additional information related to these acquisitions, refer to Note 4 *Acquisitions and dispositions*.

The increase in Other as of September 30, 2014 is primarily due to an increase in rebates accrued for key accounts.

16. Provisions

Fiscal year 2014

	Warranties	Right of Return	Asset Retirement Obligations	Other	Total
Balance as of October 1, 2013	**24,247**	**8,926**	**813**	**5,195**	**39,180**
Additions	18,769	9,636	401	4,695	33,502
Usage	(17,048)	(7,136)	—	(6,952)	(31,136)
Reversals	(1,782)	114	(73)	(860)	(2,601)
Accretion expenses and effect of changes in discount rates	—	—	(2)	—	(2)
Translation differences	1,327	307	21	92	1,747
Reclassification	153	—	—	(153)	—
Balance as of September 30, 2014	**25,666**	**11,847**	**1,160**	**2,017**	**40,690**
Thereof current	*15,643*	*11,847*	—	*1,071*	*28,561*
Thereof non-current	*10,023*	—	*1,160*	*946*	*12,129*

Fiscal year 2013

	Warranties	Right of Return	Asset Retirement Obligations	Other	Total
Balance as of October 1, 2012	**23,306**	**8,462**	**1,047**	**1,794**	**34,609**
Additions	8,707	9,269	—	5,843	23,819
Usage	(6,383)	(8,460)	—	(1,787)	(16,630)
Reversals	(469)	(2)	(2)	(513)	(986)
Accretion expenses and effect of changes in discount rates	—	—	(64)	—	(64)
Translation differences	(914)	(343)	(168)	(142)	(1,567)
Balance as of September 30, 2013	**24,247**	**8,926**	**813**	**5,195**	**39,180**
Thereof current	*14,577*	*8,926*	—	*4,150*	*27,653*
Thereof non-current	*9,670*	—	*813*	*1,045*	*11,527*

Fiscal year 2012

	Warranties	Right of Return	Asset Retirement Obligations	Other	Total
Balance as of October 1, 2011	**20,533**	**12,020**	**998**	**1,344**	**34,895**
Additions	10,613	8,153	—	1,303	20,069
Usage	(8,308)	(10,588)	—	(763)	(19,659)

	Warranties	Right of Return	Asset Retirement Obligations	Other	Total
Reversals	(179)	(1,432)	(1)	(164)	(1,776)
Accretion expenses and effect of changes in discount rates	—	—	(8)	—	(8)
Translation differences	647	309	58	74	1,088
Balance as of September 30, 2012	**23,306**	**8,462**	**1,047**	**1,794**	**34,609**
Thereof current	*14,922*	*8,462*	—	*1,350*	*24,734*
Thereof non-current	*8,384*	—	*1,047*	*444*	*9,875*

The Company's provisions are generally expected to result in cash outflows during the next one to 10 years.

Warranties primarily relate to products sold. Right of return relates to products sold for which customers have the right to return the products at their own discretion within a specified period. Based on historical data, return rates are calculated and provisions are recorded to cover the expected cost. Asset retirement obligations primarily relate to a building and rented facilities in Japan which are required to be restored to their original condition. See Note 2 *Summary of significant accounting policies* and Note 3 *Critical accounting estimates* for further information concerning our policies for estimating warranty, right of return and asset retirement obligation provisions.

The Other line item relates mainly to legal provisions. The usage during fiscal year 2014 is primarily as a result of payments made relating to a class action lawsuit brought against the company by the formal shareholders of HearUSA. During fiscal year 2014, settlements were made totaling €2,940, legal fees were paid totaling €249 and €726 of the remaining provision was released. The increase during fiscal year 2013 is the primarily the result of an additional legal settlement provision relating to this lawsuit. In addition, as of September 30, 2014, the Company has accrued €578 relating to an onerous lease provision (September 30, 2013: €1,054). The onerous lease provision relates to one property in the UK where the landlord claims that the break notice was not correctly prepared. See Note 22 *Legal proceedings* for additional information.

17. Other current liabilities

	September 30,			October 1,
	2014	2013	2012	2011
Other employee related cost	11,638	13,037	13,092	12,106
Payroll and social security taxes	15,467	12,264	12,239	13,531
Bonus obligations	19,601	10,822	9,108	3,874
Deferred income	4,219	3,765	3,561	3,357
Sales tax and other tax liabilities	5,216	4,815	3,398	2,491
Other liabilities	2,329	9,277	16,775	6,831
	58,470	**53,980**	**58,173**	**42,190**

Employee related costs include accrued vacation payments amounting to €6,545 as of September 30, 2014 (September 30, 2013: €6,195, September 30, 2012: €6,269 and October 1, 2011: €4,995).

Bonus obligations increased as of September 30, 2014 due to improved target achievement compared with prior year and the implementation of a Retention Bonus Plan. According to the sale and purchase agreement relating to the sale of the Company, Siemens AG will reimburse the Company for all payments made under the Retention Bonus Plan, including applicable social security and Medicare contributions. As the sale and purchase agreement was signed in fiscal year 2015, the Company did not record a corresponding receivable from Siemens AG as of September 30, 2014.

Other liabilities increased as of September 30, 2012 largely as a result of €5,974 in German investment income tax liabilities related to the payment of dividends in fiscal year 2012. No such dividends were paid in fiscal year 2011, and taxes related to dividends paid in fiscal year 2013 and fiscal year 2014 were paid during the same fiscal year, resulting in no such liabilities as of October 1, 2011, September 30, 2013 and September 30, 2014.

18. Post-employment benefits

During the reporting period post-employment benefits provided by the Company are organized primarily through defined contribution plans as well as defined benefit plans which cover almost all of the Company's domestic employees and many of the Company's foreign employees. Post-employment defined benefit plans include to the major extent pension benefits.

Defined benefit plans

The Company, as a fully consolidated subsidiary, historically participates in Siemens pension plans and related pension trust assets. General principles are determined in a corporate pension policy. That means inter alia that the Company regularly reviews the design of its post-employment defined benefit plans. In order to reduce Company's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increase, the Company regularly reviews and continuously improves the design of its post-employment defined benefit plans. The benefits of defined benefit plans open to new entrants are based predominantly on contributions made by the Company and are still affected by longevity, inflation adjustments and compensation increases, but only to a lesser extent. The major foreign pension plans are funded with assets in segregated pension entities.

The defined benefit plans cover approximately 2,300 participants, including 1,600 active employees, 400 former employees with vested rights and 300 retirees and surviving dependants. Individual benefits are generally based on eligible compensation levels and/or ranking within the Company's hierarchy and years of service. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal and economic requirements in each country. For the major defined benefit plans of the Company the characteristics and risks are as follows:

Germany:

In Germany, the Company provides pension benefits through the cash-balance plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of the active employees in Germany participate in the BSAV introduced in fiscal 2004. These benefits are predominantly based on contributions made by the Company and returns earned on such contributions, subject to a minimum return guaranteed. In general, the BSAV is unfunded from the Company's perspective. Nevertheless, Siemens AG as the parent company set up a CTA (contractual trust arrangement) in order to take precautions of financing all of its BSAV pension obligations, including the Company. Individual benefits under the frozen legacy plans are based on eligible compensation levels or ranking within the Company's hierarchy and years of service. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases by freezing the accretion of benefits under the majority of these plans. However, these frozen plans still expose to the Company actuarial risks such as investment risk, interest rate risk and longevity risk. Furthermore, deferred compensation plans are offered which are funded via a CTA. In Germany no legal or regulatory minimum funding requirements apply. The Trust which is legally separate manages its plan assets as trustee in accordance with the respective trust agreements.

U.S.:

The assets under these pension plans are administered centrally by Siemens and are, therefore, the sole responsibility of Siemens. The assets are not separately identifiable; instead the companies had a common right to the trusts' assets. One major defined benefit plan, the Siemens Pension Plan, is frozen to new entrants and accretion of new benefits. Employees hired prior to April 1, 2006 participate in the Siemens Pension Plan. Most of the defined benefit plan participants' benefits are calculated using a cash balance formula; although a small group of participants are eligible for a benefit based on a final average pay formula. This frozen defined benefit plan exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

The defined benefit plan assets are held in a Master Trust. Siemens Corporation, as the sponsoring employer, has delegated investment oversight of the plans' assets to the Investment Committee. The Investment Committee members have a fiduciary duty to act solely in the best interests of the beneficiaries according to the trust agreement and U.S. law. The Committee has established an Investment Policy Statement which articulates the goals and objectives of the plans' investment management, including diversifying the assets of the Master Trust with the intention of appropriately addressing concentration risks. The trustee of the Master Trust acts only by direction of the Investment Committee. It is responsible for the safekeeping of the trust, but generally has no decision making authority over the plan assets. The legal and regulatory framework for the plans is based on the applicable U.S. legislation Employee Retirement Income Security Act (ERISA). Based on this legislation a funding valuation is prepared annually. There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions.

The amounts included in the Company's Combined Statements of Financial Position arising from its post-employment benefits based upon the situation as at September 30, 2014, 2013 and 2012 and October 1, 2011 are as follows:

	Defined benefit obligation				Fair value of plan assets			
	September 30,			October 1,	September 30,			October 1,
	2014	2013	2012	2011	2014	2013	2012	2011
Germany	42,225	36,858	35,327	28,221	2,212	2,316	1,978	1,727
U.S.	31,436	31,580	36,071	31,458	25,588	23,766	25,596	20,987
Other	5,171	4,900	4,992	4,324	1,888	2,046	1,940	2,100
	78,831	**73,338**	**76,390**	**64,003**	**29,689**	**28,128**	**29,514**	**24,814**

	Effect in connection with asset ceiling				Net defined benefit balance			
	September 30,			October 1,	September 30,			October 1,
	2014	2013	2012	2011	2014	2013	2012	2011
Germany	—	—	—	—	(40,012)	(34,542)	(33,349)	(26,494)
U.S.	—	—	—	—	(5,847)	(7,814)	(10,475)	(10,471)
Other	(12)	—	—	—	(3,295)	(2,854)	(3,052)	(2,225)
	(12)	**—**	**—**	**—**	**(49,154)**	**(45,210)**	**(46,876)**	**(39,190)**

Defined benefit costs are as follows:

	September 30,		
	2014	2013	2012
Current service cost	1,788	1,699	1,611
Past service (benefit) cost	16	—	(1,689)
Net interest expenses	1,479	1,392	1,777
Liability administration expenses	40	101	101
Components of defined benefit costs recognized in the Consolidated Statements of Income	**3,324**	**3,192**	**1,800**
Return on plan assets (excluding amounts included in net interest expense and net interest income)	(490)	424	(2,527)
Remeasurement (gains) and losses on DBO	1,988	(2,488)	11,169
Remeasurements of defined benefit plans recognized in the Consolidated Statements of Comprehensive Income	**1,498**	**(2,064)**	**8,642**
Defined benefit costs	**4,822**	**1,128**	**10,442**

Reconciliation for defined benefit obligations and plan assets

A detailed reconciliation for the changes in the DBO for fiscal years 2014, 2013 and 2012 is provided in the following table:

	September 30,		
	2014	2013	2012
Change in defined benefit obligations:			
Defined benefit obligation at beginning of year	73,338	76,390	64,003
Current service cost	1,788	1,699	1,611
Past service (benefit) / cost	16	—	(1,689)
Interest expense	2,440	2,195	2,827
Remeasurement (gains) and losses	1,988	(2,488)	11,169
Actuarial (gains) and losses from changes in demographic assumptions	*1,262*	*586*	*(375)*
Actuarial (gains) and losses from changes in financial assumptions	*695*	*(3,851)*	*11,609*
Experience (gains) and losses	*31*	*777*	*(65)*
Plan participants' contributions	224	247	211
Benefits paid	(3,358)	(2,554)	(2,933)
Business combinations, disposals and other	(64)	(43)	(177)
Foreign currency effects	2,459	(2,109)	1,368

	September 30,		
	2014	2013	2012
Defined benefit obligation at end of year	**78,831**	**73,338**	**76,390**

Actuarial (gains) losses from changes in demographic assumptions include losses from modified assumptions of German and US mortality tables of total €1,315.

Actuarial (gains) losses from changes in financial assumptions include losses from decreasing market interest rates, which were almost compensated by gains of total €5,398 from the refined extrapolation and data selection used to derive the discount rate in the major currency zones (EUR, USD).

The net interest expense for fiscal year 2015 will be €80 higher due to the refined procedure.

The total defined benefit obligation at the end of fiscal year 2014 includes €36,395 for active employees (2013: €33,964, 2012: €34,414, 2011: €29,520), €16,501 for former employees with vested benefits (2013: €16,444, 2012: €17,980, 2011: €13,752) and €25,936 for retirees and surviving dependents (2013: €22,929, 2012: €23,996, 2011: €20,732).

A detailed reconciliation of the changes in the fair value of plan assets for fiscal years 2014, 2013 and 2012 is provided in the following table:

	September 30,		
	2014	2013	2012
Change in plan assets:			
Fair value of plan assets at beginning of year	28,128	29,514	24,814
Interest income	961	804	1,050
Remeasurement gains and (losses) (Return on plan assets excluding amounts included in net interest income and net interest expense)	490	(424)	2,527
Employer contributions	92	278	1,424
Plan participants' contributions	224	247	211
Benefits paid	(2,032)	(1,148)	(1,329)
Settlement payments	—	—	—
Business combinations, disposals and other	14	55	—
Liability administration costs	(40)	(101)	(101)
Foreign currency effects	1,851	(1,098)	919
Fair value of plan assets at end of year	**29,689**	**28,128**	**29,514**

Actuarial assumptions

Assumed discount rates, compensation increase rates, pension progression rates and mortality rates used in calculating the DBO vary according to the economic and other conditions of the country in which the retirement plans are situated.

The weighted-average discount rates used for the actuarial valuation of the DBO at period-end was as follows:

	September 30,			October 1,
	2014	2013	2012	2011
Discount rate:	3.3%	3.4%	3.0%	4.3%
Germany	*2.4%*	*3.1%*	*3.1%*	*4.7%*
U.S.	*4.6%*	*3.7%*	*2.9%*	*4.1%*

The data selection criteria used to derive the discount rate in the major currency zones (EUR, USD) and the extrapolation were refined as of September 30, 2014. The discount rate will be derived from high-quality corporate bonds with an issuing volume of more than 100 million units in the respective currency zones, which have been awarded an AA rating (or equivalent) by at least one of the two rating agencies Moody's Investor Service or Standard & Poor's Rating Services.

The mortality tables used for the actuarial valuation of the DBO were as follows (most significant countries):

Germany .... Heubeck Richttafeln 2005G (modified)

U.S.	RP 2000 Combined Healthy Fully Generational Mortality Table and longevity improvement scale BB2D

The DBO was only significantly affected by other financial assumptions in Germany. The long-term rate of compensation increase and the pension increase rate were constant at 2.3% and 1.6% on average in fiscal 2014, 2013, 2012 and 2011.

The DBO is also affected by assumed future inflation rates. The effect of inflation is recognized within the assumptions above where applicable.

Sensitivity analysis

A one-half-percentage-point change of the established assumptions mentioned before used for the calculation of the DBO as of September 30, 2014, would result in the following increase (decrease) of the DBO:

	Effect on DBO as of September 30, 2014 due to a	
	0.5% increase	**0.5% decrease**
Discount rate	(3,999)	4,512
Rate of compensation increase	89	(85)
Rate of pension progression	2,060	(1,824)

	Effect on DBO as of September 30, 2013 due to a	
	0.5% increase	**0.5% decrease**
Discount rate	(3,548)	4,021
Rate of compensation increase	34	(32)
Rate of pension progression	1,843	(1,602)

The reduction of the mortality rates by 10% results in an increase of life expectancy depending on the individual age of each beneficiary. That means for example, that the life expectancy of a 55 years old male Audiology employee as of September 30, 2014 increases by approximately 1 year. In order to determine the longevity sensitivity the mortality rates were reduced by 10% for all beneficiaries. The effect on DBO as of September 30, 2014 due to a 10% reduction in mortality rates would result in an increase of €1,762 (2013: €1,560).

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the Consolidated Statement of Financial Position. Increases and decreases in the discount rate, rate of compensation increase, rate of pension progression and mortality rates which are used in determining the DBO do not have a symmetrical effect on the DBO primarily due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions is changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes. Furthermore, the sensitivities reflect a change in the DBO only for a change in the assumptions in this specific magnitude, i.e. 0.5%. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Asset Liability Matching Strategies

Basically, the Company, as a fully consolidated subsidiary, adopts Siemens AG’s general valid funding policy for its own funded defined benefit plans. This policy is part of the overall commitment to sound financial management, which also includes an ongoing analysis of the structure of its defined benefit liabilities. To balance return and risk, a benefit risk management concept has been developed. A decline in the plans’ funded status as a result of the adverse development of plan assets and/or defined benefit obligations has been identified as a major risk. Monitoring the investments and the defined benefit obligations has been identified as an appropriate risk measure. The risk quantifies the expected maximum decline in the principle plans’ funded status for a given confidence level over a given time horizon. A risk limit on the group level forms the basis for the determination of the investment strategy, i.e. the strategic asset class allocation of principle plan assets and the degree of interest rate risk hedging. Both the risk limit and investment strategy are regularly reviewed with the participation of senior external experts of the international asset management and insurance industry to allow for an integral view on plan assets and benefit liabilities. Siemens AG selects asset managers based on quantitative and qualitative analysis and subsequently constantly monitors their performance and risk, both on a stand-alone basis, and in the broader portfolio context. Siemens AG reviews the asset allocation of each plan in light of the duration of the related benefit liabilities and analyzes trends and events that may affect asset values in order to inform about appropriate measures at a very early stage.

Derivatives are used for risk reducing purposes to either reduce the fluctuations in the value of plan assets or reduce funded status volatility as part of an integrated risk management approach for assets and liabilities. Main risks mitigated are interest rate, credit, equity, currency and inflation risk. All over-the-counter derivatives are collateralized on a daily basis to eliminate counterparty risk. In addition, derivatives are permitted for investment managers to use as substitutes for traditional securities where appropriate to manage exposure to foreign exchange and interest rate risks.

Disaggregation of plan assets

The asset allocation of the plan assets of the benefit plans is as follows:

	September 30,			October 1,
	2014	**2013**	**2012**	**2011**
Asset classes				
Equity securities	**8,322**	**8,168**	**8,180**	**6,112**
U.S. equities	*2,662*	*2,549*	*2,576*	*1,986*
European equities	*395*	*346*	*285*	*222*
Emerging markets	*2,921*	*2,842*	*3,000*	*2,194*
Global equities	*2,344*	*2,431*	*2,320*	*1,710*
Fixed income securities	**18,928**	**16,916**	**18,465**	**15,813**
Government bonds	*2,915*	*2,163*	*2,351*	*1,997*
Corporate bonds	*16,013*	*14,754*	*16,114*	*13,816*
Alternative investments	**53**	**70**	**87**	**87**
Private Equity	*1*	*9*	*15*	*15*
Real estate	*52*	*62*	*72*	*72*
Derivatives	**(1)**	**4**	**1**	**—**
Foreign currency risk	*(1)*	*4*	*1*	*—*
Cash and cash equivalents	**364**	**308**	**309**	**243**
Other assets	**2,022**	**2,662**	**2,471**	**2,558**
Insurance Contracts	*1,782*	*2,494*	*2,305*	*2432*
Others	*240*	*167*	*166*	*126*
Total	**29,689**	**28,128**	**29,514**	**24,814**

Virtually all equity securities have quoted prices in active markets. The fair value of fixed income securities is based on prices provided by price service agencies. The fixed income securities are traded in highly liquid markets and almost all fixed income securities are investment grade. The insurance contracts shown under Other assets have non-quoted prices due to inactive markets.

The plan assets do not include own transferable financial instruments of the Company.

Future cash flows

Employer contributions expected to be paid to the post-employment defined benefit plans in fiscal year 2015 are €97. At the end of fiscal year 2013 the Company expected to pay €100 employer contributions for fiscal year 2014. At the end of fiscal year 2012 the Company expected to pay €1,208 employer contributions for fiscal year 2013.

	September 30,
	2014
Expected benefit payments	
2015	2,932
2016	2,802
2017	2,996
2018	3,146
2019	3,240
2020-2024	18,053

The weighted average duration of the DBO for Audiology's defined benefit plans was 11 years as of September 30, 2014, 2013 and 2012.

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounts to €2,658, €3,076 and €2,964 in fiscal years 2014, 2013 and 2012, respectively. Contributions to state plans amount to €9,739, €9,570 and €6,537 in fiscal years 2014, 2013 and 2012, respectively.

19. Other liabilities

	September 30,			October 1,
	2014	**2013**	**2012**	**2011**
Deferred income, non-current	9,617	8,691	7,743	8,053
Employee related liabilities	3,351	1,525	1,289	3,808
Other	1,069	558	331	301
	14,037	**10,774**	**9,363**	**12,161**

Deferred income relates to extended warranty sales that have not yet been earned at the respective balance sheet date not all criteria for revenue recognition have been fulfilled. For details on the revenue recognition accounting policy, refer to Note 2 *Summary of significant accounting policies*.

Employee related liabilities primarily consist of the non-current portion of service anniversary awards, which amounted to €1,095 (September 30, 2013: €583, September 30, 2012: €493, October 1, 2011: €385) and the non-current portions of early retirement benefits amounting to €1,043 as of September 30, 2014 (September 30, 2013: €568, September 30, 2012: €436 and October 1, 2011: €121). The decrease in employee related liabilities between October 1, 2011 and September 30, 2012 is primarily related to a decrease in the non-current portion of severance related liabilities, which amounted to €2,947 as of October 1, 2011 (September 30, 2012: €25).

20. Additional capital disclosures

Capital management for the Company is performed by the ultimate shareholder, Siemens AG, and includes the consideration of legal requirements relating to the equity and liquidity requirements of the Siemens Group.

21. Commitments and contingencies

Commitments

Future payment obligations under non-cancellable operating leases are as follows:

	September 30,			October 1,
	2014	**2013**	**2012**	**2011**
Within 1 year	11,462	10,069	9,310	7,430
1 to 5 years	18,129	15,895	19,884	8,309
Thereafter	3,665	2,270	647	2,821
	33,256	**28,234**	**29,841**	**18,560**

Total operating rental expense for the fiscal year 2014 was €14,185 (fiscal year 2013: €14,281, fiscal year 2012: €13,638). Operating rental expense and future obligations relate to buildings rented both from Siemens group companies and third parties. The Company's lease payment obligations do not include contingent rent payments or the contingencies related to the lease in dispute disclosed below. The increase as of September 30, 2012 compared with October 1, 2011 primarily relates to an increase in commitments relating to retail stores in the U.S.

For further information on related party commitments, refer to Note 26 *Related party disclosures*.

22. Legal Proceedings

Legal Disputes

Siemens Hearing Instruments UK vs. Friends Life

Siemens Hearing Instruments Ltd., United Kingdom ("SHI" or "tenant") has leased factory premises from Friends Life Ltd. ("Friends Life" or "landlord"). The lease agreement which was entered into in 1998 for a term of 25 years provided, with a break option for the tenant after a lease term of 15 years. SHI exercised this option by serving break notice in 2013 and vacated the premises. An external law firm had been requested to prepare the break notice. Friends Life argues the break notice was invalid as it was not given in the form required under the lease agreement and the lease agreement would continue for another 10 years. The High Court of Justice decided in July 2013 that not strictly following the prescribed form does not render the break notice invalid. In the subsequent appeal by the landlord the Court of Appeal in April 2014 took the view that failure to strictly follow the contractual requirements rendered the break notice invalid. SHI is currently awaiting decision of the Supreme Court on its application for permission to appeal the decision of the Court of Appeal. As of September 30, 2014, the Company has accrued €578 (September 30, 2013: €1,054) for the related risk, excluding the impact of claims against the external law firm. The future minimum sublease payments expected to be received under non-cancellable subleases relating to this property as of September 30, 2014 were €2,850.

MTB Investment Partners vs. Siemens Hearing Instruments USA

Siemens Hearing Instruments, Inc. USA ("SHI") has been a shareholder in HearUSA, Inc. ("HearUSA") during fiscal year 2011. MTB Investment Partners, LP ("MTB"), another shareholder of HearUSA, is seeking to represent a class of sellers of HearUSA common stock between January and July 31, 2011, in a class action lawsuit.

During January 2012, MTB has filed a putative class action pursuant to Rule 23 of the Federal Rules of Civil Procedure against SHI in the United States District Court in New Jersey in January 2012. MTB alleges that the price of HearUSA common stock was unlawfully suppressed by misrepresentations or omissions of SHI in the context of its intended acquisition of HearUSA and that the class members were harmed by the alleged misconduct. As of September 30, 2013, the Company has accrued €4,002 related to the estimated settlement of this lawsuit, including associated legal costs. After settlement discussions, SHI and MTB have executed a stipulation of settlement in July 2014. SHI has made payment of the agreed settlement amount of 3.6 million USD and for notice and administration costs of 100,000 USD into an escrow account. The court has issued an order preliminary approving the settlement in August 2014 and has set the final settlement hearing date on December 4, 2014. As of September 30, 2014, the Company has a remaining provision of €380 for related legal costs.

Patent Litigation

Auditory Licensing Company LLC (Vivatone) vs. Siemens Hearing Instruments et.al.

In September 2008, Vivatone Hearing Systems, LLC ("Vivatone") sued Siemens Hearing Instruments, Inc. and several other hearing aid manufacturers for alleged infringement of US Patent 7,421,086 relating to open fit receiver-in-the-ear hearing aid systems. In December 2008, Vivatone changed its name to Auditory Licensing Company LLC ("ALC"). In July 2010, ALC filed a second suit asserting two additional related patents, US Patents 7,751,580 and 7,720,245. At about the same time, the co-defendants filed a declaratory judgment action seeking a judgment of invalidity and non-infringement regarding all three patents. The litigation is currently pending in the District Court of Connecticut, but all related litigation has been stayed (postponed) pending resolution of invalidity challenges (i.e., inter parties reexaminations) several of the defendants filed before the US Patent & Trademark Office against all three patents. Thus far, two of the three patents have been found invalid and the only remaining patent is the '580 patent. ALC filed a Notice of Appeal of the Patent Office's rejection of the '580 patent claims and the third party requesters filed an Appeal Brief in June 2014.

In addition to the legal disputes described above, the Company is, from time to time, subject to other legal disputes and regulatory proceedings in connection with its business activities involving, among other things, improper delivery of goods and services, product liability, product defects, intellectual property infringement, termination of business relationship, and/or alleged or suspected violation of applicable laws in various jurisdictions. In the light of the number of legal disputes and proceedings in which the Company is involved, it cannot be ruled out that some of these proceedings could result in rulings against the Company. The Company is defending itself in legal disputes and proceedings to the extent necessary and prudent. Any conjecture regarding the results of proceedings is associated with considerable difficulties, especially in cases in which claimant brings claims for undetermined amounts of compensation. Considering this, the Company cannot make any prediction regarding what kind of obligation could possibly ensue from such proceedings. Possible negative rulings in such cases could have considerable effects on the assets, finance, and earnings situations in a given reporting period. At this time, however the Company does not expect any significant negative effects on the Company's financial position or finance and earnings situation resulting from the other legal topics not separately dealt with in this section.

23. Financial risk management

The Company is managed centrally by the Audiology Solutions Business Unit management, which is responsible for the operating business.

Market risks

Market fluctuations may result in cash flow and earnings volatility risk for the Company. Its worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and commodity prices. The Company seeks to manage and control these risks primarily through its regular operating activities, and uses derivative instruments when deemed appropriate. The Company monitors and controls the financing activities in the respective reporting periods. The management of financial market risk is a key priority for the Company's management.

As a member of the management, the Chief Financial Officer has specific responsibility for this part of the overall risk management system. For practical business purposes, the Business Unit management delegates responsibilities to central functions (i.e. Treasury & Financing) and to the individual affiliated entities. The Company manages and controls its financial risks in accordance with Siemens Group policies, primarily through its regular operating and financing activities, and by using derivative financial instruments when deemed appropriate.

Foreign currency exchange rate risk

Transaction risk and foreign currency exchange rate risk management

The Company's international operations expose the Company to foreign currency exchange rate risks, particularly regarding fluctuations of the U.S. Dollar and the Singapore Dollar, in the ordinary course of business. The Company employs various strategies discussed below involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company manufactures most of its products at its subsidiary, Siemens Medical Instruments, in Singapore. The products are sold to its regional entities and invoiced in the currency of the receiving entities, mostly in € and USD. As most of the material cost are also € and USD denominated, the Company is able to significantly reduce its net currency exposure.

The Company's entities are prohibited from borrowing or investing in foreign currencies on a speculative basis. Intercompany financing or investments of operating units are preferably carried out in their functional currency or on a hedged basis.

The Company is currently integrated in Siemens Group's foreign currency exchange rate risk management system. Each of the Company's entities is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure. The binding guideline for Siemens' operating units provides the concept for the identification and determination of a single net foreign currency position for each unit and commits the units to hedge this aggregated position within a narrow band of at least 75% but no more than 100% of their net foreign currency position. The Company assesses its foreign currency exposure by considering balance sheet items denominated in foreign currencies and uncompleted contracts regardless of tenure. In respect of forecast sales and planned purchases, in general the following twelve months are considered or case-by-case longer periods based on highly probably cash flow projections considering historical data and specific commitments from contracts. The Company manages the net foreign currency exposures by either designating derivative financial instruments to specific transactions under the cash flow hedge model or elect to economically hedge the foreign currency exposure. Hedging transactions are carried out primarily with Siemens Treasury as counterparty, except for cases where it is not permitted under country specific regulations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the approximate change in the Company's profit or loss in response to a 5% weakening of the € against the foreign currencies to which the Company has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect on profit or (loss)		
	2014	2013	2012
USD	(92)	(363)	254
SGD	(1,261)	1,289	1,000

Both a 5% weakening of the € against the Singapore Dollar and a 5% weakening of the € against the USD would lead to a revaluation loss of balance sheet items denominated in €, on the basis that all other variables remain constant. This analysis does not include the effect of derivatives entered into for purpose of hedging which might off-set the losses or gains from revaluation.

Effects of foreign currency translation

Most of the Company's entities are located outside the € zone. Since the Company's financial reporting currency is the €, the financial statements of these subsidiaries are translated into € for the preparation of the Combined Financial Statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign-based operations are permanent and that reinvestment is continuous. Effects from foreign currency exchange rate fluctuations on the translation of net asset amounts into € are reflected in the Company's combined equity position.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to short-term bank loans and short-term borrowings from Siemens Group and investments at Siemens Treasury, mainly with fixed rates of interest. No significant long-term liabilities or interest bearing investments exist. Consequently, there is no need for the Company to actively manage its interest rate risk or to enter into any interest rate derivative contracts.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, in particular paying its suppliers. In addition to having implemented effective working capital and cash management, Siemens has implemented short-term and medium-term liquidity forecasts. The Company is mainly financed by the Siemens Group through Siemens Treasury.

The Company finances itself using the Siemens-wide cash pooling and cash management systems, in which excess liquid funds are also deposited (see Note 26 *Related party disclosures*). In addition, the Company had cash and other liquid funds of €11,950 as of September 30, 2014 (September 30, 2013: €7,632, September 30, 2012: €8,944, and October 1, 2011: €10,877).

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that were in place as per September 30, 2014. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2014.

	Year ended September 30,	
	2015	2016 and thereafter
Non-derivative financial liabilities		
Payable to Siemens Group	119,509	—
Trade payables	51,026	—
Other financial liabilities	7,314	1,286
Derivative financial liabilities	967	—

The risk implied from the values shown in the table above reflects the one-sided scenario of cash outflows only. Obligations under trade payables and other financial liabilities mainly originate from the financing of assets used in the Company's ongoing operations such as property, plant, equipment and investments in working capital—for example inventories and trade receivables. These assets are considered in the Company's overall liquidity risk management.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Company participates in a comprehensive risk reporting established by Siemens, which covers its worldwide business.

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. The Company may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables.

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the analysis of historical bad debts on a portfolio basis and the considers country credit ratings. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. Investments and transactions involving derivative financial instruments are generally only allowed with Siemens Treasury to minimize credit risk.

There were no significant concentrations of credit risk as of September 30, 2014, 2013 and 2012 or October 1, 2011.

The maximum exposure to credit risk of financial assets is represented by their carrying amount. Concerning trade receivables and other receivables, as well as loans or receivables included in line item Other financial assets that are neither impaired nor past due, there were no indications as of September 30, 2014, that defaults in payment obligations will occur.

Concerning trade receivables and other receivables, as well as loans or receivables included in line item Other financial assets that are neither impaired nor past due, there were no indications as of September 30, 2014, that defaults in payment obligations will occur, which lead to a decrease in the net assets of the Company. When substantial expected payment delays become evident, overdue financial instruments are assessed individually for additional impairment and are further allowed for as appropriate. For further information regarding the concept for the determination of allowances on receivables see Note 3 *Critical accounting estimates*.

Hedging activities

The Company's operating units apply cash flow hedge accounting for certain significant forecast transactions denominated in foreign currencies. Particularly, the Company has entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales. The ineffective portion of cash flow hedges is not significant individually or in aggregate.

Periods in which the hedged forecast transactions denominated in foreign currency are expected to impact profit or loss:

	Year ended September 30,				
	2015	2016	2017	2018	2019
Expected (loss) to be reclassified from line item Other comprehensive income, net of income taxes into revenue......	2,628	(64)	(134)	(116)	(147)

24. Additional disclosures on financial instruments

The following table presents the carrying amounts of each category of financial assets and financial liabilities:

	September 30,			October 1,
	2014	2013	2012	2011
Financial assets:				
Cash and cash equivalents..	11,950	7,632	8,944	10,877
Trade receivables, current..	101,411	103,093	100,788	94,072
Receivables from Siemens Group..	78,183	79,612	177,865	107,990
Loans and receivables...	5,154	7,474	10,182	5,605
Trade receivables, non-current...	1,403	2,187	1,975	2,596
Other financial assets...	5,902	5,248	7,812	10,049
Derivative financial instruments..	6,859	1,760	2,026	56
Derivatives not designated in a hedge accounting relationship...	*3,751*	*1,429*	*735*	*34*
Derivatives in connection with cash flow hedges..............	*3,108*	*331*	*1,291*	*22*
	210,862	**207,006**	**309,593**	**231,245**
Financial liabilities:				

	September 30,			October 1,
	2014	2013	2012	2011
Trade payables	(51,026)	(47,583)	(46,390)	(40,767)
Payables from Siemens Group	(119,466)	(131,673)	(121,067)	(104,723)
Other financial liabilities	(8,600)	(5,377)	(4,509)	(5,136)
Derivative financial instruments	(967)	(2,217)	(197)	(470)
Derivatives not designated in a hedge accounting relationship	*(596)*	*(698)*	*(3)*	*(88)*
Derivatives in connection with cash flow hedges	*(371)*	*(1,519)*	*(194)*	*(382)*
	(180,059)	**(186,850)**	**(172,163)**	**(151,096)**

The following table presents the fair values and carrying amounts of financial assets and financial liabilities measured at cost or amortized cost:

	September 30, 2014		September 30, 2013		September 30, 2012		October 1, 2011	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets measured at cost or amortized cost								
Cash and cash equivalents	11,950	11,950	7,632	7,632	8,944	8,944	10,877	10,877
Trade receivables, current	101,411	101,411	103,093	103,093	100,788	100,788	94,072	94,072
Receivables from Siemens Group	78,183	78,183	79,612	79,612	177,865	177,865	107,990	107,990
Loans and receivables	5,154	5,154	7,474	7,474	10,182	10,182	5,605	5,605
Other non-derivative financial assets	7,304	7,304	7,435	7,435	9,788	9,788	12,645	12,645
Financial liabilities measured at cost or amortized cost								
Trade payables	(51,026)	(51,026)	(47,583)	(47,583)	(46,390)	(46,390)	(40,767)	(40,767)
Payables to Siemens Group	(119,461)	(119,466)	(131,440)	(131,673)	(121,066)	(121,066)	(104,723)	(104,723)
Other non-derivative financial liabilities	(8,600)	(8,600)	(5,377)	(5,377)	(4,509)	(4,509)	(5,136)	(5,136)

The fair values of cash and cash equivalents, trade and other receivables and trade payables with a remaining term of up to twelve months, other current financial liabilities and borrowings under revolving credit facilities are approximately equal to their carrying amount, mainly due to the short-term maturities of these instruments.

Fixed-rate and variable-rate receivables with a remaining term of more than twelve months are evaluated by the Company based on parameters such as interest rates and the individual creditworthiness of the customer. Based on this evaluation, allowances for these receivables are recognized. The carrying amounts of such receivables, net of allowances, approximate their fair values.

Financial instruments categorized as financial assets and financial liabilities measured at fair value are presented in the following table:

	September 30,			October 1,
	2014	2013	2012	2011
Financial assets measured at fair value				
Derivative financial instruments	6,859	1,760	2,026	56
Financial liabilities measured at fair value				
Derivative financial instruments	(967)	(2,217)	(197)	(470)

Siemens enters into derivative contracts, in accordance with Siemens Group policies, mainly with Siemens Treasury. For further information see Note 26 *Related party disclosures*. The exact calculation of fair values of derivative financial instruments depends on the specific type of instrument.

Derivative currency contracts—The fair value of foreign currency exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

The following table allocates financial assets and financial liabilities measured at fair value to the three levels of the fair value hierarchy.

	September 30, 2014		
	Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value			
Derivative financial instruments	—	6,859	—
Financial liabilities measured at fair value			
Derivative financial instruments	—	(967)	—

	September 30, 2013		
	Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value			
Derivative financial instruments	—	1,760	—
Financial liabilities measured at fair value			
Derivative financial instruments	—	(2,217)	—

	September 30, 2012		
	Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value			
Derivative financial instruments	—	2,026	—
Financial liabilities measured at fair value			
Derivative financial instruments	—	(197)	—

	October 1, 2011		
	Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value			
Derivative financial instruments	—	56	—
Financial liabilities measured at fair value			
Derivative financial instruments	—	(470)	—

The levels of the fair value hierarchy and its application to our financial assets and financial liabilities are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities, not based on observable market data.

Other than those financial assets and financial liabilities disclosed above, no other assets or liabilities were recorded at fair value as of September 30, 2014.

Net gains (losses) of financial instruments are as follows:

	Year ended September 30,		
	2014	**2013**	**2012**
Loans and receivables	1,654	(1,373)	(1,753)
Financial liabilities measured at amortized cost	(523)	(1,119)	50
Foreign currency gains and losses on loans and receivables and financial liabilities measured at amortized cost	687	525	(2,405)
Financial assets and financial liabilities held for trading	(302)	5,543	1,201

Net gains (losses) on loans and receivables contain changes in valuation allowances, gains or losses on derecognition as well as recoveries of amounts previously written-off. Net gains (losses) in fiscal years 2014, 2013 and 2012 on financial liabilities measured at amortized cost are comprised of gains (losses) from derecognition. Net gains (losses) in fiscal years 2014, 2013 and 2012 on financial assets and financial liabilities held for trading consist of changes in the fair value of derivative financial instruments for which hedge accounting is not applied.

25. Personnel costs

	Year ended September 30,		
	2014	**2013**	**2012**
Wages and salaries	211,324	187,215	177,913
Statutory social welfare contributions and expenses for optional support payments	20,413	19,463	22,656
Expenses relating to post-employment benefit plans and other employee benefits	14,662	14,821	9,727
	246,399	**221,499**	**210,296**

Expenses relating to post-employment benefit plans and other employee benefits include, among others, service costs for the period and losses and gains due to settlements and curtailments. Interest from post-employment benefits is included in line items interest income (expenses).

The average number of employees during the fiscal year 2014 was 5,004 (2013: 4,828, 2012: 4,571). Part-time employees are included on a proportionate basis. The employees were engaged in the following activities:

	Year ended September 30,		
	2014	**2013**	**2012**
Manufacturing and services	2,707	2,526	2,402
Sales and marketing	1,861	1,855	1,731
Research and development	344	365	363
Administration and general services	92	82	75
	5,004	**4,828**	**4,571**

26. Related party disclosures

The Combined Financial Statements includes transactions between the Company and the Siemens Group (Siemens AG and its direct and indirect subsidiaries, excluding the Company).

The Siemens Group is a related party, as Siemens AG controls the Company.

Transactions with the Siemens Group

There are no significant transactions between the Company and Siemens Group, except for expenses relating to the provision of services, such as tax, HR, legal, treasury services, and office rental, from Siemens Group. Income from transactions with Siemens Group stems primarily from positive market values of derivatives agreed with Siemens AG:

	Income			Expense		
	Year ended September 30,			Year ended September 30,		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Siemens Group	146	3,753	2,627	17,746	21,254	20,431

Share-based payments

The Company's employees participate in share-based payment awards implemented by Siemens AG. Siemens AG delivers the respective shares on behalf of the Company and is reimbursed by the Company. Due to the limited extent of participation in the share-based programs, the effect on the Company's Combined Financial Statements was not significant in the years presented.

Transactions with pension schemes and pension entities

In some countries employees of the Company participate in Siemens pension plans and trusts, primarily in the U.S. For additional information, see Note 18 *Post-employment benefits*.

Guarantee provided by Siemens AG

Siemens AG provided a parent company guarantee to an external customer for the performance of SHI (Australia) related to a supply agreement from 2007-2012. The agreement was terminated between the parties when entering into a new contract for the provision of hearing devices and related services. Therefore the guarantee now mainly relates to obligations which may result from the performance of the previous agreement (e.g. warranty or liability claims for past supplies). The amounts guaranteed were €38,083, €37,968, €44,369 and €41,777 as of September 30, 2014, 2013, 2012 and October 1, 2011, respectively.

Global Letter of Support provided by Siemens AG

Siemens Group has issued collaterals (global letter of support) for bank transactions in favor of Audiology entities up to an amount of €8,521, €4,731, €4,568 and €3,681 as of September 30, 2014, 2013, 2012 and October 1, 2011, respectively. The actual amounts guaranteed by Siemens Group were €3,572 as of September 30, 2014 (September 30, 2013: €2,718, September 30, 2012: €2,837, and October 1, 2011: €2,163).

Bonds and guarantees provided by Siemens Financial Services Inc. (USA)

Siemens Financial Services Inc. provided bonds for the Company in the US using its credit lines with an insurance company with total amounts of €159 as of September 30, 2014. As of September 30, 2013, Siemens Financial Services Inc. provided bonds and bank guarantees for the Company in the US using its credit lines with an insurance company and two banks with total amounts of €370 (September 30, 2012: €1,218 and October 1, 2011: €168).

Insurances

The Company is covered by the group insurance of the Siemens Group. There are also additional contracts for individual insurance services between the Company and the Siemens Group, the costs for which are borne by the Company. The Company is currently assessing the replacement of insurance coverage provided by the Siemens Group with its own insurance policies.

The Company’s receivables from and payables to Siemens Group are as follows:

	September 30,			October 1,
	2014	**2013**	**2012**	**2011**
Receivables from Siemens Group	78,183	79,612	177,865	107,990
Payables to Siemens Group	119,466	131,673	121,066	104,723

Substantially all of the Company’s receivables from and payables to Siemens Group relate to financing activities.

Financing

The Company is included in Siemens Group’s cash pooling and cash management. The Company invests excess short-term liquidity and is granted overdraft facilities for financing its operating activities.

In 2013, Siemens Group provides short-term loans for the financing of its subsidiary in Turkey. These loans amounted to €5,108 as of September 30, 2014 (September 30, 2013: €3,999). The loans are denominated in Turkish Lira and are due within less than one year. The average interest rate on the outstanding loans as of September 30, 2014 was 9.75%.

The Combined Financial Statements includes assets and liabilities, revenues and expenses related to audiology operations in Siemens regional companies. Such items are allocated on a specific identification basis reflecting the internal reporting structure. However, cash is not allocated to specific business operations but reflected only in the total cash balances of the regional companies. Therefore, the conversion of audiology-related receivables and payables to cash in the regional companies results in changes to the net asset balance reported by the Company. The impact of these changes is aggregated in the position “Other changes in equity” within the Statements of Changes in Equity.

For purposes of the Combined Financial Statements, income taxes have been determined as if the Audiology related operations of Siemens regional companies were separate tax-paying entities and therefore tax expenses have been computed on a stand-alone basis for each operation of the Siemens regional companies. As income taxes are levied on regional company level, income tax expense determined for Audiology operations within regional companies are reported as a respective withdrawal or contribution are aggregated in the position "Other changes in equity" within the Statements of Changes in Equity.

Management considers that such a method is reasonable, but not necessarily indicative of the costs that would have been incurred if the Company were a stand-alone tax-paying entity.

Additionally, during fiscal year 2013, the Company recognized a purchase price adjustment related to an acquisition from Siemens Group within payables to Siemens Group, with a corresponding reduction in "Other changes in equity".

In the following, other material relationships with Siemens Group are described:

Hedging

The Company's hedging activities are performed on an arm's length basis mainly via Siemens AG. The consideration is based on the normal market rates. The related receivables and payables are disclosed in the lines other short term receivables and payables.

Transactions with related individuals

The Company has no parent company and is not a legal group for consolidated financial statement reporting purposes in accordance with IAS 27. The Company's key management is therefore defined as those persons, who are responsible for the Company's worldwide operating business, based on their function within the Company or the interests of Siemens AG.

The following individuals belong or belonged to the Company's key management:

	Fiscal year 2013 and 2012	Member of key management since
Dr. Roger Radke	Chief Executive Officer	January 2010
Marcus Desimoni	Chief Financial Officer	September 2010

In fiscal year 2014, the members of the Company's key management received cash compensation of €2,186 (2013: €2,216 and 2012: €1,562). The fair value of stock-based compensation amounted to €0 (2013: €55 and 2012: €64). In fiscal year 2014, contributions under the Defined Contribution Pension Plan/BSAV were granted to members of key management totaling to €39 (2013: €37 and 2012: €36).

Therefore in fiscal years 2014, 2013 and 2012, compensation and benefits, attributable to members of the key management amounted to €2,225, €2,308 and €1,663 in total, respectively.

Siemens maintains a directors and officers ("D&O") insurance for the members of the Company's key management. The insurance policy covers the personal liability risk, in the event that a claim for pecuniary damages is made against a member of the Company's key management in the performance of his duties. The related costs are charged by Siemens to the Company.

In fiscal years 2014, 2013 and 2012, no other major transactions took place between the Company and members of the key management.

27. Information about geographies

Revenue

	Year ended September 30,		
	2014	2013	2012
EMEA-LA	293,743	275,556	263,971
North-America	245,073	230,622	222,158
Asia-Pacific	151,579	162,560	164,136
Siemens Audiology Solutions	**690,395**	**668,738**	**650,265**
thereof Germany	*116,184*	*114,398*	*115,327*

	Year ended September 30,		
	2014	2013	2012
thereof other countries	*574,211*	*554,340*	*534,938*
therein U.S.	*228,434*	*213,751*	*205,672*

The Region "EMEA-LA" consists of Europe, Russia, the Middle East, Africa and Latin-America. The Region "North-America" includes the United States and Canada. The Region "Asia-Pacific" consists of Asia, Australia and the Pacific region.

Combined revenue mainly derives from the sales of goods and is broken down by the location of the selling entity. No individual customer accounts for 10% or more of the total revenue.

Goodwill, Other Intangible Assets and Property, Plant and Equipment

	September 30,			October 1,
	2014	2013	2012	2011
EMEA-LA	14,211	14,787	15,567	24,481
North-America	105,900	93,596	95,523	88,474
Asia-Pacific	43,203	44,194	46,812	30,689
Siemens Audiology Solutions	**163,314**	**152,577**	**157,902**	**143,644**
thereof Germany	*3,463*	*3,920*	*5,991*	*15,341*
thereof other countries	*159,851*	*148,657*	*151,911*	*128,303*
therein U.S	*105,753*	*93,379*	*95,334*	*88,214*
therein Singapore	*36,332*	*37,604*	*40,000*	*23,403*

These assets are reported by the location of the entity holding the assets.

28. Subsequent events

No subsequent events have been identified that would require disclosure or recording in these Combined Financial Statements.

29. List of companies included in the Combined Financial Statements

Company	Country	Equity Interest in %
Siemens Audiologische Technik GmbH	Germany	
Subsidiaries of Siemens Audiologische Technik GmbH		
EMEA-LA		
AS AUDIO-SERVICE Gesellschaft mit beschränkter Haftung	Germany	100
Siemens Audiológiai Technika Kereskedelmi és Szolgáltató Korlátolt Felelösségü Társaság	Hungary	100
Siemens Audiologie AG	Switzerland	100
Siemens Höreapparater A/S	Denmark	100
Siemens Höreapparater AS	Norway	100
Siemens Audiologická Technika s.r.o.	Czech Republic	100
Audio SAT Sp. z o.o.	Poland	100
Siemens Hearing Instruments S.r.l.	Italy	100
Siemens Audiologie Techniek B.V.	Netherlands	100
Siemens Audiologie S.A.S.	France	100
Siemens Hearing Instruments Ltd.	United Kingdom	100
Siemens Isitme Cihazlari Sanayi Ve Ticaret Anonim Sirketi	Turkey	100
Siemens Hearing Solution (Pty.) Ltd.	South-Africa	100
Siemens Aparelhos Auditivos Ltda.	Brazil	100
North-America		
Siemens Hearing Instruments, Inc.	USA	100
Audiology Distribution, LLC	USA	100
HearX West LLC	USA	50[(1)]

Company	Country	Equity Interest in %
HearX West, Inc.	USA	100
HearUSA IPA, Inc.	USA	100
Siemens Hearing Instruments Inc.	Canada	100
Hearcanada Inc.	Canada	100
Asia-Pacific		
Siemens Medical Instruments Pte. Ltd.	Singapore	100
Siemens Hearing Instruments Batam, PT	Indonesia	100
Siemens Hearing Instruments (Suzhou) Co. Ltd.	China	100
Siemens Hearing Instruments K.K.	Japan	100
Best Sound K.K.	Japan	100
Siemens Hearing Instruments Pvt. Ltd.	India	100
Siemens Hearing Instruments Pty. Ltd.	Australia	100
Audiology Business in Regional Companies included in the combination group		
Siemens Ltd. Seoul	Korea	
Siemens Ltda	Brazil	
Other equity investments		
Koden Co., Ltd.	Japan	43
Kikoeno Soudanshitsu Co., Ltd.	Japan	50
Kanto Hochouki Co., Ltd.	Japan	25
HIMPP A/S	Denmark	11
HIMSA II A/S	Denmark	17
HIMSA II K/S	Denmark	15

(1) Control due to contractual arrangements

Translation from the German language

Independent Auditor's Report

To Siemens Audiologische Technik GmbH

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Siemens Audiologische Technik GmbH, Erlangen, and the other entities included (entirety of entities included in the combined financial statements), which comprise the combined statements of financial position, the combined statements of income, the combined statements of comprehensive income, the combined statements of cash flow and the combined statements of changes in equity and a summary of significant accounting policies and other explanatory information, for the fiscal years from October 1, 2013 to September 30, 2014, October 1, 2012 to September 30, 2013 and October 1, 2011 to September 30, 2012.

Management's Responsibility for the Combined Financial Statements

The Management of Siemens Audiologische Technik GmbH is responsible for the preparation of these combined financial statements. This responsibility includes preparing these combined financial statements in accordance with International Financial Reporting Standards as adopted by the EU to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the preparation of the combined financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the combined financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the combined financial statements comply in all material respects with International Financial Reporting Standards as adopted by the EU and give a true and fair view of the net assets and financial position of the company and entities included in the combined financial statements as at September 30, 2014, September 30, 2013 and September 30, 2012, as well as the results of operations for the fiscal years then ended, in accordance with these requirements.

Munich, November 18, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Tropschug Orlov

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