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

WEPA Hygieneprodukte GmbH

€52,000,000 6.500% Senior Secured Notes due 2020

to be consolidated and form a single series (*Gesamtemission*) with the
€275,000,000 6.500% senior secured notes due 2020 issued on May 13, 2013

WEPA Hygieneprodukte GmbH, organized as a *Gesellschaft mit beschränkter Haftung* under German law (the "**Issuer**"), is offering €52,000,000 aggregate principal amount of 6.500% senior secured notes due 2020 (the "**Additional Notes**"). The Additional Notes offered hereby constitute an increase (*Aufstockung*) of the €275,000,000 principal amount of 6.500% senior secured notes due 2020 that the Issuer issued on May 13, 2013 (the "**Original Notes**", and together with the Additional Notes, the "**Notes**"). The Additional Notes will have the same terms as the Original Notes in all respects and will be consolidated with and form a single series (*Gesamtemission*) with the Original Notes. Any Additional Notes issued pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") will share the same international securities identification number (ISIN) and the same common code as the Original Notes issued pursuant to Regulation S under the U.S. Securities Act ("**Regulation S**"), and will be fungible with the Original Notes issued pursuant to Regulation S as of their issuance. Any Additional Notes issued pursuant Rule 144A under the U.S. Securities Act ("**Rule 144A**") will initially have a separate ISIN and common code from the Original Notes issued pursuant to Rule 144A, until the termination of certain U.S. selling restrictions one year after the issue date of the Additional Notes, which is currently expected to be December 16, 2014. After the expiration of this one year period, the Additional Notes issued pursuant to Rule 144A and the Original Notes issued pursuant to Rule 144A will share the same ISIN and common code as the Original Notes issued pursuant to Rule 144A, and will become fungible with the Original Notes issued pursuant to Rule 144A.

The Issuer will pay interest on the Additional Notes semi-annually in arrears on each May 15 and November 15 of each year commencing on May 15, 2014. The Issuer will make the first interest payment on the Additional Notes on May 15, 2014 for interest accrued (or deemed accrued) and unpaid from November 15, 2013, the last interest payment date for the Original Notes. Prior to May 15, 2016, the Issuer may redeem all or part of the Notes by paying a specified "make-whole" premium. At any time on or after May 15, 2016, the Issuer may also redeem all or part of the Notes by paying a specified premium to you. In addition, prior to May 15, 2016, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a price equal to 106.500% of the principal amount of the Notes so redeemed, plus accrued interest, if any. If we undergo a change of control or sell certain of our assets, you will have the right to require the Issuer to repurchase all or a portion of your Notes. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

The Notes will be governed by German law and will constitute senior secured obligations of the Issuer, will be secured by first-ranking liens over the Collateral (as defined below) (although any liabilities in respect of obligations under the Senior Revolving Credit Facility and Priority Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral), will rank *pari passu* among themselves and *pari passu* in right of payment without any preference with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, unless such obligations are accorded priority under mandatory provisions of statutory law, will be effectively subordinated to all existing and future indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness, will rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, and will be structurally subordinated to any and all existing and future indebtedness of the subsidiaries of the Issuer that are not Guarantors.

The Notes will be guaranteed on a senior secured basis by certain subsidiaries of the Issuer (the "**Guarantors**"). The Notes will be secured by first-ranking liens over shares of or the partnership interests in the Issuer, each Guarantor and another member of the WEPA Group and, in Germany, certain machinery and equipment, intercompany loans, insurance receivables, bank accounts and real property (the "**Collateral**") as described in more detail in "Description of Notes—Security; Release of Collateral."

This offering memorandum includes information on the terms of the Notes, including with regard to redemption and repurchase prices, covenants and transfer restrictions. The Notes are governed by German law and will be represented by global notes deposited with Clearstream Banking AG, Frankfurt am Main, Germany ("**Clearstream Banking**"). Definitive notes representing individual Notes will not be issued. Transfer of the Notes will be subject to the rules of Clearstream Banking and the terms of a book-entry registration agreement ("**Book-Entry Registration Agreement**") among Clearstream Banking and the Issuer with respect to the Notes. The Additional Notes will be issued in denominations of €1,000 and will be transferable only in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. The Additional Notes will be ready for delivery, in book-entry form only, on or about December 16, 2013.

This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended. Application has been made to list the Additional Notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market ("**Euro MTF**").

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 18.

The Additional Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities law of any other jurisdiction. Accordingly, the Additional Notes and the Guarantees are being offered and sold only to qualified institutional buyers ("QIBs") in reliance on Rule 144A and to persons outside of the United States in reliance on Regulation S. Prospective purchasers are hereby notified that the seller of the Additional Notes and the Guarantees may be relying on the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144A. See "Notice to Investors" and "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

Price for the Additional Notes: 107.000% plus accrued interest from November 15, 2013.

Joint Lead Managers and Bookrunners

Deutsche Bank | **HSBC**

The date of this offering memorandum is December 9, 2013


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Provence
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SAMTESS
Prestige
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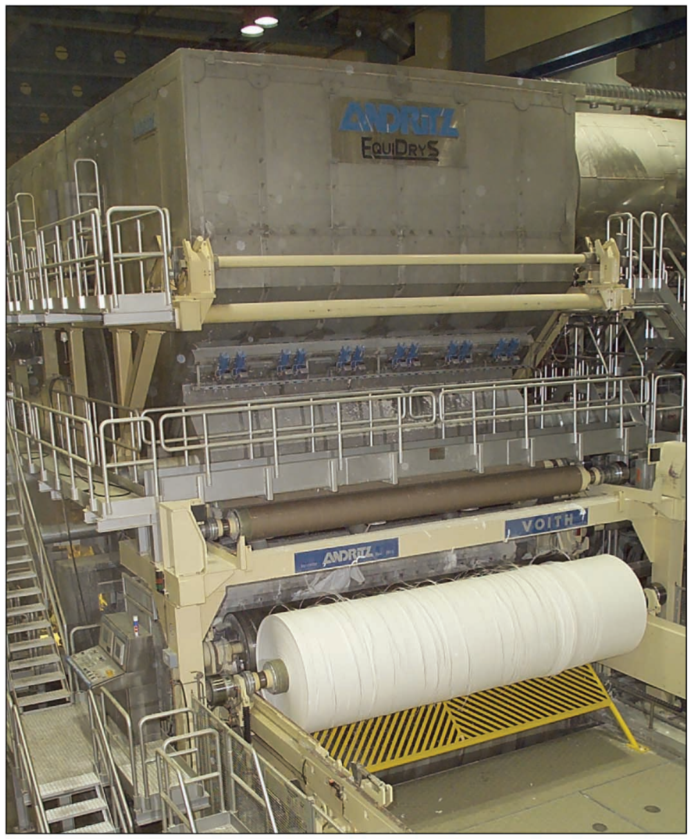
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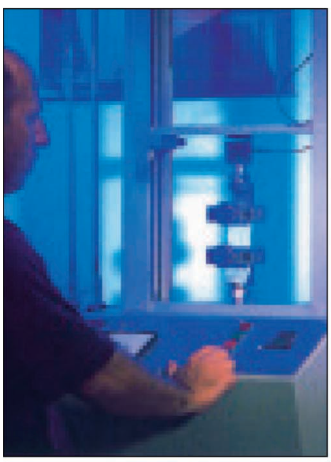

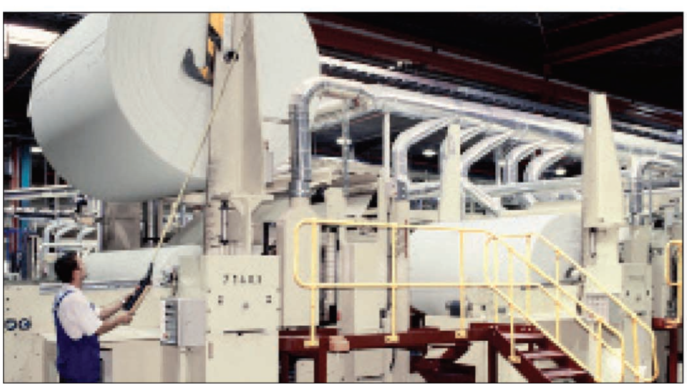

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NOTICE TO INVESTORS

You should rely only on the information contained in this offering memorandum or in a document to which we have referred you. Neither we nor Deutsche Bank AG, London Branch, HSBC Bank plc or any of the other initial purchasers listed in the section "Plan of Distribution" (together the "**Initial Purchasers**") have authorized anyone to provide you with different information. Neither we nor the Initial Purchasers are making an offer of the Additional Notes in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

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

The Issuer has prepared this offering memorandum solely for use in connection with the proposed offering of the Additional Notes and it may only be used for this purpose. This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction where 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 Additional 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.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this offering memorandum. Nothing contained in this offering memorandum is or should be relied upon as a promise or representation by the Initial Purchasers as to the past or the future. You agree to the foregoing by accepting delivery of this offering memorandum.

Except as provided below, we accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained under the heading "Exchange Rate Information" includes extracts from information and data publicly released by official and other sources. While the Issuer accepts responsibility for accurately summarizing the information concerning exchange rate information, it accepts no further responsibility in respect of such information. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book-Entry Delivery and Form" is subject to change in, or reinterpretation of, the rules, regulations and procedures of Clearstream Banking, as currently in effect. While we accept responsibility for accurately summarizing the information concerning Clearstream Banking, we accept no further responsibility in respect of such information.

The information contained in this offering memorandum is correct as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Additional Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in our business since the date of this offering memorandum.

You are responsible for making your own examination of our business and your own assessment of the merits and risks of investing in the Additional Notes. You may contact the Issuer if you need any additional information. By purchasing the Additional Notes and/or receiving this offering memorandum, you will be deemed to have acknowledged that (i) you have reviewed this offering memorandum, (ii) you have had an opportunity to request from the Issuer any additional information that you need for your review, (iii) you have received all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum and (iv) neither we nor any of the Initial Purchasers nor any of their respective representatives are responsible for, and are not making any representation to you concerning, our future performance. You will also be deemed to have acknowledged that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy or completeness of this information or your decision to invest in the Additional Notes.

Neither we nor any of the Initial Purchasers nor any of our or their respective representatives make any representation to you regarding the legality of an investment in the Additional Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the Additional Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Additional 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.

The Additional Notes are subject to certain restrictions on offers, sales and transfers, which are described under the sections below titled "—Notice to New Hampshire Residents", "—Notice to certain European Investors", "—Notice to Investors in the United States of America" and "Transfer Restrictions." By possessing this offering memorandum or purchasing any Additional Notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this offering memorandum. You may be required to bear the financial risks of this investment for an indefinite period of time.

The Additional Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs as defined in Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Additional Notes may be offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Additional Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A.

Neither the U.S. Securities and Exchange Commission nor any state or other securities regulator has approved or disapproved of the Additional Notes or determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

You may not use any information herein for any purpose other than considering an investment in the Additional Notes.

The Issuer reserves the right to withdraw this offering of the Additional Notes at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Additional Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Additional Notes sought by such purchaser. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Additional Notes.

SETTLEMENT CYCLE

We expect that the delivery of the Additional Notes will be made against payment therefore on or about the date specified on the cover page of this offering memorandum, which will be the fifth business day (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Additional Notes (such settlement cycle being herein referred to as "T+5"). Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, as amended (the "**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 Additional Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Additional Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Additional Notes who wish to trade Additional Notes on the date of pricing or the next succeeding business day should consult their advisors.

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 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 TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE MARKETING OF THE ADDITIONAL NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that any offer of Additional Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Additional Notes. Accordingly, in relation to each Relevant Member State with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), offers of Additional Notes which are the subject of the offering contemplated by this offering memorandum are not being made and will not be made to the public in that Relevant Member State other than:

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

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Additional Notes shall require the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of additional notes to the public**" in relation to any Additional Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Notes to be offered so as to enable an investor to decide to purchase or subscribe the Additional Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended, *inter alia*, by 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. The expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of November 24, 2010.

United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial

Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Additional Notes may otherwise lawfully be communicated (all such persons under (i) through (iii) together being referred to as "**Relevant Persons**"). This offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this offering memorandum or any of its contents.

Germany

No public offer may be made in Germany unless and until this offering memorandum is approved as prospectus under the Prospectus Directive by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or notified thereto by another competent authority of a Relevant Member State. Unless and until this offering memorandum is an approved prospectus, the Additional Notes will only be available in Germany (i) to, and this offering memorandum and any other offering material in relation to the Additional Notes are directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*); or (ii) under any other circumstances that do not require the publication of a prospectus pursuant to Section 3 para. 2 of the German Securities Prospectus Act. Any resale of the Additional Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws.

Luxembourg

This offering memorandum has not been prepared in connection with a public offering of the Additional Notes as defined in Part I, Article 2 para. 1 I of the Luxembourg Prospectus Law and has therefore not been approved by the CSSF. Unless and until this offering memorandum is an approved prospectus under the Prospectus Directive, the Additional Notes may be offered only (i) to persons who are qualified investors within the meaning of Part I, Article 5 para. 2 a) of the Luxembourg Prospectus Law or (ii) under any other circumstances that do not require the publication of a prospectus pursuant to Part I, Article 5 para. 2 of the Luxembourg Prospectus Law.

France

This Offering Circular has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement* Général of the French *Autorité* des *Marchés Financiers* (the ***AMF***) and therefore has not been approved by, registered or filed with the AMF. Consequently, the Additional Notes are not being, and will not be, offered, directly or indirectly, to the public in France and this Offering Circular has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Additional Notes to the public in France. The Additional Notes may only be offered or sold in the France pursuant to Article L.411-2-II of the French *Code monétaire et financier* to: (i) authorized providers of investment services relating to portfolio management for the account of third parties; and/or (ii) qualified investors (*investisseurs qualifiés*) or a limited group of investors (*cercle restreint d'investisseurs*) as defined in and in accordance with Articles L.411-2 and D.411-1 to D.411-4 of the French *Code monétaire et financier*. Qualified investors or a limited group of investors may only participate in the Offering for their own account in accordance with the provisions of Articles D.411-1, D.411-2, D.744-4, D.754-1 and D.764-1 of the French *Code monétaire et financier*. No direct or indirect distribution, transfer or sale of the Additional Notes so acquired shall be made to the public in France other than in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*.

Switzerland

The Additional Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Additional Notes constitutes a prospectus as such term is understood pursuant to Article 652a and/or

Article 1156 of the Swiss Code of Obligations and neither this offering memorandum nor any other offering or marketing material relating to the Additional Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Additional Notes will not be listed on the SIX Swiss Exchange Ltd. or on any other exchange or regulated trading facility in Switzerland, and, therefore, the documents relating to the Additional Notes, including, but not limited to, this offering memorandum, do not claim too comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Additional Notes may be offered in Switzerland by way of a private placement, without any public advertisement and only to investors who do not purchase the Additional 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 material relating to the Additional Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Additional Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other material relating to the Additional Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in, into (or from) Switzerland.

The Netherlands

The Additional Notes which are the subject of the offering contemplated by this offering memorandum, have not, may not and will not be offered to the public in the Netherlands, other than (i) exclusively to qualified investors (*gekwalificeerde beleggers*), as defined in section 1:1 of the Dutch Act on financial supervision (*Wet op het financieel toezicht*) (the "AFS") or (ii) in any other circumstances falling with an exemption of the obligation pursuant to section 5:2 of the AFS to publish a prospectus in respect of an offer of the Additional Notes, on the basis of section 3:5(2) of the AFS or otherwise. Each purchaser of Additional Notes described in this offering memorandum located in the Netherlands will be deemed to have represented, acknowledged and agreed that it is a qualified investor (*gekwalificeerde beleggers*) as defined in section 1:1 of the AFS. For the purposes of this provision, the expression an "offer of additional notes to the public" in relation to any Additional Notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the Additional Notes, or to issue an invitation to make an offer of the Additional Notes.

NOTICE TO INVESTORS IN THE UNITED STATES OF AMERICA

Each purchaser of the Additional Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this offering memorandum under "Transfer Restrictions."

The Additional Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and the Additional Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Additional Notes are only to be offered and sold to (i) qualified institutional buyers, or "QIBs" as defined in and in compliance with Rule 144A under the U.S. Securities Act; and (ii) non-U.S. persons in offshore transactions outside the United States in reliance upon Regulation S under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Additional Notes and the Guarantees have not been reviewed or recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the offering to which this offering memorandum relates or confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense under the laws of the United States.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer and many of the Guarantors are organized under the laws of Germany. Our other Guarantors are incorporated in France, Italy and Poland. None of the directors, officers and other executives of the Issuer and the Guarantors are residents nor citizens of the United States. Furthermore, all of the Issuer's assets and all of the assets of such Guarantors are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon most of such persons, Guarantors or the Issuer, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on U.S. federal or state securities laws, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally would not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of a U.S. judgment by a German court would be conditional upon a number of factors, including the following:

- the judgment being final under U.S. federal or state law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the matter (*Verfahren*) resulting in the judgment of the U.S. court being consistent with the matter (*Verfahren*) pending before a German court, provided that such German matter was pending before a German court prior to the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with the substantial foundations of German law, in particular with the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

It is doubtful whether a German court would impose civil liability if proceedings were commenced in Germany based solely upon U.S. federal or state securities laws. German courts also usually deny the recognition and enforcement of punitive damages as incompatible with the substantial foundations of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

We have been advised by French, Italian and Polish counsel that similar risks related to enforcing judgments from a U.S. federal or state court exist in such jurisdictions and we cannot assure you that such risks do not and will not exist in other jurisdictions, including those in which the assets of some or all of our subsidiaries that may guarantee the additional notes in the future are located.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts.

They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

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. 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 industries in which we operate may differ materially from those made in or suggested by the forward-looking statements in this offering memorandum. In addition, even if our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Important factors that could cause those differences include, but are not limited to:

- fluctuations in the prices of our key raw materials, in particular of pulp and recovered paper, and energy,
- disruption of our supply chain,
- exchange rate fluctuations,
- loss of key customers or key personnel,
- changes in the purchasing behaviour of our customers,
- increased pricing pressure and competition in the markets in which we operate,
- failure to successfully implement all or part of the initiatives that form part of the Continuous Improvement Process,
- strikes or other labor disputes with our work force,
- break-down of any of our equipment or industrial accidents,
- IT system failure or data loss,
- our substantial leverage and debt service obligations,
- risks associated with our capital structure, the Notes, the Guarantees and our other indebtedness,
- force majeure and other unforeseeable events, and
- our inability to invest the proceeds of the Additional Notes as described in "Use of Proceeds."

We urge you to read the sections of this offering memorandum entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry and Competition", and "Business" for a more detailed discussion of the factors that could affect our future performance and the industries in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

Any forward-looking statements are only made as of the date of this offering memorandum and we undertake no obligation, and do not expect to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

PRESENTATION OF FINANCIAL INFORMATION

General

Our consolidated financial statements included in this offering memorandum have been prepared in accordance with German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS." In this offering memorandum, the term "financial statements" refers to the audited consolidated financial statements and the notes thereto of the Issuer and its consolidated subsidiaries as of and for the fiscal years ended December 31, 2010, 2011 and 2012 and the unaudited interim consolidated financial statements and notes thereto of the Issuer and its subsidiaries as of and for the nine-month period ended September 30, 2013. The audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft with respect to the consolidated financial statements as of and for the fiscal years ended December 31, 2010, 2011 and 2012 are included in this offering memorandum beginning on page F-1. Furthermore, we have included in this offering memorandum the unaudited interim consolidated financial statements of the Issuer as of and for the nine-month period ended September 30, 2013, which include comparative figures for the nine-month period ended September 30, 2012.

In addition, this offering memorandum includes certain unaudited consolidated financial information for the 12 months ended September 30, 2013. This information was derived by adding our consolidated financial information for the year ended December 31, 2012 derived from our audited consolidated financial statements to our unaudited consolidated financial information for the nine months ended September 30, 2013 and subtracting our unaudited consolidated financial information for the nine months ended September 30, 2012.

In making an investment decision, you must rely upon your own examination of the terms of the offering to which this offering memorandum relates and of the financial information contained in this offering memorandum. We do not present separate financial statements of the Guarantors in this offering memorandum because all such entities are wholly owned, directly or indirectly, by the Issuer and the financial position, results of operations and cash flows of such entities are therefore consolidated within our financial statements contained herein.

The financial information included in this offering memorandum is not intended to comply with the reporting requirements of the SEC.

Certain numerical figures set out in this offering memorandum, including financial data and operational volumes presented in million or thousand 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. The financial information and financial statements included in this offering memorandum are presented in euro. Amounts presented in euro per ton are not part of the financial statements but are taken from the management reporting of WEPA Group.

Other Financial Information

In this offering memorandum, we present certain non-GAAP measures and ratios, including Gross Profit, EBITDA, EBIT, Income/(loss) before Tax, Trade working capital, Free Cash Flow, Net Cash Flow and Adjusted cash flow available for debt service, and pro forma data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operations, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including Gross Profit, EBITDA, EBIT, Income/(loss) before Tax, Trade working capital, Free Cash Flow, Net Cash Flow and Adjusted cash flow available for debt service, and pro forma data presented by us may not be comparable to similarly titled measures used by other companies.

PRESENTATION OF INDUSTRY AND MARKET DATA

We have generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third parties. In particular, we use data extracted from "Outlook for World Tissue Business (10-Year Forecast) 2013" published by RISI in June 2013. We also use data extracted from Outlook for Market Pulp (March 2013), published by Hawkins Wright in March 2013, among others. In addition, we use data from studies that we have commissioned from independent experts. While we believe this data to be reliable and take responsibility for the correct reproduction and extraction of the information, it has not been independently verified, and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in this offering memorandum. Therefore, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such information.

In addition, certain market share information and other statements in this offering memorandum regarding the industry in the countries where we operate and our position relative to competitors is not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect our management's best estimates based on our experience and knowledge of the tissue paper industry or independent expert reports. We cannot assure you that these statements and information are accurate or correctly reflect the state and development of, or our position in, the industry, and none of such information or statements has been verified by any independent sources.

EXCHANGE RATE INFORMATION

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

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

The Bloomberg Composite Rate of the euro on December 9, 2013 was U.S.$1.3723 per €1.00.

	U.S. dollars per €1.00			
	Period end	**Average**	**High**	**Low**
Year				
2008	1.3953	1.4709	1.5990	1.2452
2009	1.4331	1.3944	1.5094	1.2543
2010	1.3366	1.3262	1.4510	1.1952
2011	1.2960	1.3924	1.4874	1.2925
2012	1.3197	1.2859	1.3463	1.2053
First nine months				
2012	1.2876	1.2819	1.3463	1.2053
2013	1.3531	1.3171	1.3671	1.2772
Month				
June 2013	1.3005	1.3198	1.3402	1.3005
July 2013	1.3276	1.3083	1.3280	1.2792
August 2013	1.3204	1.3315	1.3420	1.3204
September 2013	1.3531	1.3354	1.3531	1.3127
October 2013	1.3599	1.3639	1.3804	1.3498
November 2013	1.3586	1.3492	1.3596	1.3367
December 2013 (through December 9)	1.3723	1.3638	1.3723	1.3551

GLOSSARY

As used in this offering memorandum, unless otherwise specified or the context otherwise requires, the following terms have the meanings set forth on the pages indicated below:

"**ABS Program**" means the asset-backed security finance program, as described in "Description of Other Indebtedness—ABS Program."

"**Additional Notes**" means the notes being offered pursuant to this offering memorandum, constituting an increase (*Aufstockung*) of the €275,000,000 principal amount of 6.500% senior secured notes due 2020 that the Issuer issued on May 13, 2013.

"**AfH**" means Away-from-Home and refers to the business with large commercial and institutional customers, such as government agencies, hotels, restaurants and hospitals, as further described in "Business".

"**British Pound**" or "**£**" means the lawful currency of the United Kingdom.

"**GC & WEPA**" means GC & WEPA S.L., a joint venture with Goma-Camps established in 2004 that operates a paper converting plant and serves the Spanish and Portuguese "retail & discount" tissue markets and as further described in "Certain Relationships and Related Party Transactions—GC & WEPA S.L."

"**Conditions of Issue**" means the terms and conditions of the Notes as summarized in "Description of the Notes."

"**Consumer**" refers to our division focusing on sales to German and European retailers, as further described in "Business."

"**Continuous Improvement Process**" refers to our ongoing profitability and liquidity improvement program as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Process."

"**Continuous Improvement Program**" refers to our implemented profitability and liquidity improvement program as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Program and Restructuring."

"**De-inked pulp**" is produced as another alternative raw material next to virgin pulp and is made from recovered paper. We use de-inked pulp in the production of recycled and hybrid tissue paper products.

"**Euro**" or "**€**" means the single currency of the participating member states in the "Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community", as amended from time to time.

"**Existing Financing Arrangements**" means the approximately €224.9 million in loans (including accrued interest) from our existing third party lenders outstanding as at March 31, 2013, including €3.3 million profit sharing rights subscribed by WestUBG, and €0.9 million related to capital accounts of the limited partners (*Kommanditisten*) of WEPA Papierfabrik P. Krengel GmbH & Co. KG (the legal predecessor to the Issuer), which were converted into shareholder loans in the aggregate amount of €1,301,418 when WEPA Papierfabrik P. Krengel GmbH & Co. KG was converted into the Issuer in 2010, all of which werefully repaid and terminated in connection with the Refinancing.

"**Holders**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

"**Issuer**" means WEPA Hygieneprodukte GmbH, a limited liability company incorporated under the Laws of Germany as a *Gesellschaft mit beschränkter Haftung*, the issuer of the Notes.

"**Jumbo reels**" refers to the semi-finished product produced by our paper machines. Jumbo reels are very large rolls of tissue paper and are also sometimes referred to as "parent rolls." We convert jumbo reels into finished products with our converting machines.

"**Kartogroup Transaction**" means the acquisition of the majority of the assets of the former Kartogroup, an Italian tissue company, out of administration in December 2009.

"**Management Board**" means the management board of WEPA Industrieholding SE, our Parent.

“**MKG**” means Marsberger Kraftwerk GmbH, an affiliate of the Issuer currently owned by the Issuer’s indirect shareholders Martin Krengel, Jochen Krengel and Wolfgang Krengel and as further described in “Related Party Transactions—Marsberger Kraftwerk GmbH.”

“**MKG Acquisition**” means the potential purchase of certain assets and liabilities of MKG comprising its operational power plant business by Westfälische Sportmarketing GmbH (then to be renamed Wepa Kraftwerk GmbH), a subsidiary of the Issuer, as further described in “Related Party Transactions—Marsberger Kraftwerk GmbH—Potential Acquisition of Power Plant Business of MKG.”

“**Notes**” are the Original Notes and the Additional Notes.

“**NW**” means Northwood & WEPA Ltd., a 50:50 joint venture established by members of the Krengel family—through a company named Winfired Limited—and members of the Fecher family in the United Kingdom.

“**NW Acquisition**” means the potential purchase of Winfried Limited which holds the 50% stake in NW currently held by members of the Krengel family and as further described in “Related Party Transactions—Northwood and WEPA Ltd.—Shares in Northwood and WEPA Ltd.”

“**Original Notes**” means the €275,000,000 6.500% senior secured notes due 2020 that the Issuer issued on May 13, 2013.

“**Parent**” means WEPA Industrieholding SE, a European Company incorporated under the Laws of Germany, our parent holding company.

“**PLN**” or “**Polish Zloty**” means the lawful currency of the Republic of Poland.

“**Priority Hedging Obligations**” means hedging obligations in an aggregate amount outstanding at any time of up to €25 million.

“**Private label**” means products being sold under the in-house labels of our retail customers.

“**Recovered paper**” refers to the waste paper we use to produce de-inked pulp.

“**Refinancing**” means the refinancing described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—The Refinancing.”

“**Restructuring**” refers to the restructuring of certain parts of our business as described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Result and Operations—Continuous Improvement Program and Restructuring.”

“**Senior Revolving Credit Facility**” means our senior revolving credit facility as defined in “Description of Other Indebtedness—Senior Revolving Credit Facility.”

“**Supervisory Board**” means the supervisory board of WEPA Industrieholding SE, our Parent.

“**United States**” or “**U.S.**” means the United States of America.

“**U.S. dollar**” or “**U.S.$**” means the lawful currency of the United States.

In addition, unless otherwise specified or the context otherwise requires, the terms “we”, “our”, “us”, “WEPA”, “WEPA Group”, “Group” and other similar terms refer to the Issuer and its consolidated subsidiaries.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum but does not contain all of the information that you should consider before investing in the Additional Notes. The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and consolidated financial statements, including the related notes, appearing elsewhere in this offering memorandum. You should read carefully the entire offering memorandum to understand our business, the nature and terms of the Additional Notes and the tax and other considerations which are important to your decision to invest in the Additional Notes, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the risks discussed under the caption "Risk Factors."

OUR COMPANY

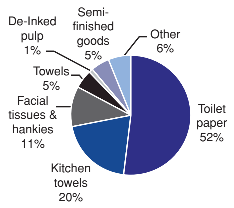
Overview

We are a leading, family-owned producer and supplier of tissue products in Europe with a market share (by production volumes) of approximately 25% in Germany and approximately 8% in Western Europe, according to "Outlook for World Tissue Business (10-Year Forecast) 2013" published by RISI in June 2013 (the "**RISI Report**"). The tissue market exhibits resilient demand characteristics with low product substitution risk. We are the fourth largest producer of tissue products in Europe and we believe we are the second largest private label tissue producer in Europe, in both cases, by volume. Private label tissue products are marketed and sold by our customers through their retail stores under their own in-house labels. We believe private label products offer higher growth potential than branded products.

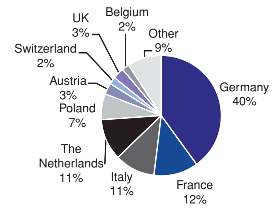
We are headquartered in Arnsberg, Germany, and operate 15 paper machines and more than 70 converting machines in ten production sites strategically located across Europe in Germany, Italy, France, Poland and, through our joint venture with Goma-Camps, GC & WEPA, in Spain. Our annual tissue production capacity is 585,000 tons and our annual tissue converting capacity is 625,000 tons. In addition, GC & WEPA has an annual converting capacity of 40,000 tons. Nearly 60% of our production and converting capacity is located in Germany, our core market and Europe's largest tissue market. We also own technically advanced facilities for the production of de-inked pulp from recovered paper, with an annual capacity of more than 200,000 tons. In 2012, we sold more than 525,000 tons of finished tissue products, 51,000 tons of jumbo reels and 14,000 tons of de-inked pulp across Europe, which generated approximately €849.5 million and €85.1 million of revenue and EBITDA, respectively. During the fiscal year ended December 31, 2012 we employed on average 2,663 employees, excluding GC & WEPA. In the nine-month period ended September 30, 2013, we sold 393,000 tons of finished tissue products, 26,000 tons of jumbo reels and 21,000 tons of de-inked pulp across Europe, which generated approximately €629.9 million and €70.3 million of revenue and EBITDA, respectively. During the same period, we employed an average 2,565 employees. We offer a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels as well as semi-finished goods (i.e. jumbo reels and de-inked pulp). Toilet paper and kitchen towels accounted for 72% of our revenues in 2012 and for 73% of revenues in the nine-month period ended September 30, 2013.

Sales Breakdown—2012

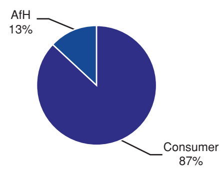
By Product



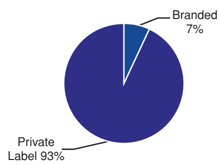
By Geography
(Finished products)



By Division
(Finished products)



Branded vs. Private Label
(Consumer division only)



We operate our business in two divisions, Consumer and Away-from-Home ("**AfH**"). Consumer, which represented 87.1% of our revenues from finished products in 2012 and 86.4% in the nine-month period ended September 30, 2013, focuses on Germany and the wider European retail sector. Consumer products are primarily branded under our customers' private labels and comprise mainly toilet paper, kitchen towels, facial tissues, handkerchiefs and napkins. The strategy of our Consumer division is to focus on the private label sector, although it also markets products under its own brands such as Kitkins, Mach mit..., Perla and Scala. AfH, which has a more regional focus within Central Europe and Poland, focuses on sales to large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. AfH offers a broad range of tissue products under our own "WEPA" brand and under our customers' brands, including toilet paper and paper towels, as well as dispenser systems for use in washrooms and cleaning.

Consumer and AfH supply together approximately 250 customers. Consumer serves most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, REWE and Rossmann in Germany, Carrefour, Auchan, Casino and Leclerc in France, Coop and Esselunga in Italy and Biedronka in Poland, which include most major European retailers. We have long-standing relationships with most of our key customers, some dating back more than 30 years. AfH serves leading distributors in the professional hygiene sector, such as igefa and GVS in Germany, cash & carry wholesalers (such as Metro Group in Germany) as well as distributors for office supplies.

Our Strengths

We believe that we benefit from the following strengths:

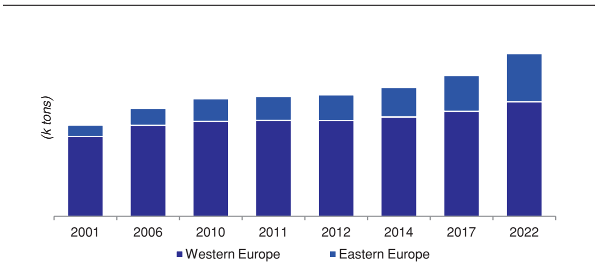
Leading Market Positions

We are the fourth largest tissue producer in Europe and the second largest tissue producer in our core market of Germany, in both cases based on volume, according to the RISI Report. Unlike many of our competitors, who serve both the branded and private label sectors, we focus on the growing private label sector. We believe we are the second largest manufacturer of private label tissue products in Europe based on volume. We believe our European network of ten strategically located production sites together with our high quality products make us an attractive partner for large retailers across Europe. In addition, we believe we are the leading producer by volume of recycled tissue products in the consumer sector in Europe, and we own technically advanced facilities for the recycling of recovered paper in Arnsberg, Giershagen, Mainz and Lille, with an annual capacity of more than 200,000 tons of de-inked pulp production. We use most of the de-inked pulp that we produce in the production of our own recycled and hybrid (i.e. using both virgin pulp and de-inked pulp) tissue products. We also have the capability to dry and prepare up to 80,000 tons of any surplus de-inked pulp for sale to third parties. These capabilities make us a leader in recycled and hybrid tissue products and particularly well positioned to offer our customers ecologically sustainable products. In addition, we believe our significant scale, purchasing power and geographic coverage gives us a competitive advantage over smaller players and the ability to compete with other leading players in the market.

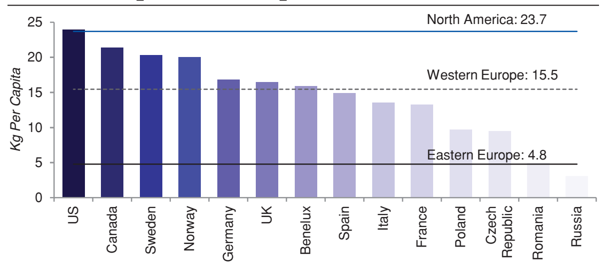
Attractive and Resilient End-Markets

Our core tissue products benefit from utility-like consumer demand, with high penetration rates, low substitution risk and resilient demand characteristics. According to RISI, between 2001 and 2011, consumption of tissue products in Western Europe grew by 1.9% per annum and in Eastern Europe by 7.5% per annum, with demand for our core products remaining stable during the 2008-2009 recession. For the period between 2011 and 2022, RISI expects the growth rate of tissue consumption in Western Europe to be broadly in line with historical growth levels, and growth rates in Eastern Europe to continue to substantially exceed rates in Western Europe. Current consumption rates in Western Europe are still substantially below other developed regions such as the United States, and consumption levels in Eastern Europe are significantly below Western Europe. We believe that demographic changes, increased urbanization, higher product penetration levels, and developments in tissue quality and softness (such as multi-ply products) will continue to underpin continuing demand growth for our products.

Forecast of tissue demand 2001 - 2022



Per capita consumption: 2011 breakdown



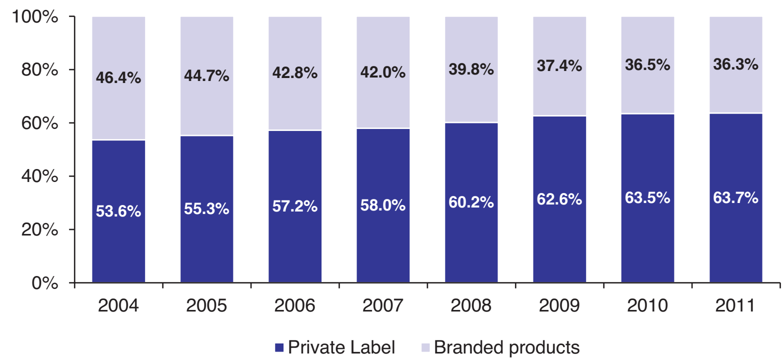
Source: RISI Report

Focus on Key Growing Private Label Sector

We believe we are the second largest tissue producer in Europe by production volume in the significant and growing private label sector, which dominates our core market of Germany (representing 81.6% of the overall German tissue market in 2011) and many other European countries where we operate. In recent years, private label tissue products have gained market share in Western Europe relative to branded products, increasing from 57.8% in 2007 to 63.5% in 2011, a trend that was also seen in our largest product category, toilet paper, according to the RISI Report. This increase has been driven by the expansion of discount retailers such as Aldi and Lidl in Germany, who primarily sell own-label goods (private label), as well as by consumers substituting higher-priced branded products with lower-priced private label products of comparable quality. We believe that our focus on the private label sector positions us well to capture growth opportunities in this resilient and growing market and makes us a particularly attractive partner for our key customers. As a private label specialist, our customers can be confident that our interests are aligned and that we are fully committed to helping them strengthen their own in-house brands.

The toilet tissue market has been indicative of the wider tissue market's shift from branded to private label products. The following chart shows the steady increase of the market share of private label toilet paper, which accounts for roughly half of the general tissue market, between 2004 and 2011 in Western Europe.

Toilet Tissue: Private Label development



Source: RISI Report

Broad, Strong and Long-Standing Customer Base

We have established a strong and long-standing customer base, with some of our customer relationships dating back more than 30 years. We have grown with our large German customers as they have expanded across Europe and have also successfully entered into new relationships with key customers outside of Germany. Today, we supply approximately 250 different customers, including most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, REWE and Rossmann in Germany, Carrefour, Auchan, Casino and Leclerc in France, Coop and Esselunga in Italy and Biedronka in Poland. The customers of our AfH division include the leading distributors in the professional hygiene sector (such as igefa and GVS in Germany), cash & carry wholesalers (such as Metro Group in Germany) as well as distributors for office supplies. We believe that our ability to provide high-quality, cost-effective and innovative products has enabled us to benefit from a trend among major retailers to consolidate their supplier bases and work with larger partners that have the scale and quality to supply retailers efficiently across their key markets. We are able to foster strong partnerships of mutual dependence with our customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. Our strong customer relationships are reinforced through a combination of our geographic reach, our manufacturing and logistics excellence, and the limited availability of alternative suppliers with the capacity and geographic proximity to provide a competitive offering.

Strategically Located Production Facilities

We operate ten production sites strategically located across Europe in Germany, Italy, France, Poland and, through GC & WEPA, in Spain. This network largely mirrors the footprint of our key pan-European customers and thus enables us to supply our customers in a timely and cost-effective manner. Mainly due to proportionally high transportation costs relative to the value of products shipped, it is not economical for participants in our industry to supply customers more than a certain distance from a particular production site. The alignment of our production sites with the geographic footprint of our major customers is therefore an important competitive and cost advantage. In addition, our geographic footprint allows us to reduce delivery times and typically, to guarantee delivery to our customers within 48 hours from the receipt of an order. Our geographic footprint reduces our inventories by shortening the supply chain which lowers our storage and transportation costs. It also allows us to tailor individual production sites to target the specific needs of the customers in the relevant region, which improves product offering, service quality and reliability.

Low Cost Production via Efficient Asset Base

We have invested over €370 million in our business over the last eight years to help ensure that we have efficient production facilities that allow us to compete effectively against other tissue manufacturers. According to a report prepared for us in January 2009 by an independent industry consulting firm, the operating performance of our assets is high. The asset quality (as a measure of factors such as capacity, technical age and standards such as automation) of the majority of our assets is also above average among comparable Western and Eastern European tissue paper producers. In particular, we believe that our production site in Leuna is one of the most modern and efficient tissue production and converting facilities in Europe for toilet paper and kitchen towels, as is Kriebstein with regard to handkerchiefs and facial tissues, and Giershagen with regard to the processing of recovered paper. Our production assets have an average residual life of approximately 15 years, which we believe is above average compared with our major competitors. Our well-invested, high quality and operationally efficient asset base provides us with investment flexibility and allows us to produce a high quality, consistent product in a cost-effective manner.

Experienced Management and Committed Family Shareholders

Our company was founded in 1948 by Paul Krengel, and his three sons continue to be actively involved in the business and currently own the company. We believe this family link and the strong personal and financial commitment from our owners ensures a focus on stability and long-term value generation. Martin Krengel, in particular, has overseen the growth of the business through his role as our Chief Executive Officer and has been involved in the business since 1985. The expertise of the Krengel family is augmented with a strong and highly-experienced management team with extensive industry experience, including experience with the company. Our top operational managers have gained extensive industry experience at leading companies such as SCA, M-Real, International Paper, Zanders Feinpapiere AG, Albis Finance AG, Papierfabrik Scheufelen, Salamander AG, Sappi and Grohe AG. In addition, the Supervisory Board of WEPA Industrieholding SE, our Parent company, is comprised of members with extensive senior management experience at leading German companies as well as significant knowledge of our business, leading to a balanced, external perspective being offered to our management.

Our Strategy

Maintain Our Position as a Leading Tissue Producer in Europe through Private Label Strength

We intend to leverage our leading position in the private label tissue market and capitalize on the ongoing growth of the private label tissue market through overall market growth and the continued shift in market share from branded to private label products. We have historically generated significant revenue growth through organic development as well as a series of acquisitions. Our primary focus is on organic growth, however, we will evaluate any investment opportunities, including in the private label market, by considering the needs of our customers, our existing geographical footprint, the competitive landscape in our markets and our stringent investment criteria.

Broaden and deepen our partnerships with key customers

We intend to broaden and deepen our customer relationships by building on our existing reputation for providing high-quality, cost-effective products as a core component in our customers' supply chains. We will continue to enhance our product portfolio through the development of product innovations and improvements in response to customer demand, such as developing product lines like hybrid tissue products or, when economical, creating bespoke designs, for our major customers. Further, we will continue to position ourselves as a fundamental part of our customers' supply chain. By maintaining and improving our reputation for reliability and consistent delivery of high-quality products, we aim to achieve strategic supplier status (i.e. top-three supplier) with our key customers, thus further entrenching our position. In addition, we have invested in a dedicated sales force for our AfH division to help us expand our customer base.

Portfolio Optimization

In connection with the implementation of our Continuous Improvement Program in 2012, we launched a formal program designed to improve our average gross margin by focusing on higher-margin customers and products. We established minimum gross profit margin requirements for different categories of customers, based on the importance of the relevant customers to the WEPA Group, both in terms of total sales volumes as well as strategic considerations. As a result of this exercise, we have begun to (i) phase-out certain customers and products that did not meet the relevant minimum gross profit margin requirements; (ii) replace the resulting reduction in sales volumes with increased sales to target customers at higher gross profit margins; and (iii) reduce the overall complexity of our business through a reduction in the number of our customers and product families. We expect this initiative to lead to improved profitability, notwithstanding an initial drop in revenues. For the year ending December 31, 2012, we managed out over 40,000 tons of production, which was replaced by more than 45,000 tons of new production at improved margins.

Optimization of Supply Chain and Production to Improve Cost Efficiency

We intend to continue with our supply chain optimization program, and to generally improve the efficiency of our production processes to help us improve cost efficiency. To reduce our logistics costs, which represent a high proportion of the value of goods delivered, we have introduced an advanced system of client and logistical mapping, which allows us to identify inefficiencies and areas for cost improvement. As a result, we have already altered certain logistical flows, for example, to minimize shipping distances, we have relocated three converting lines from Lucca to our production sites in Kriebstein, Piechowice and Lille. To help us improve our cost efficiency, we are targeting increased standardization of both semi-finished products (i.e. jumbo reels) and finished products (resulting in the reduction of waste when converting jumbo reels into finished products) and the optimization of batch sizes (resulting in enhanced machine capacity due to reduced set-up times). We have already seen significant benefits from increased standardization. For example in 2012, we worked with one of our major customers to modify certain product specifications, which allowed us to increase pallet load by 43% leading to approximately €1 million in expected annual freight cost reductions. Standardization has also allowed us to reduce inventory levels and working capital requirements.

Streamlining of Organizational Structure and Headcount Reduction

In 2012, we conducted a detailed benchmarking exercise to compare the productivity of our work force across the WEPA Group. This allowed us to identify significant potential savings in our personnel expenses at a number of production sites. We have recently completed the implementation of a new, streamlined organizational structure, which we expect to result in cost savings both through a reduction of our overhead expenses as well as headcount reductions at individual production sites. Between 2011 and 2013, we have implemented redundancy programs at our head office site in Arnsberg as well as other sites in Germany and in Italy. We will continue to monitor our organizational structure and the size, composition and distribution of our workforce on an ongoing basis to ensure an efficient and streamlined organization.

Right-Sizing and Repositioning of Italian Operations

In 2009, we acquired a number of strategically important production sites across Europe from the former Kartogroup as part of a packaged transaction, which also included several unprofitable sites in Italy. These Italian operations suffered from high overhead costs as well as overcapacity, with products being transported across large distances to secure sufficient demand, thus eroding profitability. Having acquired these operations, we are undertaking a full reorganization of the Italian business by closing certain facilities, moving converting capacity to other parts of the Group, reducing headcount and re-positioning our remaining Italian production sites towards the Italian market. As part of this process, we have already relocated three converting lines to our production sites in Kriebstein, Piechowice and Lille and shut down our plant in Fabbriche di Vallico (Lucca) in mid-2012. Currently, a fourth converting line is being relocated from Italy to Piechowice. Moreover, we have reduced our Italian headcount by more than 100 employees and contract workers since 2010. In May 2013, we sold our production site at Pian della Rocca in Lucca, which employed 33 employees, to Roto-cart. We are also in sales negotiations for our production site at Fabbriche di Vallico. We signed a letter of intent with a prospective buyer on July 31, 2013 and we expect to be able to finalize the sale by the end of this year. We further plan to optimize our customer and product portfolio at our facilities in Cassino, Fosso Raletta (Lucca) and Salanetti (Lucca). Because branded tissue products continue to dominate the Italian tissue market, we expect to continue to market and sell a significant portion of our tissue products in Italy under our own Perla and Scala brands, but we also believe there is significant potential for growth in the Italian private label sector.

History

We were founded in 1948 by Paul Krengel as a wholesaler of wrapping, gift wrapping and cupboard lining paper. Five years later, we expanded our product range by installing our first automatic converting machine for the production of hygiene paper products, such as toilet paper. In 1958, we started our own tissue paper production with our first paper machine, and since then, we have continuously invested in the development of our production sites. By the end of the 1980s, we were increasingly focusing on recovered paper and had become one of the leading producers of recycled tissue products.

In 1990, shortly after the German reunification, we founded WEPA Sachsen in East Germany, initially as a 50/50 joint venture until we bought out our joint venture partner in 2001. In 2004, we established GC & WEPA, our Spanish joint venture with Goma-Camps, and also installed one of the then fastest state-of-the-art kitchen towel converting line in Europe at our production site in Giershagen. In 2006, we continued to grow by acquiring a tissue paper production and converting site in Mainz from Kimberly Clark and Polish tissue producer Fabryka Papieru Piechowice SA (FPP).

In December 2009, we acquired out of administration the majority of the assets of the former Kartogroup, an Italian tissue company (the "**Kartogroup Transaction**"). By adding production sites in Italy, France and Germany, the Kartogroup Transaction allowed us to create a production network across Europe that more closely matched the geographic footprint of our key customers and to improve our supply chain and logistics. Further, our expanded geographic footprint strengthened our sales position and the loyalty of our fast-growing European customers. In addition to entering the Italian market by way of the Kartogroup Transaction, we also gained new customers, particularly in the Benelux region, France and Eastern Europe, expanded into napkin products and increased our purchasing power.

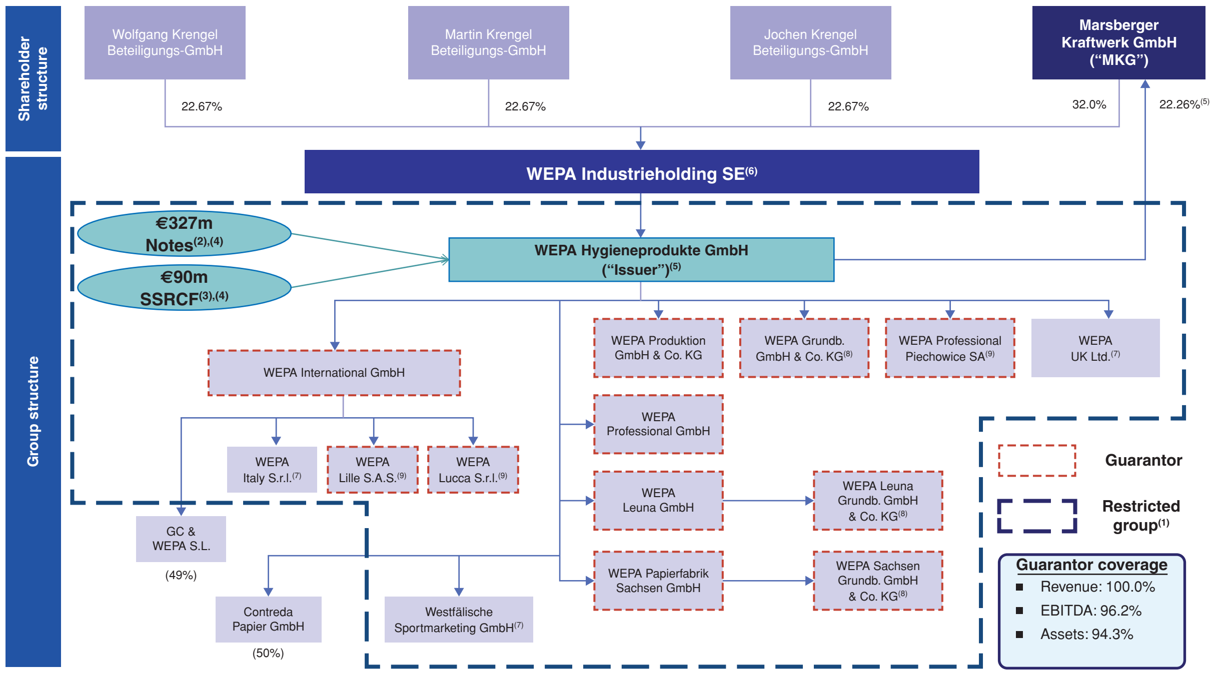
In May 2010, in connection with the financing of the Kartogroup Transaction, WEPA Industrieholding SE, our parent company, issued new shares to Pamplona, a private equity investor, which represented 32% of the shares in WEPA Industrieholding SE. In August 2012, our current shareholders repurchased these shares from Pamplona through Marsberger Kraftwerk GmbH ("**MKG**"), an affiliate owned by them that operates an industrial power plant which supplies our production site in Giershagen, Germany, returning the WEPA Group to 100% family control. See "Certain Relationships and Related Party Transactions—Marsberger Kraftwerk GmbH." In connection with the issuance of the Original Notes on May 13, 2013, we used €25 million from the proceeds of the offering of the Original Notes to subscribe for new shares of MKG representing a stake of approximately 22.3% in the share capital of MKG. MKG, in turn, used €23.4 million of these proceeds to repay the indebtedness it incurred in connection with the repurchase of the 32% stake of the WEPA Industrieholding SE from Pamplona, together with accrued interest and transaction costs.

Between 2010 and 2011, our results of operations and financial condition deteriorated. The key reasons for this deterioration included (i) a sharp increase in the costs of key raw materials, in particular pulp and recovered paper, between early 2010 and mid-2011 and our inability to fully pass those increased costs on to our customers in a timely manner; (ii) relatively high transportation costs due to the complex structure and geographic distribution of our production sites; (iii) a complex group structure; and (iv) challenges in the integration and excess capacity at our Italian production sites, which we acquired as part of the Kartogroup Transaction. In response, we decided to develop and implement a comprehensive profitability and liquidity improvement program (the "**Continuous Improvement Program**") and to restructure certain parts of our business (the "**Restructuring**") to ensure the long-term success of the WEPA Group. The Continuous Improvement Program focused on (i) portfolio optimization, (ii) the optimization of our supply chain and production, (iii) liquidity improvement and other cost reduction opportunities, and (iv) an upgrade of our controlling, reporting and IT functions. The Restructuring focused on (i) streamlining of our organizational structure and headcount reduction as well as on (ii) the restructuring of our Italian operations. We have met or exceeded all of the targets from the measures we have taken under the Continuous Improvement Program and Restructuring and the Restructuring has been completed, although we do not expect our results to fully reflect the benefits of the Restructuring in Italy until 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Factors Affecting our Results of Operations—Continuous Improvement Program and Restructuring."

Following the completion of the Restructuring in July 2013 and the realization of all of the targets from the measures we have taken under the Continuous Improvement Program, we have transitioned the Continuous Improvement Program into a formal and ongoing Continuous Improvement Process ("**Continuous Improvement Process**") intended to establish the WEPA Group as a cost leader in the tissue industry by further improving our profitability and cash position. As part of the Continuous Improvement Process, we are currently executing several specific initiatives focusing on portfolio optimization, production, working capital, supply chain, general organization, our operations in Italy, purchase optimization, and IT systems, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Factors Affecting our Results of Operations—Continuous Improvement Process."

Overview of Our Corporate and Financing Structure

The following chart shows the structure of the WEPA Group as of September 30, 2013 and our principal outstanding financing arrangements after giving effect to this Offering and the application of proceeds thereof as set forth under "Use of Proceeds":



(1) Entities in the restricted group are subject to the covenants under the terms of the Notes and the Senior Revolving Credit Facility.

(2) The Issuer issued €275 million aggregate principal amount of Original Notes and proposes to issue €52 million aggregate principal amount of Additional Notes. The Notes will be senior secured obligations of the Issuer and will be guaranteed on a senior secured basis by the Guarantors. The Notes will be secured by a first-priority security interest in the same collateral which secures the Senior Revolving Credit Facility and the Priority Hedging Obligations, although any liabilities in respect of obligations under the Senior Revolving Credit Facility and the Priority Hedging Obligations will receive priority over those of the Holders. See "Description of the Notes" for further information.

(3) The obligations under the Senior Revolving Credit Facility are senior secured obligations of the Issuer and are guaranteed on a senior secured basis by the Guarantors. The Senior Revolving Credit Facility is secured by certain first-ranking Liens over shares of or the partnership interests in the Issuer, each Guarantor and another member of the WEPA Group, and, in Germany, certain machinery and equipment, intercompany loans, insurance receivables, bank accounts and real property as described in more detail in "Description of Notes—Security; Release of Collateral". During the twelve-month period ended September 30, 2013, the Issuer and the Guarantors generated 100.0% of our consolidated revenues (effects of intragroup transactions eliminated) and 96.2% of our consolidated EBTIDA (effects of intragroup transactions eliminated) and as of September 30, 2013, held 94.3% of our consolidated total assets (effects of intragroup relations eliminated). On the issue date of the Additional Notes, the Issuer expects to have no drawdown under the Senior Revolving Credit Facility.

(4) The guarantees of the Senior Revolving Credit Facility and the Notes as well as the related security interests will be subject to certain limitations under applicable law, as described in "Risk Factors—Risks Related to the Notes" and "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests."

(5) The Issuer expects to use the proceeds of the issuance of the Additional Notes for general corporate purposes as described in more detail under "Use of Proceeds."

(6) WEPA Industrieholding SE owns all shares in the Issuer and has pledged such shares as part of the Collateral.

(7) As at and for the twelve-months period ended September 30, 2013, the revenues, EBITDA and assets of the restricted subsidiaries not guaranteeing the Notes represented 0.0%, 3.8% and 5.7% of the revenues, EBITDA and assets of the Restricted Group, respectively.

(8) WEPA Hygieneprodukte GmbH, WEPA Leuna and WEPA Papierfabrik Sachsen, are limited partners of WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG, respectively. WEPA Grundbesitz Verwaltungs-GmbH, the general partner of WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG, is not part of our Group but its interest in WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG are pledged and serve as Collateral for the Notes and the Senior Revolving Credit Facility.

(9) WEPA Lucca S.r.l. is an original borrower under the Senior Revolving Credit Facility. WEPA Lille S.A.S. and WEPA Professional Piechowice SA may accede as original borrowers under the Senior Revolving Credit Facility following the offering of the Additional Notes.

THE OFFERING

The following is a brief summary of certain terms of the offering of Additional Notes to which this offering memorandum relates. It is not intended to be complete and is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer	WEPA Hygieneprodukte GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under German law
Additional Notes Offered	€52,000,000 aggregate principal amount of 6.500% senior secured notes due 2020 (the "Additional Notes"). The Additional Notes constitute an increase (*Aufstockung*) of the €275,000,000 aggregate principal amount of 6.500% senior secured notes due 2020 that the Issuer issued on May 13, 2013 (the "**Original Notes**" and, together with the Additional Notes, the "**Notes**"). The Additional Notes have the same terms as the Original Notes in all respects and will be consolidated with and form a single series (*Gesamtemission*) with the Original Notes.
Issue Date of the Additional Notes . .	December 16, 2013
Maturity Date	May 15, 2020
Denominations	Each Note will have a minimum denomination of €1,000. The Notes are only transferable in minimum aggregate principal amounts of €100,000 and any integral multiples of €1,000 in excess thereof.
Interest of the Additional Notes	The Additional Notes will bear interest at a rate of 6.500% per annum, payable semi-annually in arrears on each May 15 and November 15 of each year commencing on May 15, 2014. The Issuer will make the first interest payment on the Additional Notes on May 15, 2014 for interest accrued (or deemed accrued) and unpaid from November 15, 2013, the last interest payment date for the Notes.
Ranking of the Notes	The Notes will be the Issuer's senior obligations and: (a) be secured by first-ranking liens over the Collateral although any liabilities in respect of obligations under the Senior Revolving Credit Facility and the Priority Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral; (b) rank *pari passu* among themselves and *pari passu* in right of payment without any preference with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, unless such obligations are accorded priority under mandatory provisions of statutory law; (c) be effectively subordinated to all existing and future indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; (d) rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; and

	(e) be structurally subordinated to any and all existing and future indebtedness of the subsidiaries of the Issuer that are not Guarantors.
Guarantors	The Issuer's obligations under the Notes will be guaranteed by WEPA International GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Leuna GmbH, WEPA Lucca S.r.l., WEPA Lille S.A.S., WEPA Professional GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Professional Piechowice SA and WEPA Produktion GmbH & Co. KG.
Ranking of the Guarantees	The Guarantee of each Guarantor (the "**Note Guarantee**") will be a senior obligation of such Guarantor and: (a) be secured by first-ranking liens over the Collateral although any liabilities in respect of obligations under the Senior Revolving Credit Facility and the Priority Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral; (b) be pari passu in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Note Guarantee, unless such obligations are accorded priority under mandatory provisions of statutory law; (c) be effectively subordinated to any existing and future indebtedness of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness; (d) rank senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to such Note Guarantee; and (e) be effectively senior to all of such Guarantor's existing and future unsecured indebtedness to the extent of the assets securing such Note Guarantee.
Optional Redemption	The Issuer may redeem all or part of the Notes on or after May 15, 2016 at the redemption prices as described under "Description of the Notes—Optional Redemption" plus accrued and unpaid interest, if any, to the date of redemption. Prior to May 15, 2016, the Issuer may redeem all or part of the Notes by paying a "make whole" premium as described under "Description of the Notes—Optional Redemption" plus accrued and unpaid interest, if any, to the date of redemption. Prior to May 15, 2016, the Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 35% of the principal amount of the Notes at a redemption price equal to 106.500% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 65% of the original principal amount of the Notes remains outstanding after the redemption.

Collateral	Shares of or the partnership interests in the Issuer, each Guarantor and another member of the WEPA Group, and in Germany, certain machinery and equipment, intercompany loans, insurance receivables, bank accounts and real property as described in more detail in "Description of Notes—Security; Release of Collateral."
Security Agent	Commerzbank Aktiengesellschaft
Paying Agent	Deutsche Bank AG
Transfer Agent	Deutsche Bank AG
Notification Agent	Deutsche Bank AG
Additional Amounts; tax redemption	All payments in respect of the Notes or with respect to any Note Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer, the relevant Guarantor or other payor, as applicable, will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See "Description of the Notes—Payment of Additional Amounts." The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer or a Guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See "Description of the Notes—Early Redemption for Taxation Reasons."
Holders' Representative	Deloitte & Touche GmbH
Change of Control	If we experience a Change of Control (as defined in the Conditions of Issue), you will have the right to require the Issuer to repurchase all or any part (equal to €1,000 or integral multiple thereof; provided that no Note of €100,000 or less shall be repurchased in part) of your Notes in a principal amount equal to 101% of their principal amount plus accrued and unpaid interest. See "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control."
Certain covenants	The Issuer will issue the Notes under the Conditions of Issue. The Conditions of Issue will limit, among other things, our ability to: • borrow or guarantee additional indebtedness and issue preferred stock; • distribute profits, pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Issuer; • transfer, lease or sell certain assets including subsidiary stock;

	• merge or consolidate with other entities; • enter into certain transactions with affiliates; and • guarantee other indebtedness of the Issuer and its Restricted Subsidiaries without also guaranteeing the Notes. Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of the Notes—Covenants."
Transfer Restrictions	We have not registered and will not register the Notes or the Guarantees under the Prospectus Directive or the U.S. Securities Act. The Notes 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. The Notes are subject to restrictions on transfer. Furthermore, the Notes have not been registered under any other country's securities laws. See "Notice to Investors" and "Transfer Restrictions."
Listing	Application has been made for admission of the Additional Notes to the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF of such exchange.
Governing Law	The Conditions of Issue, the Notes and the Guarantees are governed by German law. The Senior Revolving Credit Facility and the Intercreditor Agreement are governed by German law. The Security Documents will be governed by applicable local law.
Risk Factors	You should refer to the section entitled "Risk Factors" for an explanation of certain risks involved in investing in the Additional Notes.

SUMMARY FINANCIAL INFORMATION

The financial information contained in the following tables is derived from the audited consolidated financial statements of the Issuer as of and for the fiscal years ended December 31, 2010, 2011 and 2012, and from the unaudited consolidated interim financial statements of the Issuer as of and for the nine-month period ended September 30, 2013. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

The historical consolidated financial statements and the other historical consolidated financial information presented below have been prepared on the basis of German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS."

In this offering memorandum, we present certain non-GAAP measures and ratios, including Gross Profit, EBITDA, EBIT, Income/(loss) before Tax, Trade working capital, Free Cash Flow, Net Cash Flow and Adjusted cash flow available for debt service, and pro forma data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operations, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including Gross Profit, EBITDA, EBIT, Income/(loss) before Tax, Trade working capital, Free Cash Flow, Net Cash Flow and Adjusted cash flow available for debt service, and pro forma data presented by us may not be comparable to similarly titled measures used by other companies.

The following tables also set forth certain pro forma consolidated financial information, after giving effect to the issuance of the Additional Notes.

You should read the information set forth below in conjunction with the sections "Presentation of Financial Information", "Use of Proceeds", "Capitalization", "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum.

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
	(audited unless otherwise indicated) (€ in thousands)			(unaudited) (€ in thousands)		(unaudited)
INCOME STATEMENT AND OTHER DATA						
Total Operating Performance[1]	**871,727**	**869,058**	**845,999**	**641,610**	**635,231**	**839,621**
Cost of materials	(526,259)	(547,627)	(509,504)	(383,990)	(380,848)	(506,362)
Gross Profit[2]	**345,468**	**321,432**	**336,495**	**257,620**	**254,383**	**333,259**
Other operating income / other internally produced and capitalized assets	16,655	12,996	8,692	5,519	4,355	7,529
Personnel expenses	(131,403)	(130,676)	(125,150)	(96,226)	(95,236)	(124,157)
Other operating expenses	(153,958)	(153,728)	(134,935)	(106,733)	(93,218)	(121,419)
EBITDA[3]	**76,762**	**50,023**	**85,103**	**60,179**	**70,284**	**95,211**
Depreciation / Amortization	(30,949)	(32,381)	(31,708)	(24,013)	(21,684)	(29,379)
EBIT[4]	**45,813**	**17,642**	**53,395**	**36,166**	**48,600**	**65,832**
Extraordinary income/(expenses)[5]	(7,233)	(4,837)	(13,507)	(6,525)	(35,145)	(42,128)
Interest and similar income	641	1,036	1,036	1,176	41	(99)
Interest and similar expense	(29,777)	(27,276)	(24,686)	(17,614)	(19,739)	(26,811)
Income/(loss) before tax[6]	**9,445**	**(13,434)**	**16,238**	**13,204**	**(6,244)**	**(3,206)**
Taxes	(6,937)	(9,854)	(13,815)	(10,626)	(8,373)	(11,562)
Net income/(loss)	**2,508**	**(23,288)**	**2,426**	**2,578**	**(14,617)**	**(14,769)**

	As at December 31,			As at September 30,	
	2010	2011	2012	2012	2013
	(audited unless otherwise indicated)			(unaudited)	
	(€ in thousands)			(€ in thousands)	
BALANCE SHEET AND OTHER DATA					
Cash and Cash equivalents	6,527	3,940	10,301	9,618	20,866
Trade working capital(7)	168,493	141,998	118,194	141,351	113,904
PPE(8)	330,663	320,714	319,564	307,176	305,426
Total Assets	**679,111**	**619,891**	**602,378**	**593,341**	**601,597**
Total Liabilities	**550,228**	**422,530**	**382,279**	**371,903**	**390,541**
Total Debt(9)	**318,515**	**309,385**	**276,698**	**282,058**	**302,738**
Net debt(10)	**311,988**	**305,445**	**266,397**	**272,440**	**281,872**

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	2011	2012	2012	2013	2013
	(audited unless otherwise indicated)			(unaudited)		(unaudited)
	(€ in thousands)			(€ in thousands)		
CASH FLOW AND OTHER DATA						
Net cash flow (used in)/from operating activities	3,971	36,203	72,408	44,589	21,004	48,824
Net cash flow (used in)/from investing activities	(28,998)	(24,715)	(31,714)	(11,703)	(33,157)	(53,169)
Free Cash Flow(11):	**(25,027)**	**11,488**	**40,694**	**32,885**	**(12,153)**	**(4,345)**
Net cash flow (used in)/from financing activities	13,863	(14,130)	(34,387)	(27,327)	22,740	15,680
Net Cash Flow(12):	**(11,164)**	**(2,642)**	**6,307**	**5,559**	**10,587**	**11,335**
Adjusted cash flow available for debt service(13)	11,719	43,305	78,509	56,732	60,080	81,860

(1) Total operating performance is calculated as the sum of gross sales, sales reductions and change in inventories.

(2) Gross profit (unaudited; not a German GAAP measure) is calculated by deducting cost of materials from total operating performance.

(3) EBITDA (unaudited; not a German GAAP measure) means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA in 2012 includes €0.7 million in EBITDA related to discontinuing operations. See "Presentation of Financial Information."

(4) EBIT (unaudited; not a German GAAP measure) means EBITDA minus amortization and depreciation on intangible assets, property, plant and equipment.

(5) Extraordinary income/(expenses) relates to expenses related to the Kartogroup integration, the Refinancing as well as other extraordinary expenses as follows:

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	2011	2012	2012	2013	2013
	(€ in thousands)			(€ in thousands)		
EXTRAORDINARY INCOME/(EXPENSES)						
Expenses Related to Kartogroup integration	(5,740)	(4,801)	(5,904)	(3,890)	(5,912)	(7,926)
thereof consulting	*(5,740)*	*(2,360)*	*(4,778)*	*(3,753)*	*(1,007)*	*(2,032)*
thereof downsizing Italy	—	*(2,441)*	*(1,126)*	*(137)*	*(4,905)*	*(5,894)*
Expenses Related to the Refinancing[c]	—	—	—	—	(27,931)	(27,931)
thereof swap costs	—	—	—	—	*(13,121)*	*(13,121)*
thereof closing fees	—	—	—	—	*(7,628)*	*(7,628)*
thereof consulting	—	—	—	—	*(4,707)*	*(4,707)*
thereof others	—	—	—	—	*(2,476)*	*(2,476)*
Other extraordinary expenses	(1,493)	(2,978)	(12,877)	(2,635)	(4,318)	(14,560)
thereof restructuring advisor	—	—	*(1,810)*	*(1,334)*	*(1,269)*	*(1,745)*
thereof personnel (without Italy)[a]	—	*(1,263)*	*(4,101)*	*(980)*	*(519)*	*(3,640)*
thereof flood/fire damage[b]	—	—	*(6,315)*	—	*(2,130)*	*(8,445)*
thereof others	*(1,493)*	*(1,715)*	*(651)*	*(321)*	*(400)*	*(731)*
Extraordinary expenses	**(7,233)**	**(7,779)**	**(18,780)**	**(6,525)**	**(38,161)**	**(50,417)**
Extraordinary income	**—**	**2,942**	**5,273**	**—**	**3.016**	**8,289**
Extraordinary income/(expenses)	**(7,233)**	**(4,837)**	**(13,507)**	**(6,525)**	**(35,145)**	**(42,128)**

(a) The increase in extraordinary personnel expenses (without Italy) by €2.8 million, from €1.3 million in 2011 to €4.1 million in 2012 is due to the implementation of redundancy programs at our production sites outside Italy.

(b) The increase in extraordinary expenses in 2012 includes a one-off expense of €6.3 million related to flooding in Lucca and a fire at our high rack warehouse in Arnsberg. Both expenses were largely off-set by €5.3 million in extraordinary income from corresponding insurance payments.

(c) Extraordinary expenses of €27.9 million in the nine-month period ended September 30, 2013 are one-off expenses related to the Refinancing.

(6) Income/(loss) before tax (unaudited; not a German GAAP measure) is calculated by adding taxes back to net income/(loss).

(7) Trade working capital (unaudited; not a German GAAP measure) we define as inventories plus trade receivables, minus trade payable.

Our calculation of trade working capital can be reconciled to the balance sheet as follows:

	Year ended December 31,			As at September 30,	
	2010	2011	2012	2012	2013
	(€ in thousands)				
TRADE WORKING CAPITAL SPLIT					
Inventories	131,085	114,265	105,282	120,276	112,145
Trade receivables	143,314	109,384	87,041	85,178	62,146
Trade payables	105,905	81,651	74,129	64,103	60,388
Trade Working Capital	**168,493**	**141,998**	**118,194**	**141,351**	**113,904**

(8) PPE is defined as assets comprising of plant, property and equipment.

(9) Total debt means liabilities owed to banks and holders of the Notes.

(10) Net debt is calculated by deducting cash and cash equivalents from total debt.

(11) Free Cash Flow (unaudited; not a German GAAP measure) is defined as cash flow from operating activities less cash flow from investing activity.

(12) Net Cash Flow (unaudited; not a German GAAP measure) is defined as cash-effective change in cash and cash equivalents.

(13) We present Adjusted cash flow available for debt service (unaudited; not a German GAAP measure) as a measure of normalized free cash flow which can be used to service debt. We calculate Adjusted cash flow available for debt service as Cash flow available for debt service adjusted for the effects of Extraordinary income/(expenses).

Our calculations of Adjusted cash flow available for debt service is as follows:

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
	(€ in thousands)			(€ in thousands)		
ADJUSTED CASH FLOW AVAILABLE FOR DEBT SERVICE						
EBITDA	76,762	50,023	85,103	60,179	70,284	95,211
Change in Total Working Capital[a]	**(28,691)**	**29,116**	**31,128**	**18,564**	**11,983**	**24,548**
thereof Trade Working Capital	*(18,609)*	*26,496*	*23,804*	*611*	*4,290*	*27,484*
Taxes	(6,937)	(9,854)	(13,815)	(10,626)	(8,373)	(11,562)
Extraordinary income/(expenses)	(7,233)	(4,837)	(13,507)	(6,525)	(35,145)	(42,128)
Net cash flow (used in)/from investing activities	(28,998)	(24,715)	(31,714)	(11,703)	(33,157)	(53,169)
Other[b]	(417)	(1,265)	7,806	318	1,835	9,324
Cash flow available for debt service:[c]	**4,486**	**38,468**	**65,001**	**50,207**	**7,427**	**22,224**
adding back Extraordinary income/(expenses)	7,233	4,837	13,507	6,525	35,145	42,128
adding back cash for purchase of MKG shares					25,108	25,108
deducting proceeds from sale of "Pian della Rocca" plant					(7,600)	(7,600)
Adjusted cash flow available for debt service	**11,719**	**43,305**	**78,509**	**56,732**	**60,080**	**81,860**

(a) Total Working Capital (unaudited; not a German GAAP measure) includes trade working capital, provisions, changes in other assets and changes in other liabilities.

(b) Other includes other non-cash income/ (expenses), gains/ (losses) on disposal of assets and result from associated companies.

(c) Cash flow available for debt service (unaudited; not a Germain GAAP measure) means EBITDA adjusted for the effects of changes in Total Working Capital, Extraordinary income/(expense), Net cash flow (used in)/from investing activities and Other, minus Taxes.

PRO FORMA AND OTHER FINANCIAL DATA

	For the twelve-month period ended September 30, 2013
	(unaudited) (€ in millions)
Pro Forma Secured Debt[1]	354.7
Pro Forma Interest Expense[2]	29.1
Pro Forma Net Debt[3]	279.8
Ratio of Pro Forma Net Debt / EBITDA	2.9x
Ratio of Pro Forma Secured Debt / EBITDA	3.7x
Ratio of EBITDA / Pro Forma Interest Expense[2]	3.3x

(1) Pro Forma Secured Debt is calculated by giving pro forma effect to Total Secured Debt as at September 30, 2013 for the offering of the Additional Notes.

(2) Pro Forma Interest Expense and the Ratio of EBITDA / Pro Forma Interest Expense is calculated by giving pro forma effect to interest and similar expenses as at September 30, 2013 for the offering of the Additional Notes.

(3) Pro Forma Net Debt is calculated by giving pro forma effect to Total Debt minus cash and cash equivalents. Pro forma net debt reflects an aggregate principal amount of €52 million of the Additional Notes (and reflecting that the Additional Notes are issued at an issue price of 107%).

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	2011	2012	2012	2013	2013
				(unaudited)		
SELECTED OPERATING DATA						
Volumes produced (in tons)						
—Finished products	541,000	528,000	499,000	382,000	377,000	494,000
—Jumbo reels	591,000	590,000	584,000	444,000	417,000	557,000
Volumes Sold (in tons)						
—Finished products	561,000	562,000	525,000	394,000	393,000	523,000
—Semi-finished products (jumbo reels and de-inked pulp)	34,000	35,000	65,000	42,000	47,000	70,000
Average net selling price (ASP) per ton of finished products (€ per ton)	1,468	1,497	1,499	1,497	1,495	1,497
Total pulp costs per ton (€ per ton)	516	537	501	499	501	502
Total recovered paper costs per ton (€ per ton)	172	184	148	149	145	145

RISK FACTORS

You should carefully consider all of the information in this offering memorandum, including the following risk factors, before making an investment decision regarding the Notes. The risks and uncertainties below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, could also impair our business operations. If any of the following risks actually materializes, our business, liquidity, the results of our operations and our financial condition could be materially and adversely affected. In that case, the trading price of the Notes could decline and we may be unable to meet our financial obligations under the Notes, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

If the cost of key raw materials and energy increases, we may not be able to pass these increased costs on to our customers; our results may be significantly affected by exchange rate fluctuations.

We depend heavily on access to sufficient, reasonably-priced quantities of pulp and recovered paper, which we use to manufacture our tissue products, and we are also a significant consumer of energy. The global supply of our key raw materials is limited and both the prices of our key raw materials and the price of energy have been increasingly volatile in recent years, with an overall increasing tendency. For example, our average cost per ton for pulp increased by 33.3% from €387 in 2009 to €516 in 2010, followed by a further increase of 4.1% to €537 in 2011, before decreasing by 6.7% to €501 in 2012. The sharp increase in pulp prices between early 2010 and mid-2011 was due, among other things, to a large earthquake off the coast of Chile in February 2010 which led to widespread destruction of pulp production facilities and infrastructure and removed approximately 8% of global pulp capacity from the market for approximately four months. During the same period, our total cost of energy increased slightly from €85.8 million in 2010 to €86.6 million in 2011 and increased further to €93.4 million in 2012.

In the countries in which we operate production facilities, we may be affected by regulatory decisions strongly impacting our energy prices. For example, as a consequence of the nuclear disaster in Fukushima, Japan in 2011, German energy policy has undergone a dramatic shift by now focusing on promoting the development of renewable energy sources and pursuing the complete stop of the production of nuclear power by 2021. This so-called "energy revolution" (*Energiewende*) has resulted in significant increases in electricity prices, mostly as a result of certain surcharges for funding infrastructure investments necessary for the implementation of the "energy revolution." To mitigate the impact of the resulting surcharges, the German government adopted rules that provided for various businesses, including the WEPA Group, to be reimbursed for certain parts of these surcharges. However, those rules have recently been declared void by a German court. The ruling has not yet become final. Should this court ruling become final, we may be required to repay up to €7.4 million in reimbursement amounts we have already received. In addition, the issue of reimbursement of infrastructure investment surcharges has been picked up by the European Commission and is currently being investigated for alleged illegal state aid. The European Commission has announced it will launch state aid proceedings against Germany. The outcome of any such investigations or proceedings is uncertain. As of September 30, 2013 we had established provisions of €3.5 million to cover reimbursement amounts we may be required to repay. Future political decisions in Germany that may result in changes to the reimbursement rules for energy intensive companies like ours could have a further negative impact on our energy costs. Uncertainties remain, in particular, related to costs for network utilization, changes in market design, renewable energy and policies intended to combat climate change.

The majority of our supplier contracts for the purchase of key raw materials extends for terms of up to one year with prices linked to indexes or subject to periodic negotiation while our energy is purchased mostly through long-term supply contracts entered into at the local level. Changes in the terms of our energy or supply contracts, including any price increase, could adversely affect our earnings and financial position because we may not be able to pass increases in the costs of key raw materials or energy on to our customers in a timely manner or at all if the market or the relevant customer agreement do not allow us to raise the prices of our finished products. If price adjustments significantly trail the increase in raw materials or energy expenses, or if we cannot effectively hedge against such cost increases, our business, financial condition and results of operations may be materially adversely affected. For example, our net income decreased from a net income of €2.5 million in 2010 to a net loss of €23.3 million in 2011, largely due to a sharp increase in the cost of key raw materials, in particular pulp, between early 2010 and mid-2011, and our inability to fully pass those increased costs on to our customers.

In addition, any changes in the prices of our key raw materials and our energy costs may be further aggravated by fluctuations in the exchange rate between the euro and the U.S. dollar. While prices of raw materials like pulp as well as the price of oil are quoted in U.S. dollars in the international markets, we primarily generate our sales revenues in euros. Any strengthening of the U.S. dollar against the euro will therefore result in an increase in the price (expressed in euros) of our key raw materials and our energy cost and generally have a negative impact on our results.

Our use of hedging instruments might prove ineffective or expose us to additional risks, which may adversely affect our financial position and operating results.

We seek to hedge some of our exposure to exchange rate fluctuations, increases in the price of our key raw materials and changes in interest rates through the use of various types of hedging instruments, including forward contracts as well as other derivatives transactions such as interest rate, currency and commodity swaps. Subject to the prevailing market conditions, we aim to hedge reasonable portions of our budgeted raw material requirements for a certain period against price increases. Subject to advantageous market conditions, we generally aim to hedge up to two thirds of our pulp demand, energy demand and interest risk and up to 85% of our U.S. dollar related purchasing demand. There can be no assurance that we will be able to correctly anticipate our full exposure to exchange rate fluctuations, increases in the price of our key raw materials or changes in interest rates (which depends on projected sales volumes in any given period, among other factors). Further, there can be no assurance that we will or be able to hedge our full exposure or that our hedging transactions will be effective. The use of derivatives is a highly specialized activity that involves investment techniques and risks different from those associated with our ordinary business. Depending on the state and development of interest rates, exchange rates or raw material prices, as applicable, our use of hedging transactions could enhance or harm our overall performance compared to our competitors. In addition, we are also exposed to the risk of an insolvency or default of our counterparties under our hedging transactions. Should one or more of these risks materialize, this could have a material adverse effect on our financial position and results of operations.

Increased pricing pressure and intense competition could have an adverse effect on our business, financial condition and results of operations.

We operate in highly competitive markets. Inherent risks in our competitive strategy include uncertainties concerning the effects of the ongoing consolidation and growing presence of large retailers and discounters and the ongoing consolidation among tissue producers in Europe. Our competitors include other low-cost manufacturers and rapidly-expanding international manufacturers. In the AfH sector, some of our products, in particular paper towels, also compete with other types of products such as air dryers and cotton towels. Some of our competitors may have increased access to financial resources and increased market penetration, which may enable them to offer a wider variety of products and services at more competitive prices. Alternatively, some of these competitors may have significantly lower product development and manufacturing costs, allowing them to offer products at a lower cost. Further, although our market has experienced significant consolidation and the exit of a number of key competitors, new competitors may enter the European tissue market and one or more of our existing competitors may install additional tissue production or converting capacity or may reactivate idle capacity. A significant increase in capacity in any of the markets where we operate could cause an oversupply, resulting in lower market prices for our products and increased competition. This could in turn, adversely affect our business, financial condition and results of operations.

Increasing dependence on key customers and changes in the policies and purchasing behavior of those customers may adversely affect our business.

In our Consumer division, in particular, we generate a large percentage of our total sales revenue through a few long-standing customers that we expect to play a key role in our long-term business success. Our three largest customers accounted for 33.6% of our total sales revenue in 2012 and 55.4% of our total sales revenue in 2012 was generated through our ten largest customers. Due to the ongoing consolidation of retail trade, we are increasingly dependent on key retailers, including large-format retailers, who may have increasing bargaining power. Our key customers may use their bargaining power to demand higher trade discounts or allowances which could reduce our profitability. We may also be negatively affected by changes in the policies of our key retail trade customers, such as inventory de-stocking, de-listing of our products, additional requirements related to safety, environmental, social and other sustainability issues, among other conditions. In addition, the requirements and the demand habits of our customers may change and, as a result, we may not be able to sell inventory which we produce in anticipation of future demand by a particular customer, or we may only be able to sell inventory at reduced prices. The majority of our sales are conducted through periodic tender processes. These tenders typically occur on an annual basis, but can occur more frequently. Depending on the relevant customer, tenders may either cover all of our sales to the relevant customer or relate to individual products or product categories or to particular geographic regions. If we are unable to successfully manage and complete these tender processes, we could lose key customers or experience significant decreases in our sales volumes. Our reliance on certain key customers further exposes us to significant risk should any of these key customers experience financial difficulties. For example, one of our larger customers, accounting for sales of €19.9 million or 2.3% of our total sales revenue in 2011, became insolvent in January 2012. If we lose a significant customer or if sales of our products to a significant customer substantially decrease for any reason and if we are not able to substitute the lost business, our business, financial condition and results of operations may be materially adversely affected.

The agreements with our customers generally do not contain minimum purchase obligations, which leaves us exposed to fluctuations in the demand behavior of our customers.

We generally have framework agreements with our retailer customers which allow those customers to place orders "on demand" and which generally do not contain minimum purchase obligations. There is an increasing trend among retailers, in particular, to strive to reduce working capital and procurement costs. If important customers terminate or do not extend the term of their framework agreements with us or significantly reduce their orders for our products compared to our internal sales forecasts, we may not be able to sell the relevant products we have already produced to other customers on favorable terms or at all. This could materially adversely affect our business, financial condition and results of operations.

We may fail to successfully implement all or part of our Continuous Improvement Process.

Between 2010 and 2011, our net income decreased from a net income of €2.5 million in 2010 to a net loss of €23.3 million in 2011, primarily due to a sharp increase in the costs of key raw materials, relatively high transportation costs, a complex group management structure, challenges in the integration with our existing operations and excess production capacity at our Italian production sites, which we acquired from Kartogroup in 2009. This deterioration of our results of operations and financial condition caused us to be in non-compliance with certain covenants under our then Existing Financing Arrangements and required us to obtain a series of waivers from our existing creditors. In response, we have implemented a comprehensive profitability and liquidity improvement program (the "**Continuous Improvement Program**") and restructured certain parts of our business (the "**Restructuring**"). The Continuous Improvement Program and the Restructuring, which were validated by an external consultant, also formed the basis for a restructuring agreement we entered into with our existing creditors on June 30, 2012. For a more detailed description of certain measures we implemented in connection with the Continuous Improvement Program and the Restructuring, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Continuous Improvement Program and Restructuring."

Following the completion of the Restructuring in July 2013 and the realization of all of the targets from the measures we have taken under the Continuous Improvement Program, we have transitioned the Continuous Improvement Program into a formal and ongoing Continuous Improvement Process ("**Continuous Improvement Process**") intended to establish the WEPA Group as a cost leader in the tissue industry by further improving our profitability and cash position. As part of the Continuous Improvement Process, we are currently executing several specific initiatives focusing on portfolio optimization, production, working capital, supply chain, general organization, our operations in Italy, purchase optimization, and IT systems, respectively.

There can be no assurance that we will be able to successfully implement the measures that form part of the Continuous Improvement Process or any additional restructuring or efficiency improvement initiatives we may take in the future. Any actual cost savings or other benefits as result of these measures may vary materially from our current estimates and forecasts. In addition, any cost reduction measures are based on current conditions and do not take into account future cost increases that may result from changes in our industry or our business. Furthermore, some of the measures we have taken (or propose to take) would be difficult to reverse and we could incur significant costs should we want to recommence certain terminated operations in the future as a result of, for example, industry consolidation or unexpected changes in industry trends.

If we fail to successfully implement the Continuous Improvement Process or any future efficient improvement initiatives, if our measures fail to result in the expected savings or productivity and efficiency improvements, or if the costs of these measures significantly exceed our current estimates, this could have a material adverse effect on our business, financial position and results of operations.

The success of our business relies on certain key personnel (in particular, our chief executive officer Martin Krengel), and our ability to attract and retain key personnel, other qualified management personnel and skilled workers.

The success of our business relies to a considerable extent on the efforts, abilities and reputation of our management board and our senior management team, especially our chief executive officer Martin Krengel. Mr. Krengel has also been responsible to a significant extent for our historical growth and strategic development. The loss of Mr. Krengel or other key personnel could significantly disrupt our business and have a material adverse effect on our business and results of operations. Further, if we lost any of our key personnel, there can be no assurances that we will be able to successfully find a suitable replacement in a timely manner, or at all.

In addition, the success of our business depends on our ability to attract and retain qualified management personnel and skilled workers in the long-term. We compete with a large number of other companies when recruiting qualified employees. In Germany in particular, there is an increasing shortage of qualified personnel, especially workers with technical or engineering skills. If we are unable to continue to attract and/or train qualified employees sufficiently and to retain those employees within our Group, this could have a material adverse effect on our business, financial position and results of operations.

Our business could be adversely impacted by strikes and other labor disputes.

As part of our restructuring activities in Italy, we have experienced industrial action earlier this year. While we were able to reach agreements with the relevant employee representatives, it is possible that the relationships could deteriorate in the future and we might experience strikes, unionization efforts or other types of conflicts with labor unions or our employees. Any production shortages and delivery interruptions of our customers resulting thereby could have a material adverse effect on our business, financial condition and results of operations.

Our insurance cover could prove inadequate.

We have taken out insurance to cover various operational risks. However, there is no guarantee that our current insurance policies will provide appropriate and adequate cover for all potential losses and liabilities that may arise, or that in the future we will be able to secure adequate insurance cover on reasonable commercial terms. Losses or liabilities which exceed our maximum cover could have a material adverse effect on our business, financial condition and results of operations.

Our operations require substantial capital, and we may not have adequate capital resources to satisfy all of our cash requirements and our ability to satisfy our obligations under the Notes may be impaired.

Expansion or replacement of existing facilities or equipment and compliance with environmental, health and safety laws and regulations may require substantial capital expenditures. We cannot assure you that our capital resources will be sufficient for these purposes. If our capital resources are inadequate to provide for our operating needs, capital expenditures and other cash requirements, this shortfall could have a material adverse effect on our business and liquidity and impact our ability to service our debt, including the Notes.

Our production facilities are exposed to operational risks in the form of service interruptions caused by breakdowns of equipment and industrial accidents.

We operate production sites in Germany, France, Poland and Italy. Critical production equipment at one or more production sites may fail or be required to be shut down as a result of industrial accidents, leading to disruptions in production which we may not be able to absorb through our other production sites or existing product inventories. This, in turn, may result in delays in deliveries to our customers. For example, we had to shut down our paper machine in Piechowice, Poland in March 2013 and in Mainz, Germany in September 2013, both for two weeks to repair the resulting damage due to equipment failure. Operating machinery also carries the risk of industrial accidents which could cause injury or fatalities. In 2011, for example, we experienced a fatal accident at our site in Cassino when a maintenance worker did not properly run down a converting machine prior to commencing maintenance work on the machine. In the event of an industrial accident, we may be faced with claims for damages or public proceedings, which can be costly and time-consuming to defend. Should we be found to be negligent, or the cover provided through insurance proves insufficient, we could be held liable for the injury suffered. Any such incidents could also damage our reputation and lead to a loss of customers, which could have a material adverse effect on our business, financial position and results of operations.

Potential compliance breaches could result in investigations by the relevant authorities, fines, damages claims and the termination of supply agreements by customers.

The WEPA Group consists of several separate entities in different jurisdictions, which all compete for high-volume orders from our customers. This carries with it the risk that our employees may engage in unauthorized conduct which breaches applicable legislation and regulations in order to gain an advantage when competing for, and initiating, orders. Such behavior may lead to legal proceedings against us, fines, sanctions, court orders affecting future conduct, forfeiture of profits, rescission of existing contracts, exclusion from certain businesses, loss of trade licenses or other restrictions, which, in turn, might limit our ability to pursue strategic projects that may be important for the business (e.g., joint ventures or other forms of cooperation). Furthermore, actual or alleged corrupt behavior by us or our employees could harm our reputation, lead to the loss of customers and have a negative impact on efforts to compete for new customer business in both the public and private sectors. Such investigations could also have a negative impact on the relationships with our existing customers upon which we depend, as well as on our ability to find new customers. Any investigations could lead to the rescission of certain existing contracts, and third parties, including competitors, could initiate legal proceedings against us. Any such past or future compliance breaches could therefore have a material adverse effect on our business, financial position and results of operations.

We are subject to risks from legal proceedings.

From time to time, we are involved in litigation in the ordinary course of business and could become involved in additional legal and arbitration disputes in the future which may involve substantial claims for damages or other payments. The outcome of currently pending or potential future proceedings is difficult to predict with any certainty. In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment, award or a settlement, we could be obligated to make substantial payments. In addition, costs related to litigation and arbitration proceedings may be significant. If any of these risks materialize, our business, financial condition and results of operations could be materially adversely affected.

We cannot be certain that our internal control measures will ensure the implementation and maintenance of adequate controls over our financial reporting processes or that our operational risk management procedures will detect and prevent misbehavior by individual employees.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent and detect fraud. In the past, we have identified certain aspects of our accounting, internal control and risk management systems that require additional investment (including with respect to staffing levels, training and information technology) or improvements. We believe that these issues have either largely been addressed by, or are being addressed as part of, our Continuous Improvement Program or Continuous Improvement Process, respectively. In particular we are in the process of strengthening our internal audit function and our Group-wide risk management system. However, any system of controls can provide only reasonable and not absolute assurance that the objectives of the system are met. If we cannot provide reliable financial reports or prevent fraud, our financial results could be negatively affected. Additionally, at the operational level, individual employees may not comply with our policies and guidelines and as a result may cause us to incur compliance costs and cause us reputational damage. Inadequate internal controls could also cause investors and other third parties to lose confidence in our reported financial information, which could have a material adverse effect on our business, financial position or results of operations.

The operational and strategic management of our business relies on complex information technology. As a result, any IT systems failure, unauthorized data access, data loss or data manipulation could have a material adverse effect on our business.

The operational and strategic management of our business relies on complex information technology. Following the acquisition of most of the assets of the Kartogroup in 2009 and the general expansion of our business, we decided to transition to a standardized IT platform / ERP system in 2011, based on an Oracle product. In connection with the ongoing transition to the new standardized IT platform / ERP system, IT systems failures, unauthorized data access, data loss or data manipulation may occur and could result in significant disruptions to our business and have a material adverse effect on our financial position and results of operations.

We may not be able to integrate acquired businesses effectively or successfully.

To complement or expand our business, we have in the past made a number of acquisitions and we may continue to make acquisitions in the future. In particular, we acquired most of the assets of the Kartogroup in 2009, with production sites in Germany, France and Italy. Management's negotiation of potential acquisitions and joint-ventures and the integration of acquired businesses requires time, focus, and resources of management and of our employees. When combining previously independent businesses, marketing systems and corporate cultures, problems and risks may arise, including, among others:

- We may not be able to successfully integrate the acquired business, and its different business models.
- We may not be able to integrate the acquired technologies or products with current technologies.
- We may not be able to retain key personnel of the acquired business.
- We may assume material unknown liabilities and contingent liabilities of acquired companies, including legal, tax, intellectual property, environmental or other significant liabilities that may not be detected by the due diligence process.
- We may have difficulty implementing, restoring, or maintaining internal controls, procedures, and policies.
- There may be a negative impact on relationships with customers, partners, or third-party providers of technology or products.
- Integrating systems for customer care and billing and standardizing finance and accounting, purchasing, human resource, and other administrative systems can be time-consuming and costly, and can cause unforeseen difficulties.
- There may be regulatory constraints.
- The acquired business may have practices or policies that are incompatible with our compliance requirements.
- We may take on substantial additional indebtedness.

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets. Such charges may have a significant negative impact on operating margins and income. We may not be successful in overcoming these risks and we may therefore not benefit as anticipated from acquisitions or alliances, which could negatively impact our business, financial position and results of operations.

In particular, we have faced significant challenges relating to the integration of the Italian business of the Kartogroup. We acquired the assets of WEPA Lucca, our Italian subsidiary, as part of the acquisition of the assets of the insolvent Kartogroup in 2009 and we are currently facing considerable challenges in integrating our Italian production sites into the overall business of the WEPA Group. We have initiated and implemented a number of measures to address these issues and to restructure and reposition our Italian business, including through the relocation of equipment from Italy to our production sites in Kriebstein, Piechowice and Lille, headcount reductions and the sale of certain facilities in Italy. These measures were separately validated and certified on June 27, 2012 and July 19, 2012 by an independent expert as part of a "restructuring plan" (*piano di risanamento*) pursuant to Italian law. They are described in more detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Continuous Improvement Program and Restructuring." Our inability to integrate the Italian business of the Kartogroup acquired by us or to successfully implement the proposed restructuring measures could have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental and other regulatory requirements which may change, resulting in additional costs.

We are subject to a wide range of environmental laws and other regulatory requirements, including with regards to workplace health and safety requirements, discharges of pollutants and other emissions and the use, disposal and remediation of hazardous substances and contaminants. As an international producer of tissue products with production sites in Germany, France, Italy, Poland and Spain, we are subject not only to German regulations, but also to applicable legal provisions in other countries and the European Union. We have incurred and expect to continue to incur expenditures to ensure continued compliance with applicable environmental laws and other regulatory requirements. These laws and regulations are continually being adapted in line with technological advancements, increased safety requirements, higher quality standards and environmental awareness, on both a national and an international level. We may therefore be subject to increasingly strict regulatory requirements. This could affect our production costs and overall profitability. Failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or other mandated actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or other mandated actions. In addition, we may be liable under certain circumstances, among others, for contaminations of soil, water and air and may be required to take or pay for remedial action. We expect that future changes to existing legal requirements or new regulations may affect our business and could lead to higher costs, or may result in adjustments to our business model, which could have a material adverse effect on our business, financial condition and results of operations.

Recent economic events affecting the European economies may adversely affect our financial position and operating results.

We operate solely in Europe. Recent economic events affecting the European economies, including the sovereign debt and economic crisis in Cyprus, Greece, Italy, Spain and Portugal, have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Any deterioration in the economic condition of these countries, other eurozone countries or Germany in particular, could have a negative impact on our activities. The departure or potential risk of departure from the euro by one or more eurozone countries could have major negative effects on both our existing contractual relations and the fulfillment of obligations by us or could adversely affect our customers. In particular, the departure from the euro of one or more of the countries where we operate could increase our exposure to changes in currency exchange rates. Any of these developments could have a significant negative impact on our business, financial condition and results of operations.

We rely on outside suppliers and subcontractors and are therefore susceptible to disruptions in our supply chain.

We rely on outside suppliers and subcontractors and their ability to deliver raw materials, products or services at the right time and of the right quality. Our most important production inputs are pulp, recovered paper, freight, energy and chemicals as well as machinery and equipment. For some of these inputs, there are a limited number of potential suppliers. In the event of a significant interruption or limitations in the supply of these production inputs from our current suppliers, there can be no assurance that we would be able to find alternate suppliers or do so without adversely impacting our manufacturing operations, such as an interruption or downscaling of production or change in the product mix, or increased costs. A loss or interruption in the delivery of our key raw materials could lead to a significant disruption of our operations and have a material adverse effect on our business, financial condition and results of operations.

We are exposed to general counterparty risk.

We have contracts with a variety of third parties including customers, suppliers and hedging counterparties. We do not have control over the management or business of these third parties except indirectly through terms we negotiate in our contracts with these third parties and we are exposed to risks associated with the financial condition of these third parties. If any of these third parties experiences financial difficulties or changes or terminates its contractual commitments to us, we may incur costs enforcing our contractual rights and we may incur significant losses from our exposure to third parties. This could materially adversely affect our business, financial condition and results of operations.

We are family owned and conflicts of interest could arise between our company, our family owners and our management.

Martin Krengel, Jochen Krengel and Wolfgang Krengel control, directly or indirectly, the direction of our business. Our chief executive officer Martin Krengel is both a member of the Management Board of WEPA Industrieholding SE, our sole shareholder, and a managing director of the Issuer. In addition, Mr. Krengel is managing director of Martin Krengel Beteiligungs-GmbH which, together with Wolfgang Krengel Beteiligungs-GmbH, Jochen Krengel Beteiligungs-GmbH and Marsberger Kraftwerk GmbH, holds all shares in WEPA Industrieholding SE. All interests in WEPA Industrieholding SE are ultimately owned by members of the Krengel family. The interests of WEPA Industrieholding SE or the interest of its ultimate shareholders may conflict with the overall interests of our company or with the interest of holders of the Notes with respect to certain business decisions.

Changes to the structure of the WEPA Group in 2010 and 2011 as well as further transactions may result in additional tax liabilities.

In 2010 and 2011 we made a number of changes to our organization and a number of Group companies to streamline the organizational structure and operations of the WEPA Group following its expansion in prior years. We believe that the changes to our Group structure are tax-neutral and that no further tax liabilities should exist. While this has been confirmed by a final ruling from the relevant tax authorities with regard to real estate aspects (subject to certain holding periods), it cannot be excluded that the competent tax authorities will take a different view with regard to other aspects of the relevant structural changes. This could result in additional tax liabilities for the Group and could have a materially adverse effect on our business, financial position and results of operations. Further, any future changes to our organizational structure or the acquisition of new business assets or participiations in other companies could also result in additional tax liabilities for the Group.

Substantial additional payments of tax may be required as a result of ongoing or future tax audits.

Due to the pan-European nature of our business, we are subject to income taxes in several jurisdictions. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. The application of various domestic and international sales, use, occupancy, value-added and other tax laws, rules and regulations is subject to interpretation by the applicable taxing authorities. We often rely on generally available interpretations of tax laws and regulations in the jurisdictions in which we operate. We cannot be sure that these interpretations are accurate or that the responsible taxing authority is in agreement with our views. If the tax laws, rules and regulations are amended, if new adverse laws, rules or regulations are adopted, or if current laws are interpreted adversely to our interests, the results could increase our tax payments (prospectively or retrospectively) and/or subject us to penalties. As a result, these changes could decrease the capital we have available to operate our businesses and have an overall adverse effect on our businesses and financial performance.

We are subject to periodic audits by tax authorities. If the tax authorities successfully challenge our operations or tax structurings, substantial additional payments of tax may be required as a result of ongoing or future tax audits. This could give rise to further financing requirements, which have not been taken into account in our current liquidity planning. We are currently undergoing a tax audit in Germany for the tax assessment periods of 2006 to 2010 in relation to income tax and value added tax. We have not made any related provisions in our financial statements and the key results of the current tax audit are not expected to be available before the end of 2013. Thus, we may be required to make substantial additional tax payments in the future, which could have material adverse effects on our business, financial position and results of operations.

We may be affected by the German "interest ceiling" rules.

We are subject to the so-called "interest ceiling" rules (*Zinsschranke*) under German tax law. Under these rules, German businesses may generally only deduct their net interest expenses under various types of indebtedness (including the Notes and the Senior Revolving Credit Facility) up to an amount equal to 30% of their tax adjusted EBITDA in any given year. To the extent our net interest expenses exceed 30% of our tax adjusted EBITDA in any given year, we would therefore not be able to deduct the excess in our net interest expense in calculating our taxable earnings for the relevant year. This may have an adverse effect on our liquidity and financial condition and on our ability to meet our obligations under the Notes and the Guarantees.

RISKS RELATED TO OUR STRUCTURE AND FINANCIAL POSITION

Our debt agreements contain customary financial and restrictive covenants that limit our operating flexibility.

The Conditions of Issue and our Senior Revolving Credit Facility contain, or will contain, covenants significantly restricting our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock,
- create or incur liens,
- prepay or redeem subordinated debt or equity,
- make certain investments,
- engage in certain transactions with affiliates or subsidiaries,
- sell capital stock of subsidiaries, or
- consolidate or merge with other entities.

In addition, our Senior Revolving Credit Facility contains a financial covenant as described under "Description of Other Indebtedness—Senior Revolving Credit Facility."

Any future debt agreements that we enter into may have covenants that are even more restrictive. The requirement that we comply with these and any future provisions may materially affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business.

If we are unable to comply with the financial and restrictive covenants included in the Senior Revolving Credit Facility, the Conditions of Issue or any future debt agreements, there could be a default under such agreements, which could result in an acceleration of repayment.

As described in the immediately preceding risk factor, the Conditions of Issue and our Senior Revolving Credit Facility contain, and any future debt agreements we enter into may contain, a number of financial and restrictive covenants. Our ability to comply with these covenants, including meeting financial ratios and tests, depends on a number of factors, some of which may be beyond our control, such as a deterioration of the industries and markets in which we operate, their inability to fully recover from the global financial and economic crisis, or a deviation from the assumptions contained in our business plan. As a result, we may be unable to comply with our financial and restrictive covenants, and any failure may materially adversely affect our business, financial condition and results of operations.

The breach of a financial or other covenant or our failure to meet any of our obligations under any of the agreements governing our debt may result in a default under such agreements, which in turn could result in a number of adverse consequences including, prohibiting us from drawing additional funds under credit facilities, significant increases in interest rates and other financing costs, the acceleration of all outstanding amounts under such agreements requiring us to immediately repay the related debt in whole or in part, and/or the commencement of foreclosure or other enforcement actions against any of our assets securing such debt. In addition, any default may expose us to requests by our customers for advance payments for deliveries and a reduction or cancellation by credit insurers of their commitments, as well as the trigger of cross-default and cross-acceleration clauses contained in our other debt agreements. As a result, cross-default and cross-acceleration provisions under our other debt agreements, including the Notes, may be triggered and our liquid funds and short-term cash flow may be insufficient to service any of the debts in the circumstances described above. If any of these events occur, we may be unable to obtain alternative debt or equity financing to refinance our debt obligations, on acceptable terms or at all. If we are unable to refinance our debt obligations, we may be forced to sell assets, however, our assets may not be sufficient to repay in full all of our outstanding indebtedness. Accordingly, any failure by us to service our debts may have a materially adverse effect on our ability to satisfy our obligations, including under the Notes and the Guarantees.

Our substantial leverage may make it difficult for us to operate our business.

We are, and expect to continue to be, highly leveraged and have significant debt service obligations. See "Description of Other Indebtedness," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Summary Financial Information." As of September 30, 2013, after giving pro forma effect to the issuance of the Additional Notes, we would have had total outstanding principal amount of indebtedness of €354.7 million (including leasing arrangements), resulting in a consolidated debt to EBITDA ratio of 3.7x. In addition, we would have had the ability to borrow an additional €90 million under our Senior Revolving Credit Facility.

Our significant leverage could have important consequences to the Holders, including:

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

Any of these or other consequences or events could have a material adverse effect on our business, financial condition and results of operations, which in turn, could have a material adverse effect on our ability to satisfy our obligations, including under the Notes and the Guarantees.

Furthermore, we may incur substantial additional indebtedness in the future. Although our Senior Revolving Credit Facility and the Conditions of Issue contain restrictions on the incurrence of additional indebtedness, the restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. To the extent we become even more leveraged or incur additional obligations, the risks described above will intensify.

Borrowings under our credit facilities will bear interest at floating rates that could increase significantly.

A substantial part of our indebtedness, including our borrowings under the Senior Revolving Credit Facility, are at variable rates of interest and expose us to interest rate risk. If interest rates rise in the future, our interest expense associated with any variable rate obligations that are not hedged would increase, even though the amounts borrowed would remain the same, reducing cash flow available to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes, including satisfying our debt service obligations, including under the Notes and the Guarantees. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Interest rate risk".

We require a significant amount of cash to service our debt, and our ability to generate sufficient cash depends on factors that may be beyond our control.

Our ability to service and refinance our debt and to fund future operations and capital expenditures is highly dependent on our future operating performance and our ability to generate sufficient cash flow. To a certain degree, this ability is connected to general economic, financial, competitive, market, legislative, regulatory and other factors which may be outside our control. Due to any of these factors, we may be unable to generate sufficient cash flows from our operations, anticipated cash flow increases, sales growth, cost saving or operating improvements, and any future debt or equity financing may not be available to us in amounts which would enable us to pay the principal premium and interest of our indebtedness, including the Notes.

To the extent our cash flow from operations is insufficient to meet our liquidity needs, we would have to seek additional debt or equity financing. In addition, our subsidiaries may be restricted in certain jurisdictions within which they operate from paying dividends or making other distributions to us. If our future cash flows from operations and other capital resources are insufficient for us to pay our various obligations as they mature or to fund our ongoing liquidity needs, we and our subsidiaries may be forced, among other things, to reduce or delay business activities and capital expenditure, sell assets, or forego opportunities such as acquisitions of other businesses. There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. Further, we may be compelled to restructure or refinance all or a portion of our debt, including the Notes, on or before their maturity. We may face the additional risk that in order to refinance our debt, we could be required to agree to more onerous covenants, which would further restrict our business operations. The occurance of any event described above may have a materially adverse effect on our business, financial condition and results of operations.

We may be unable to extend or refinance our debt on favorable terms or at all.

Amounts outstanding under our Senior Revolving Credit Facility and other future borrowings must potentially be repaid before the maturity date of the Notes. Our ability to pay and refinance our debt or our ability to fund our working capital and capital expenditures is heavily reliant on our future operating performance and our ability to generate a sufficient cash flow. We face the risk that we will be unable to achieve any refinancing on a timely basis or on satisfactory terms. We may also be limited in our ability to pursue refinancing alternatives by the terms and conditions of our existing debt agreements. Our inability to refinance our debt obligations on or prior to their maturity on favorable terms or at all could have a material adverse effect on our ability to service and repay the Notes.

Market perceptions concerning the instability of the euro could adversely affect the value of the Notes and have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "**EFSF**") and the European Financial Stability Mechanism (the "**EFSM**") to provide funding to eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (the "**ESM**"), which was established on September 27, 2012, to assume the role of the EFSF and the EFSM in providing external financial assistance to eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes and could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected. Furthermore, the Conditions of Issue and our Senior Revolving Credit Facility contain or will contain, covenants restricting our and our subsidiaries' corporate activities. See "—Our debt agreements contain customary financial and restrictive covenants that limit our operating flexibility." Certain of such covenants impose limitations based on euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

RISKS RELATED TO THE NOTES

The Notes and each of the Guarantees are each structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Not all of our operating companies guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors and preference shareholders (if any), 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 under the Note or the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the non-guarantor subsidiaries. At September 30, 2013, our non-guarantor subsidiaries had total liabilities (excluding inter-company liabilities) of €17.9 million, including €17.4 million aggregate principal amount of indebtedness. In addition, the terms of the Conditions of Issue and our other indebtedness allow the non-guarantor subsidiaries to incur more debt in the future. See "Description of Other Indebtedness."

The Notes and the Guarantees are effectively subordinated to additional indebtedness that we may incur to the extent such debt is secured by assets that do not also secure the Notes.

Although the Conditions of Issue restrict the Issuer's and its restricted subsidiaries ability to pledge any assets as collateral to secure other debt and require the Issuer and its restricted subsidiaries to secure the Notes equally and rateably if we pledge any assets for the benefit of certain other debt, both the restriction on pledging assets or incurring liens and the requirement to provide equal security to the Notes are subject to a number of significant exceptions and carve-outs. See "Description of Notes—Covenants—Limitation on Liens" and the definitions of "Permitted Collateral Liens" and "Permitted Liens" under the caption "—Certain Definitions" of the "Description of Notes" section of this offering memorandum. For example, if the Issuer or its restricted subsidiaries acquire assets subject to security interests securing other indebtedness, such security interests will be permitted to remain in place under the terms of the Conditions of Issue and will not trigger a requirement to secure the Notes or Guarantees equally and rateably. To the extent the Issuer or any of its restricted subsidiaries pledge any assets for the benefit of other debt without also securing the Notes, the Notes and the Guarantees will be effectively subordinated to such debt to the extent of the value of such assets. As a result of the foregoing, holders of (present or future) secured debt of the Issuer and its restricted subsidiaries may recover disproportionately more on their claims than the Holders in an insolvency, bankruptcy or similar proceeding. The Issuer and the Guarantors may not have sufficient assets remaining to satisfy our obligations under the Notes or the Guarantees, respectively.

The Guarantees of the Notes may be released without the consent of the Holders under Certain Circumstances.

On their date of issue, the Notes will be guaranteed by certain of our subsidiaries located or organized in Germany, Italy, France and Poland. See "Description of the Notes—Guarantees" and "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests." The Guarantees will be fully and unconditionally released:

- in the event of any permitted sale, exchange or transfer (by merger or otherwise) (i) of the Capital Stock of such Guarantor, after which the applicable Guarantor is no longer one of our subsidiaries or (ii) of all or substantially all the assets of such Guarantor to a Person that is not us or a restricted subsidiary;
- upon the release of the guarantee of indebtedness that resulted in the creation of the Guarantee under the covenant described in "Description of the Notes—Covenants—Future Guarantors" so long as no event of default would arise as a result and no other indebtedness of the Issuer or any Guarantor at that time is guaranteed by the relevant Guarantor;
- if the Issuer designates such Guarantor as an Unrestricted Subsidiary (as defined in "Description of the Notes"), as permitted under and in compliance with the Conditions of Issue;
- upon redemption of all the Notes;

- in accordance with the provisions of the Intercreditor Agreement, any additional Intercreditor Agreement or Security Document;
- as a result of a transaction permitted by the covenant described below under "Description of Notes—Covenants—Merger and Consolidation";
- as provided under "Description of Notes—Amendments and Waivers"; or
- as provided for in the Notes Guarantees.

Certain amendments to the Conditions of Issue may be passed with the consent of less than a majority of the aggregate principal amount of Notes outstanding.

The Conditions of Issue may be amended by a vote of the Holders. Amendments generally require a majority of 50% plus 1 vote of votes cast (unless a higher majority is required under mandatory provisions of statutory law) or, for certain amendments, 90% of the votes cast or 100%, respectively, of the aggregate principal amount of the Notes outstanding. The voting process under the Conditions of Issue will be conducted in accordance with German law, pursuant to which the quorum for Holders votes is principally set at a simple majority. Accordingly, the aggregate principal amount of Notes required to vote in favor of an amendment will vary based on the Holders votes participating. For example if the Holders of less than 55.5% of the aggregate principal amount of the Notes participate in a vote, any proposed amendment subject to the 90% threshold, can be passed with the consent of less than a majority of the aggregate principal amount of the Notes outstanding. Subject to contestation in court, any such majority resolution will be binding on all Holders. As a result, a Noteholder is subject to the risk of being outvoted and losing rights under the Notes against his will in the event Holders holding a sufficient aggregate principal amount of Notes agree to amend the Conditions of Issue by majority vote in accordance with the Conditions of Issue and the German Act on Debt Securities. See "Description of the Notes—Amendments and Waivers."

Pursuant to the German Act on Debt Securities no person will be permitted to, directly or indirectly, pay or cause to be paid any consideration to provide an advantage to any Noteholder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of the Conditions of Issue. Because the provisions of the German Act on Debt Securities are new and yet untested in practice, it is still unclear what kind of incentive, if any, we may be able to offer to Holders as a compensation for a waiver or amendment of the provisions of the Conditions of Issue or any Guarantee.

In the case of certain events of default, the Notes will be accelerated and all outstanding principal and accrued and unpaid interest thereon will become immediately due and payable only if Holders of at least 25% in aggregate principal amount of Notes declare the Notes due and payable. Such declaration of acceleration may be rescinded by majority resolution of the Holders.

Except in the limited circumstances relating to bankruptcy, insolvency, receivership or liquidation where the Conditions of Issue provide for an automatic acceleration of the Notes, the Conditions of Issue provide that the Notes may only be declared due and payable upon the occurrence of an Event of Default (as defined in "Description of the Notes") if a default notice is delivered by the Holders' Representative upon instruction of Holders of at least 25% in aggregate principal amount of the then outstanding Notes. Upon any such declaration, the Conditions of Issue provide that the entire principal amount of Notes then outstanding shall become due and payable immediately. As a consequence, subject to a rescission of acceleration as described in the following paragraph, all Notes will become due and payable immediately to all Holders whether or not a Noteholder has delivered a default notice or instructed the Holders' Representative to deliver a default notice. It is currently still unclear whether the German Act on Debt Securities permits an acceleration of all outstanding Notes upon termination by a quorum of Holders of at least 25% in aggregate principal amount of the then outstanding Notes. If such universal acceleration is not permitted, only the Notes of Holders who have instructed the Holders' Representative will be accelerated, subject to the 25% quorum.

In the event of an acceleration of the Notes (as described above), Holders may, by majority in principal amount of outstanding Notes resolve in accordance with the Conditions of Issue and the provisions of the German Act on Debt Securities, with effect for all Holders, to rescind such acceleration within three months of the acceleration, if the rescission would not conflict with any judgment or decree; provided, however, that the aggregate of such votes cast exceeds the number of votes having required the acceleration.

Holders should be aware that, as a result, they may not be able to accelerate the Notes upon the occurrence of certain Events of Default, unless the required quorum of Holders delivers default notices and such acceleration is not rescinded by majority resolution of the Holders.

Enforcement of the Collateral and demands under the Guarantees will require instructions by the Holders to the Holders' representative. If the Holders' Representative resigns or is removed and a successor is not appointed, it will be more difficult for Holders to take collective action with respect to the Notes and to direct the Security Agent to enforce the Collateral and the Guarantees.

Deloitte & Touche GmbH has been appointed under the Conditions of Issue as the Holders' Representative in accordance with the German Act on Debt Securities. The Holders' Representative is not a trustee and its functions differ in material respects from those of a trustee appointed under the U.S. Trust Indenture Act of 1939 or similar legislation. The Holders' Representative's duties pursuant to the Conditions of Issue and the German Act on Debt Securities include, among other things, the calling of a vote of Holders to decide upon various matters, including on whether to direct the Security Agent (as defined in "Description of the Notes—Certain Definitions") to enforce any Collateral and make any demands under the Guarantees held by the Security Agent for the Holders; to provide instructions to the Security Agent in connection with the enforcement of Collateral and demands under the Guarantees and to facilitate collective action of Holders with respect to the acceleration of the Notes upon the occurrence of an Event of Default. See "Description of Other Indebtedness—Intercreditor Agreement." The Holders will not be entitled to give any instructions to the Security Agent other than through the Holders' Representative and the Holders' Representative will not give instructions to the Security Agent unless so directed by a majority vote of the Holders. See also the risk entitled "—Neither the Collateral nor the Guarantees will be granted directly to the Holders, and the Holders' voting rights are limited."

There can be no assurance that the initial Holders' Representative will not resign or be removed by a majority vote of the Holders while the Notes are outstanding. Any appointment of a successor Holders' Representative requires a majority resolution of the Holders.

The voting process to obtain any majority resolution, including the notice periods, must comply with the requirements of the Conditions of Issue and the German Act on Debt Securities, which is a new law that is largely untested to date. In addition, any majority resolution may be contested by the Holders on the grounds that it violates, or was passed in violation of, applicable law or the Conditions of Issue. As a result, the appointment of a successor Holders' Representative, the enforcement of Collateral and the making of demands under any Guarantee as well as the implementation of any other majority decision which is contested—could be significantly delayed or fail. If the Holders' Representative resigns or is removed by majority resolution of the Holders and the appointment of a Holders' Representative is delayed or no successor Holders' Representative is appointed at all, it will be more difficult for Holders to take collective action to enforce their rights under the Notes and the Guarantees.

We will have control over the Collateral, and there are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically without your consent.

The security documents will allow us to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under the Conditions of Issue would result therefrom, we may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness, which will automatically release certain Collateral securing the Notes. In addition, the Collateral could be automatically released in connection with an enforcement sale permitted under the Intercreditor Agreement. The Conditions of Issue will also permit us to designate under certain circumstances one or more restricted subsidiaries that are Guarantors as Unrestricted Subsidiaries (as each such term is defined under "Description of Notes—Certain Definitions." If we designate a Guarantor as an Unrestricted Subsidiary for purposes of the Conditions of Issue, all the liens on the Collateral owned by such subsidiary and any guarantees of the Notes by such subsidiary will be released under the Conditions of Issue, subject to certain conditions. Designation of an Unrestricted Subsidiary will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such Unrestricted Subsidiary or of its subsidiaries.

Neither the Collateral nor the Guarantees are granted directly to the Holders, and the Holders' voting rights are limited.

The Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the Holders but has been, or will be, granted in favor of the Security Agent. The Intercreditor Agreement provides that, in principle, only the Security Agent has the right to enforce the Collateral. As a consequence, Holders will not have direct security interests and claims under the Guarantees and will not be entitled to take enforcement action in respect of the Collateral or make demands under the Guarantees.

The Notes are secured by the same collateral securing our Senior Revolving Credit Facility. In addition, under the Conditions of Issue governing the Notes, we are permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the Collateral securing the Notes and our Senior Revolving Credit Facility. The Intercreditor Agreement provides that a common Security Agent will (subject to certain limited exceptions) act with respect to such Collateral only at the direction of an "Instructing Group," which means those creditors whose super senior secured creditor participations at that time aggregate to more than 66⅔% of the total super senior secured credit participations and those creditors whose senior credit participations at the time aggregate to more than 50% of the total senior secured credit participations. The super senior secured credit participations include drawn and undrawn un-cancelled commitments under the Senior Revolving Credit Facility and amounts payable in respect of certain hedging obligations that have been terminated or closed out or that would be payable if such hedging obligations had been terminated or closed out. The senior secured credit participations include the Notes and certain *pari passu* indebtedness and certain hedging obligations to the extent not a super senior secured credit participation. Upon the issuance of the Notes, the Holders of the Notes may not be able to independently constitute an "Instructing Group."

On an enforcement, if the Security Agent receives conflicting instructions from the majority priority senior secured creditors and the majority secured creditors then, subject to such instructions being consistent with the Intercreditor Agreement, the instructions of the majority senior secured creditors will prevail. However if three months from the date of the first notice of proposed enforcement being given to the Security Agent ("**shared security notice**") no steps have been taken to commence enforcement or the priority senior liabilities have not been fully discharged within six months of the date of the shared security notice or there is an insolvency event in respect of a debtor and the Security Agent has not commenced enforcement, then the instructions of the majority priority senior secured creditors will prevail.

The holders of the Notes will not have separate rights to enforce the Collateral. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless it comprises an Instructing Group under the Intercreditor Agreement, which, in turn, will depend on the quantum of the creditors in respect of the drawn and undrawn un-cancelled commitments under the Senior Revolving Credit Facility and creditors in respect of certain hedging obligations and the amount, if any, of *pari passu* debt. Disputes may occur between different classes of creditors, including the holders of the Notes and the creditors under the Senior Revolving Credit Facility, as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral. Even though the Holders may be bound by any decisions of the Instructing Group, which may result in enforcement action in respect of the Collateral, whether or not such action is approved by the Holders or may be adverse to such Holders. The creditors under the Senior Revolving Credit Facility may have interests that are different from the interest of Holders and they may elect to pursue their remedies under the Security Documents at a time when it would otherwise be disadvantageous for the Holders to do so. In addition, if the Security Agent sells Collateral comprising the shares of the Issuer or the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the liens over any other assets securing the Notes and the Guarantees may be released. See "Description of Other Indebtedness—Intercreditor Agreement" and "Description of the Notes—Security, Release of Collateral."

In addition, the Conditions of Issue and the Intercreditor Agreement permit us, subject to certain conditions, to incur additional Senior Secured Indebtedness that would share in the Collateral on a pari passu or, in certain instances, a senior priority, basis. The Intercreditor Agreement requires, as a condition to any such incurrence, that the granting of the Collateral in this context does not adversely affect the validity of the existing Collateral.

Even though the Holders' Representative is entitled to participate in any vote regarding the enforcement of Collateral, it will only do so upon the instructions of Holders by a majority vote and any enforcement decision may be delayed due to the process of such vote under the German Act on Debt Securities, including as a result of in-court contestation of such vote by Holders, and a Holder may be outvoted by majority resolution of the Holders. Instructions given by a majority of the Holders to the Holders' Representative will be exercised by the Holders' Representative uniformly for all outstanding Notes. In particular, any instructions given by Holders to the Holders' Representative in respect of votes by creditors to be taken pursuant to the Intercreditor Agreement will be exercised by the Holders' Representative for or against the relevant proposal on behalf of all outstanding Notes (and not just on behalf of the majority of Holders having given the Holders' Representative the relevant instructions). See "Enforcement of the Collateral and demands under the Guarantors will require instructions by the Holders to the Holders' Representative" and "Risks Related to the Notes—Certain amendment to the Conditions of Issue of the Notes may be passed with the consent of less than a majority of the aggregate principal amount of Notes outstanding."

In addition, if the Security Agent sells the shares of the Issuer's subsidiaries that have been pledged as collateral through an enforcement of their security interest in accordance with the Intercreditor Agreement, claims under the Guarantees and the liens over any other assets securing the Notes and each Guarantee may be released. See "Description of Other Indebtedness—Intercreditor Agreement" and "Description of the Notes."

The Collateral may not be enforceable as certain jurisdictions do not recognize parallel debt obligations.

With respect to certain jurisdictions, including Germany (with respect to the pledge of shares and accounts), due to certain legal requirements governing the creation and perfection of security interests and enforceability of such security interests, the Collateral secures a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security Agent rather than secure the obligations under the Notes directly. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Notes and the Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, the parallel debt construct has not been tested in court in these jurisdictions, including German courts, and we cannot assure you that it will eliminate or mitigate the risk of invalidity and unenforceability of the pledge. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted. See "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests."

Holders must rely on the effectiveness of the Intercreditor Agreement to implement parity among the secured parties.

In certain jurisdictions, including, among others, Italy, France and Poland, certain Collateral granted in favor of the Notes will only be junior-ranking due to the fact that the security in favor of certain creditors has been created prior to the issuance of the Notes. In these cases, the parity of the Notes and the other obligations secured by senior-ranking security over the assets which are also subject to the Collateral will be implemented by way of the Intercreditor Agreement. As a result, the Holders need to rely on the effectiveness of the Intercreditor Agreement to implement parity among the Holders and the other pari passu secured creditors. In the event that the Intercreditor Agreement will not ensure parity among the Pari Passu Secured Creditors on a contractual basis the proceeds from the enforcement of the Collateral may not be sufficient to repay the obligations under the Notes. See "Description of Other Indebtedness—lntercreditor Agreement."

The Holders' ability to recover under the Collateral securing the Notes may be limited.

The Notes and the Guarantees are secured by the Collateral. Under the Intercreditor Agreement, these assets are also pledged, on a priority basis, for the benefit of the lenders under the Senior Revolving Credit Facility and counterparties under certain priority hedging obligations. As a result, holders of Notes will only be entitled to be repaid from the proceeds of the Collateral, if any, after lenders under the Senior Revolving Credit Facility and counterparties under certain priority hedging obligations have been repaid.

The Collateral securing the Notes and the Guarantees is subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Conditions of Issue or the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes and the Guarantees from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral as well as the ability of the Security Agent to enforce 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 certain jurisdictions.

The holders of obligations secured by the existing liens on the Collateral will be entitled to receive proceeds from any realization of the Collateral to repay their obligations in addition to the Holders. We cannot assure you that, in the event of a sale or other disposition in connection with an enforcement action, the proceeds from the sale of all of the Collateral would be sufficient to satisfy the amounts outstanding under the Notes and other obligations secured by first priority liens on the Collateral. If the amount of proceeds recovered from such a sale or other disposition is less than the aggregate amount of the obligations secured by the Collateral, the Holders will not fully recover (if at all) under the Collateral and the Holders (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the remaining assets, which claim will rank equal in priority to the unsecured claims with respect to any unsatisfied portion of the obligations owed by us and Guarantors under their other unsecured senior indebtedness. As of September 30, 2013, on an adjusted basis after giving effect to the issuance of the Additional Notes, €90 million would have been available for additional borrowing under the Senior Revolving Credit Facility. Under the Conditions of Issue, we could also issue additional Notes and incur additional indebtedness secured by first priority liens so long as such liens are securing indebtedness permitted to be incurred by the covenants described in "Description of the Notes" and certain other conditions are met. Our ability to designate future debt as first priority secured, and to enable the holders thereof to share in the Collateral on a first priority basis with Holders, may have the effect of diluting the ratio of the value of the Collateral to the aggregate amount of the obligations secured by the Collateral.

No appraisals of any Collateral have been prepared in connection with this Offering. The value of the Collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers. By its nature, some or all of the Collateral may be illiquid and may have no readily ascertainable market value, and its value to other parties may be less than its value to the pledgors. We cannot assure you that the fair market value of the Collateral as of the date of this offering memorandum exceeds the principal amount of the debt secured thereby. The value of the assets pledged as Collateral for the Notes may decline over time and could be impaired in the future as a result of changing economic conditions, our failure to implement our business strategy, competition and other future trends, as well as by the incurrence of additional debt secured by the Collateral. In particular, some of the shares that comprise part of the Collateral are shares in our holding companies and may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to any of our operating companies because all of the obligations of the relevant operating company must be satisfied prior to distribution to their respective equity holders. As a result, the creditors secured by a pledge of the shares of a holding company may not recover anything of value in the case of an enforcement sale.

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

Applicable law requires that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if the actions necessary to perfect any of these liens are not taken. There can be no assurance that the Holders' Representative will monitor, or that we will inform such Holders' Representative of, the future acquisition of property and rights that constitute Collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired Collateral. The Holders' Representative has no obligation to monitor the acquisition of additional property or rights that constitute Collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the Collateral or the priority of the security interest in favor of the Notes against third parties.

Enforcement of the Guarantees across multiple jurisdictions may be difficult.

The Guarantees are governed by German law, and the courts of Frankfurt am Main, Germany, will have non-exclusive jurisdiction for any action or other legal proceedings in connection with the Guarantees. Only the Security Agent will be entitled to enforce the Guarantees and will only do so at the instructions of the Holders' Representative. The Holders' Representative will only give instructions to the Security Agent if so instructed by a majority vote of Holders. See the risk entitled "—Neither the Collateral nor the Guarantees will be granted directly to the Holders, and the Holders' voting rights are limited." Any proceeds from the enforcement of the Guarantees will be applied by the Security Agent pursuant to the priority of payments provided by the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement—Application of Proceeds."

Though the Guarantees are governed by German law, the enforcement of such guarantees against Guarantors organized and having their center of main activities in countries other than Germany would be subject to the laws of multiple jurisdictions. In particular, in the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Guarantees will thus be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability of the Security Agent to enforce the Guarantees and to realize any payment under the Guarantees.

Therefore, even a favorable judgment from a German court against a Guarantor organized and having its center of main activities in countries other than Germany is obtained, it may be difficult to enforce such judgment in such foreign jurisdiction, which is likely to result in additional costs and a further delay of the enforcement action. Furthermore, because in such case the recognition and enforcement of a German court judgment by a foreign court will be subject to the laws of such foreign jurisdiction and may be conditional upon a number of factors, it is uncertain whether the enforcement of such judgments will be successful.

A summary description of certain aspects of the insolvency laws of Germany and certain jurisdictions where the Guarantors are organized and/or have their center of main activities are set out in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests."

Enforcement of the Collateral across multiple jurisdictions may be difficult.

The Collateral is governed by the laws of multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral are thus subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Guarantees. A summary description of certain aspects of the insolvency laws of Germany and certain other jurisdictions are set out in "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests."

The Holders' ability to receive payment on the Notes may be limited under the bankruptcy and insolvency laws of Germany, Italy, France and Poland.

The Issuer is established under the laws of Germany, and the Guarantors are established under laws of Germany, Italy, France and Poland. Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Guarantee and the Collateral against a Guarantor. The courts may also in certain circumstances void the Collateral or a Guarantee where the relevant Guarantor is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes. In an insolvency proceeding, it is possible that creditors of a Guarantor or the appointed insolvency administrator may challenge the Guarantee provided by such Guarantor and the Collateral, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under the Guarantee or the Collateral provided by such Guarantor;
- direct that the Issuer and the Holders return any amounts paid under a Guarantee or any security document to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors;
- require that certain Guarantees or security interests be enforced prior to others; and
- take other action that is detrimental to the Holders.

If the Issuer cannot satisfy its obligations under the Notes and one or more Guarantees or any security interest in the Collateral are found to be a fraudulent transfer or conveyance or are otherwise set aside, amounts owed under the Notes may not be paid in full.

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts typically must determine that, at the time a Guarantee was issued or a security interest in the Collateral was created, the Guarantor:

- issued such Guarantee or created such security interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security interest after its insolvency; or
- received less than reasonably equivalent value for incurring the debt represented by such Guarantee or creating such security interest on the basis that such Guarantee was incurred or security interests were created for our benefit, and only indirectly the Guarantor's benefit, or some other basis and (1) became insolvent before the granting of the security interest or was insolvent or rendered insolvent by reason of the issuance of such Guarantee or the creation of the security interest, or subsequently became insolvent for other reasons; (2) was engaged, or about to engage, in a business transaction for which the Guarantor's assets were unreasonably small; or (3) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

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

- it was engaged in business or a transaction, or was about to engage in business or transaction, for which any property remaining with the debtor was an unreasonably small capital;
- it cannot pay its debts as and when they become due and it is unable to get further credit; and/or
- the present fair saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" as of the date its Guarantee was issued or security interest in the Collateral was created or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued or security interest in the Collateral was created, that payments to the Holders constituted fraudulent transfers on other grounds. For an overview of certain aspects of the insolvency laws of Germany, Italy, France and Poland, see also "Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests."

The Holders may not be able to enforce judgments, including those obtained in the U.S. courts, against us, the Issuer, the Guarantors, our directors or our senior management.

The Issuer is incorporated in Germany. The Guarantors of the Notes are incorporated in and have their respective principal executive offices in Germany, Italy, France and Poland. Each member of our management team and the directors and executive officers of the Guarantors are non-residents of the United States, and a substantial portion of our assets and assets of the Guarantors and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer, a Guarantor or such persons or to enforce against any of them in U.S.

courts judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States, and there is doubt as to the enforceability in the home jurisdictions of the other Guarantors of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for enforcement of judgments of U.S. courts. It may also not be possible for investors to effect service of process within Germany upon the Issuer or the Guarantors or those persons under the Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, particularly if such service violated the German Constitutional Law (*Grundgesetz*). If a judgment is obtained in a U.S. court against the Issuer or any Guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. The Holders should consult with their advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States. Please see "Service of Process and Enforceability of Civil Liabilities."

We may not have the ability to repurchase the Notes upon the occurrence of a change of control, and the change of control provisions may not protect the Holders against certain events or transactions.

Upon the occurrence of a "Change of Control" as defined in the Conditions of Issue, we are required to make an offer to the Holders to repurchase all or any portion of their Notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest. The Issuer's ability to repurchase the Notes on the occurrence of such change of control may be limited by the Issuer's access to funds upon such an event as well as by the terms and conditions of our other financial obligations. Upon the occurrence of certain change of control events, the Senior Revolving Credit Facility will require us to repay all outstanding amounts thereunder. If we do not have sufficient cash on hand, we would have to seek additional debt or equity financing, which may not be available in sufficient amounts, at favorable terms or at all. Accordingly, upon the occurrence of a change of control, we cannot assure you that we will have sufficient funds available to satisfy our repayment obligations with respect to the Notes and our other indebtedness, and any failure to fulfil such obligation will constitute an event of default under the Notes.

The change of control provision contained in the Conditions of Issue may not necessarily afford the Holders protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction in which we are involved that may adversely affect Holders, 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 Conditions of Issue. Except as described in "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control," the Conditions of Issue does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

In addition, the definition of "Change of Control" in the Conditions of Issue refers to a sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries to a person other than a Permitted Holder. There is no German case law interpreting the phrase "all or substantially all" in the context of terms and conditions of notes. Consequently, Holders' ability to require the redemption or repurchase of the Notes as a result of a "Change of Control" may be uncertain.

An active trading market may not develop for the Notes, and if one does develop, there can be no assurance that it will be maintained or that it will be liquid.

Although we have applied to have the Additional Notes admitted to listing on the Official List and to trading on the Euro MTF, there can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained or that it will be liquid. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. Although the initial purchasers have informed us that they currently intend to make a market in the Notes offered hereby, they have no obligation to do so and may discontinue making a market at any time without notice.

The liquidity of any market for the Notes will depend upon the number of Holders, our performance, the market for similar securities, the interest of securities dealers in making a market in the Notes and other factors, including general declines or disruptions in the markets for debt securities.

In addition, the Additional Notes may trade at prices that are lower than their initial purchase price.

The transfer of the Notes is restricted by securities laws, which may adversely affect their liquidity as well as the price at which they may be sold.

The Notes have not been registered, and the Issuer is not obliged to register the Notes under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Notes may not be offered or sold in the United States or to U.S. persons (other than qualified institutional buyer (or "QIBs" as defined under Rule 144A of the U.S. Securities Act), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. The Notes are not being offered for sale in the United States except to QIBs in accordance with Rule 144A. See "Transfer Restrictions." Holders therefore may not transfer or sell the Notes in the United States or to U.S. persons, except to QIBs and in transactions meeting the requirements of Rule 144A.

The Holders accept by taking delivery of any of the Notes, for themselves and on behalf of any investor accounts for which they purchase the Notes, that they will not transfer the Notes in an aggregate principal amount of less than €100,000. In addition, it is the Holders' obligation to ensure that their offers and sales of the Notes comply with the applicable securities laws. Any such restriction on the transfer of the Notes may adversely affect their liquidity and the price at which they may be sold by the Holders.

The Issuer may issue further Notes with identical terms that may have a negative impact on the market value of any existing Notes, including the Additional Notes.

The Issuer may, without the consent of the holders of outstanding Notes, issue further Notes with identical terms. If any such further Notes are not fungible with any previously issued Notes for U.S. federal income tax purposes, holders of any such further Notes may be required to accrue original issue discount on such Notes into income whether or not they received cash payments. Because any such further Notes may not be distinguishable from previously outstanding Notes, this may adversely affect the market value of all of the Notes, including the Additional Notes.

The Notes are subject to currency exchange rate risks and exchange rate controls.

The Notes will be quoted and the Issuer will pay the principal and interest on the Notes solely in euro. The Holders whose financial activities are denominated principally in a currency other than the euro may be faced with risks relating to currency conversions, such as a significant change in the exchange rates as well as modifications of exchange controls by certain authorities. As a consequence, a depreciation of the euro vis-à-vis the value of another currency may decrease the equivalent yield, principal value and market value of the Notes in such other currency. In addition, should we be subject to a judgment or decree providing for payment in a currency other than in euro, the Holders may receive lower amounts than anticipated due to unfavorable exchange rates. As a result, any amount paid on the Notes or received in connection with any transfer or sale of the Notes could be materially adversely affected by a depreciation of the euro against such other currency.

Despite the measures taken by countries in the eurozone to alleviate credit risk, concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of the Notes.

The Notes are subject to credit ratings which may not reflect all of the risks, these are not recommendations to buy, hold or transfer the Notes and may be subject to revision, suspension or withdrawal at any time.

The Notes have been assigned credit ratings by Standard and Poor's Rating Services and Moody's Investor Service, Inc.. The Holders face the risk that the ratings may not reflect the potential impact of all risks related to our structure, the market in which we operate and any additional risk factors which may affect the value of the Notes. Any credit rating is not a recommendation by the agency to buy, sell or hold securities and may be subject, at any time, to revision, suspension or withdrawal by the credit rating agency. We do not make any assurances that a credit rating is a reflection of the value of the Notes, that it will remain constant or that it will not be withdrawn entirely by the credit agency in the future. A suspension, reduction or withdrawal of the credit rating assigned to the Notes by one or more of the independent credit rating agencies may materially adversely affect the cost and terms and conditions of our financings as well as the value and trading of the Notes.

Holders may be subject to a withholding tax should payments be made by WEPA Lucca s.r.l. to non-Italian resident beneficial owners of the Notes.

For payments made by WEPA Lucca s.r.l., an Italian tax resident Guarantor, in the event the Issuer does not pay principal or interest on the Notes, there are no specific guidelines of the Italian tax authorities or decisions of the Italian tax courts concerning the withholding tax regime applicable in Italy on such payments. Accordingly, there can be no assurance as to the applicable withholding tax treatment of such payments. Under one interpretation of Italian tax law, payments for accrued and unpaid interests made by WEPA Lucca s.r.l. to a beneficial owner of the Notes tax resident outside of Italy and not acting through an Italian permanent establishment would be subject to a 20% withholding in Italy, levied as a final tax, subject to reduction under an applicable treaty against double taxation in force between Italy and the country of residence of the beneficial owner of the Notes provided that certain documentary requirements are timely fulfilled. See "Description of Notes—Payment of Additional Amounts" concerning the gross-up obligations in the event of application of a withholding tax.

The Holders' ability to recover from WEPA Lucca s.r.l. may be limited by registration tax.

Registration tax on judgment

If a judgment is obtained from an Italian court (including a decree executing an arbitral award) in respect of a breach of the provisions of the Guarantee given by WEPA Lucca s.r.l. and/or of the pledge over the shares of Wepa Lucca s.r.l. a registration tax of up to 3% of the amount awarded pursuant to any such judgment may be payable. The party that applies for the judgement is liable to pay the tax. However, according to certain case law, all the parties of the judgement, including WEPA Lucca s.r.l. could be liable for the registration tax.

Registration tax in the event of "caso d'uso"* or *"enunciazione"

The Guarantees and the Security Documents, other than the Italian-law quota share pledge (which is already subject to the Italian registration tax upon execution), may be subject to registration tax at a rate of 0.5% of the relevant tax base (given by the value of the secured claims) if a "*caso d'uso*" or an "*enunciazione*" event occurs.

A "*caso d'uso*" event will occur upon filing ("*un atto si deposita per essere acquisito agli atti*") any of the above mentioned documents with an Italian court during the course of an administrative proceeding or upon filing of the same documents with Italian administrations or public bodies unless the filing is required by law or regulations. In the event of a "*caso d'uso*" only the party that makes the filing is liable to pay the tax.

An "*enunciazione*" event will occur if there is one or more cross-references to the mentioned documents in a deed, agreement or other document filed with the Italian tax authority provided that the relevant document filed for registration has been entered into by the same parties. The Italian tax authorities may ask for the cross-referenced document to be filed with the competent Italian tax authority and, consequently, the registration tax will be applicable. Where one of the parties of the mentioned documents is not also a party of the document filed for registration with the Italian tax authority, no *enunciazione* will occur. The same rule also applies in where cross references appear in a judgement of an Italian court. In an *enunciazione* event, all the parties to the" cross referenced" document are liable to pay the tax.

Accordingly, there can be no assurances that Holders will be able to recover proceeds from WEPA Lucca s.r.l. without having to pay a registration tax.

The Holders of the Notes may be subject to Financial Transaction Tax in case of a future sale, purchase or any other financial transaction relating to the Notes and such Financial Transaction Tax may have to be borne by the respective Holder.

On February 14, 2013, the European Commission published a proposal for a council directive on a common system of financial transaction tax ("FTT") which has to be implemented by 11 Member States, including Belgium, Portugal, Germany, Estonia, Greece, Spain, France, Italy, Austria, Slovenia and Slovakia ("Participating Member States") in their domestic laws.

According to this proposal FTT shall be levied on any financial institution (such as banks, investment service providers, credit institutions) which is party to sale, purchase or any other financial transactions which relate to financial instruments (on its own account or for the account of another person) and either

(i) such financial instruments are issued by or (ii) such financial institution is or (iii) such financial institution is not but the other party to the financial transaction is, a person established or resident in a Participating Member State. The tax rate shall amount at least 0.01% in case of financial transactions relating to derivative contracts and at least 0.1% of the agreed consideration or the market price in any other case, respectively. The FTT was supposed to apply from January 1, 2014, provided that all Participating Member States have implemented the council directive in their domestic laws by September 30, 2013. In June 2013, the European Commission announced that a January 2014 launch for the FTT was no longer realistic, but that it could still enter into force towards the middle of 2014, if an agreement was found on the European level before the end of 2013. However, as at the date of the offering of the Additional Notes such agreement has not yet been reached it is currently unclear when the FTT will enter into force and which financial transactions will finally be affected by it. The Holders of the Notes should therefore be aware that some transactions in relation to the Notes may become subject to FTT in the future and that such FTT may have to be borne by the Holder of the Notes.

USE OF PROCEEDS

In connection with the offering of the Additional Notes, we expect to receive net proceeds of approximately €54.0 million, excluding accrued interest amounts and after deducting estimated costs and underwriting commissions.

We plan to use the net proceeds of the offering of the Additional Notes for general corporate purposes, which may include one or more of (i) capital investments in two additional paper machines and other machinery to insource additional paper capacity that we currently need to purchase from third parties, (ii) the potential purchase of certain assets and liabilities of MKG comprising its operational power plant business by Westfälische Sportmarketing GmbH (then to be renamed Wepa Kraftwerk GmbH), a subsidiary of the Issuer, to streamline our group structure and to achieve higher operating flexibility for the Wepa Group and (iii) the potential purchase of Winfried Limited, which holds the 50% stake in NW currently held by members of the Krengel family, to give us a direct foothold in the important and strategically attractive UK private label market, both (ii) and (iii) as described in more detail under "Certain Relationships and Related Party Transactions."

CAPITALIZATION

The following table shows the consolidated cash and capitalization of WEPA Group as of September 30, 2013, on the basis of the unaudited consolidated financial statements as of and for the nine-month period ended September 30, 2013, "actual" and "as adjusted." The "as adjusted" information of the following table reflects the issuance of the Additional Notes in an aggregate principal amount of €52 million.

You should read this table in conjunction with "Use of Proceeds", "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Other Indebtedness" and the consolidated financial statements and notes thereto included elsewhere in this offering memorandum.

	As at September 30, 2013 Actual	As at September 30, 2013 As Adjusted
	(unaudited) (€ in thousands)	
Cash and cash equivalents[(1)]	**20,866**	**74,906**
Warehouse Lease Arrangements[(2)]	27,156	27,156
Senior Revolving Credit Facility	—	—[(3)]
Original Notes	275,000	275,000
Additional Notes offered hereby	—	52,000
Other Bank Liabilities[(4)]	582	582
Total debt	**302,738**	**354,738**
Total shareholders' equity	**115,262**	**113,662**[(5)(6)]
Total capitalization	**418,000**	**468,400**

(1) Please refer to "Use of Proceeds" to reflect anticipated cash uses. Does not include accrued interest amounts.

(2) The "**Warehouse Lease Arrangements**" consist of finance lease agreements with annual aggregrate lease payments of €5.4 million for the leasing of our high rack warehouses in Arnsberg, Giershagen and Mainz, as well as our block warehouse in Lille. For further information on the Warehouse Lease Agreements see "Description of Other Indebtedness—Warehouse Lease Arrangements."

(3) The Senior Revolving Credit Facility is expected to be undrawn as at the date of the issuance of the Additional Notes. The maximum amount of drawings available under the Senior Revolving Credit Facility is €90 million. See "Description of Other Indebtedness—Senior Revolving Credit Facility."

(4) Represents interest accruals and other liabilities related to bank debt.

(5) The adjusted figure disregards (deferred) tax effects of movements in retained earnings.

(6) The adjusted figure includes the estimated fees and expenses in connection with the offering of the Additional Notes in the amount of €1.6 million.

SELECTED FINANCIAL DATA

The financial information contained in the following tables is derived from the audited consolidated financial statements of the Issuer as of and for the fiscal years ended December 31, 2010, 2011 and 2012, and from the unaudited consolidated interim financial statements of the Issuer as of and for the nine-month period ended September 30, 2013. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

The historical consolidated financial statements and the other historical consolidated financial information presented below have been prepared on the basis of German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Summary of Significant Differences between German GAAP and IFRS."

In this offering memorandum, we present certain non-GAAP measures and ratios, including Gross Profit, EBITDA, EBIT, Income/(loss) before Tax, Trade working capital, Free Cash Flow, Net Cash Flow and Adjusted cash flow available for debt service, and pro forma data that are not required by, or presented in accordance with, German GAAP. Our management believes that the presentation of these non-GAAP measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, you should not construe these non-GAAP measures as an alternative to net income determined in accordance with German GAAP or to cash flows from operations, investing activities or financing activities. In addition, the non-GAAP measures and ratios, including Gross Profit, EBITDA, EBIT, Income/(loss) before Tax, Trade working capital, Free Cash Flow, Net Cash Flow and Adjusted cash flow available for debt service, and pro forma data presented by us may not be comparable to similarly titled measures used by other companies.

You should read the information set forth below in conjunction with the sections "Presentation of Financial Information", "Use of Proceeds", "Capitalization", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum.

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	2011	2012	2012	2013	2013
	(audited unless otherwise indicated)			(unaudited)		(unaudited)
	(€ in thousands)			(€ in thousands)		
INCOME STATEMENT AND OTHER DATA						
Total Operating Performance[(1)]	**871,727**	**869,058**	**845,999**	**641,610**	**635,231**	**839,621**
Cost of materials	(526,259)	(547,627)	(509,504)	(383,990)	(380,848)	(506,362)
Gross Profit[(2)]	**345,468**	**321,432**	**336,495**	**257,620**	**254,383**	**333,259**
Other operating income / other internally produced and capitalized assets	16,655	12,996	8,692	5,519	4,355	7,529
Personnel expenses	(131,403)	(130,676)	(125,150)	(96,226)	(95,236)	(124,157)
Other operating expenses	(153,958)	(153,728)	(134,935)	(106,733)	(93,218)	(121,419)
EBITDA[(3)]	**76,762**	**50,023**	**85,103**	**60,179**	**70,284**	**95,211**
Depreciation / Amortization	(30,949)	(32,381)	(31,708)	(24,013)	(21,684)	(29,379)
EBIT[(4)]	**45,813**	**17,642**	**53,395**	**36,166**	**48,600**	**65,832**
Extraordinary income/(expenses)[(5)]	(7,233)	(4,837)	(13,507)	(6,525)	(35,145)	(42,128)
Interest and similar income	641	1,036	1,036	1,176	41	(99)
Interest and similar expense	(29,777)	(27,276)	(24,686)	(17,614)	(19,739)	(26,811)
Income/(loss) before tax[(6)]	**9,445**	**(13,434)**	**16,238**	**13,204**	**(6,244)**	**(3,206)**
Taxes	(6,937)	(9,854)	(13,815)	(10,626)	(8,373)	(11,562)
Net income/(loss)	**2,508**	**(23,288)**	**2,426**	**2,578**	**(14,617)**	**(14,769)**

	As at December 31,			As at September 30,	
	2010	2011	2012	2012	2013
	(audited unless otherwise indicated)			(unaudited)	
	(€ in thousands)			(€ in thousands)	
BALANCE SHEET AND OTHER DATA					
Cash and Cash equivalents	6,527	3,940	10,301	9,618	20,866
Trade working capital(7)	168,493	141,998	118,194	141,351	113,904
PPE(8)	330,663	320,714	319,564	307,176	305,426
Total Assets	**679,111**	**619,891**	**602,378**	**593,341**	**601,597**
Total Liabilities	**550,228**	**422,530**	**382,279**	**371,903**	**390,541**
Total Debt(9)	**318,515**	**309,385**	**276,698**	**282,058**	**302,738**
Net debt(10)	**311,988**	**305,445**	**266,397**	**272,440**	**281,872**

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	2011	2012	2012	2013	2013
	(audited unless otherwise indicated)			(unaudited)		(unaudited)
	(€ in thousands)			(€ in thousands)		
CASH FLOW AND OTHER DATA						
Net cash flow (used in)/from operating activities	3,971	36,203	72,408	44,589	21,004	48,824
Net cash flow (used in)/from investing activities	(28,998)	(24,715)	(31,714)	(11,703)	(33,157)	(53,169)
Free Cash Flow(11):	**(25,027)**	**11,488**	**40,694**	**32,885**	**(12,153)**	**(4,345)**
Net cash flow (used in)/from financing activities	13,863	(14,130)	(34,387)	(27,327)	22,740	15,680
Net Cash Flow(12):	**(11,164)**	**(2,642)**	**6,307**	**5,559**	**10,587**	**11,335**
Adjusted cash flow available for debt service(13)	11,719	43,305	78,509	56,732	60,080	81,860

(1) Total operating performance is calculated as the sum of gross sales, sales reductions and change in inventories.

(2) Gross profit (unaudited; not a German GAAP measure) is calculated by deducting cost of materials from total operating performance.

(3) EBITDA (unaudited; not a German GAAP measure) means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA in 2012 includes €0.7 million in EBITDA related to discontinuing operations. See "Presentation of Financial Information."

(4) EBIT (unaudited; not a German GAAP measure) means EBITDA minus amortization and depreciation on intangible assets, property, plant and equipment.

(5) Extraordinary income/(expenses) relates to expenses related to the Kartogroup integration, the Refinancing as well as other extraordinary expenses as follows:

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	2011	2012	2012	2013	2013
	(€ in thousands)			(€ in thousands)		
EXTRAORDINARY INCOME/(EXPENSES)						
Expenses Related to Kartogroup integration	(5,740)	(4,801)	(5,904)	(3,890)	(5,912)	(7,926)
thereof consulting	*(5,740)*	*(2,360)*	*(4,778)*	*(3,753)*	*(1,007)*	*(2,032)*
thereof downsizing Italy	—	*(2,441)*	*(1,126)*	*(137)*	*(4,905)*	*(5,894)*
Expenses Related to the Refinancing[c]	—	—	—	—	(27,931)	(27,931)
thereof swap costs	—	—	—	—	*(13,121)*	*(13,121)*
thereof closing fees	—	—	—	—	*(7,628)*	*(7,628)*
thereof consulting	—	—	—	—	*(4,707)*	*(4,707)*
thereof others	—	—	—	—	*(2,476)*	*(2,476)*
Other extraordinary expenses	(1,493)	(2,978)	(12,877)	(2,635)	(4,318)	(14,560)
thereof restructuring advisor	—	—	*(1,810)*	*(1,334)*	*(1,269)*	*(1,745)*
thereof personnel (without Italy)[a]	—	*(1,263)*	*(4,101)*	*(980)*	*(519)*	*(3,640)*
thereof flood/fire damage[b]	—	—	*(6,315)*	—	*(2,130)*	*(8,445)*
thereof others	*(1,493)*	*(1,715)*	*(651)*	*(321)*	*(400)*	*(731)*
Extraordinary expenses	**(7,233)**	**(7,779)**	**(18,780)**	**(6,525)**	**(38,161)**	**(50,417)**
Extraordinary income	**—**	**2,942**	**5,273**	**—**	**3.016**	**8,289**
Extraordinary income/(expenses)	**(7,233)**	**(4,837)**	**(13,507)**	**(6,525)**	**(35,145)**	**(42,128)**

(a) The increase in extraordinary personnel expenses (without Italy) by €2.8 million, from €1.3 million in 2011 to €4.1 million in 2012 is due to the implementation of redundancy programs at our production sites outside Italy.

(b) The increase in extraordinary expenses in 2012 includes a one-off expense of €6.3 million related to flooding in Lucca and a fire at our high rack warehouse in Arnsberg. Both expenses were largely off-set by €5.3 million in extraordinary income from corresponding insurance payments.

(c) Extraordinary expenses of €27.9 million in the nine-month period ended September 30, 2013 are one-off expenses related to the Refinancing.

(6) Income/(loss) before tax (unaudited; not a German GAAP measure) is calculated by adding taxes back to net income/(loss).

(7) Trade working capital (unaudited; not German GAAP measure) we define as inventories plus trade receivables, minus trade payable.

Our calculation of trade working capital can be reconciled to the balance sheet as follows:

	Year ended December 31,			As at September 30,	
	2010	2011	2012	2012	2013
	(€ in thousands)				
TRADE WORKING CAPITAL SPLIT					
Inventories	131,085	114,265	105,282	120,276	112,145
Trade receivables	143,314	109,384	87,041	85,178	62,146
Trade payables	105,905	81,651	74,129	64,103	60,388
Trade Working Capital	**168,493**	**141,998**	**118,194**	**141,351**	**113,904**

(8) PPE is defined as assets comprising of plant, property and equipment.

(9) Total debt means liabilities owed to banks and to Holders of the Notes.

(10) Net debt is calculated by deducting cash and cash equivalents from total debt.

(11) Free Cash Flow (unaudited; not a German GAAP measure) is defined as cash flow from operating activities less cash flow from investing activity.

(12) Net Cash Flow (unaudited; not a German GAAP measure) is defined as cash-effective change in cash and cash equivalents.

(13) We present Adjusted cash flow available for debt service (unaudited; not a German GAAP measure) as a measure of normalized free cash flow which can be used to service debt. We calculate Adjusted cash flow available for debt service as Cash flow available for debt service adjusted for the effects of Extraordinary income/(expense).

Our calculations of Adjusted cash flow available for debt service is as follows:

	Year ended December 31,			Nine-month period ended September 30,		Twelve-month period ended September 30,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
	(€ in thousands)			(€ in thousands)		
ADJUSTED CASH FLOW AVAILABLE FOR DEBT SERVICE						
EBITDA	76,762	50,023	85,103	60,179	70,284	95,211
Change in Total Working Capital[(a)]	**(28,691)**	**29,116**	**31,128**	**18,564**	**11,983**	**24,548**
thereof Trade Working Capital	*(18,609)*	*26,496*	*23,804*	*611*	*4,290*	*27,484*
Taxes	(6,937)	(9,854)	(13,815)	(10,626)	(8,373)	(11,562)
Extraordinary income/(expenses)	(7,233)	(4,837)	(13,507)	(6,525)	(35,145)	(42,128)
Net cash flow (used in)/from investing activities	(28,998)	(24,715)	(31,714)	(11,703)	(33,157)	(53,169)
Other[(b)]	(417)	(1,265)	7,806	318	1,835	9,324
Cash flow available for debt service:[(c)]	**4,486**	**38,468**	**65,001**	**50,207**	**7,427**	**22,224**
adding back Extraordinary income/(expenses)	7,233	4,837	13,507	6,525	35,145	42,128
adding back cash for purchase of MKG shares					25,108	25,108
deducting proceeds from sale of "Pian della Rocca" plant					(7,600)	(7,600)
Adjusted cash flow available for debt service	**11,719**	**43,305**	**78,509**	**56,732**	**60,080**	**81,860**

(a) Total Working Capital (unaudited; not a German GAAP measure) includes trade working capital, provisions, changes in other assets and changes in other liabilities.

(b) Other includes other non-cash income/ (expenses), gains/ (losses) on disposal of assets and result from associated companies.

(c) Cash flow available for debt service (unaudited; not a German GAAP measure) means EBITDA adjusted for the effects of changes in Total Working Capital, Extraordinary income/(expense), Net cash flow (used in)/from investing activities and Other, minus Taxes.

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

The following is a discussion of the results of operations and financial condition of the Issuer as of and for the financial years ended December 31, 2010, 2011 and 2012 and as of and for the nine-month period ended September 30, 2013.

Our consolidated financial statements included in this offering memorandum have been prepared in accordance with German GAAP, which differs in certain significant respects from IFRS. For a discussion of significant differences between German GAAP and IFRS, see "—Summary of Significant Differences between German GAAP and IFRS". In this offering memorandum, the term "financial statements" refers to the audited consolidated financial statements and the notes thereto of the Issuer and its subsidiaries as of and for the fiscal years ended December 31, 2010, 2011 and 2012 and the unaudited interim consolidated financial statements and notes thereto of the Issuer and its subsidiaries as of and for the nine-month period ended September 30, 2013. The audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft with respect to the consolidated financial statements as of and for the fiscal years ended December 31, 2010, 2011 and 2012 are included in this offering memorandum beginning on page F-11. Furthermore, we have included in this offering memorandum the unaudited interim consolidated financial statements of the Issuer as at and for the nine-month period ended September 30, 2013.

The following discussion should be read in conjunction with our "Selected Financial Information" and audited and unaudited consolidated financial statements contained elsewhere in this offering memorandum. In addition, some of the information contained in this discussion, including information with respect to our plans and strategies for our business and our plans for future capital expenditures, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about us, including a discussion of certain factors that may adversely affect our business, results of operations and financial condition.

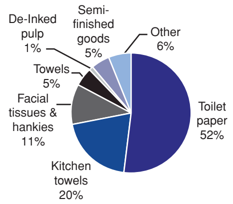
OVERVIEW

We are a leading, family-owned producer and supplier of tissue products in Europe with a market share (by production volumes) of approximately 25% in Germany and approximately 8% in Western Europe, according to "Outlook for World Tissue Business (10-Year Forecast) 2013" published by RISI in June 2013 (the "**RISI Report**"). The tissue market exhibits resilient demand characteristics with low product substitution risk. We are the fourth largest producer of tissue products in Europe and we believe we are the second largest private label tissue producer in Europe, in both cases, by volume. Private label tissue products are marketed and sold by our customers through their retail stores under their own in-house labels. We believe private label products offer higher growth potential than branded products.

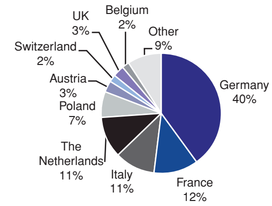
We are headquartered in Arnsberg, Germany, and operate 15 paper machines and more than 70 converting machines in ten production sites strategically located across Europe in Germany, Italy, France, Poland and, through our joint venture with Goma-Camps, GC & WEPA, in Spain. Our annual tissue production capacity is 585,000 tons and our annual tissue converting capacity is 625,000 tons. In addition, GC & WEPA has an annual converting capacity of 40,000 tons. Nearly 60% of our production and converting capacity is located in Germany, our core market and Europe's largest tissue market. We also own technically advanced facilities for the production of de-inked pulp from recovered paper, with an annual capacity of more than 200,000 tons. In 2012, we sold more than 525,000 tons of finished tissue products, 51,000 tons of jumbo reels and 14,000 tons of de-inked pulp across Europe, which generated approximately €849.5 million and €85.1 million of revenue and EBITDA, respectively. During the fiscal year ended December 31, 2012 we employed on average 2,663 employees, excluding GC & WEPA. In the nine-month period ended September 30, 2013, we sold 393,000 tons of finished tissue products, 26,000 tons of jumbo reels and 21,000 tons of de-inked pulp across Europe, which generated approximately €629.9 million and €70.3 million of revenue and EBITDA, respectively. During the same period, we employed an average 2,565 employees. We offer a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels as well as semi-finished goods (i.e. jumbo reels and de-inked pulp). Toilet paper and kitchen towels accounted for 72% of our revenues in 2012 and for 73% of revenues in the nine-month period ended September 30, 2013.

Sales Breakdown—2012

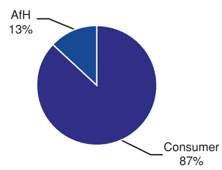
By Product



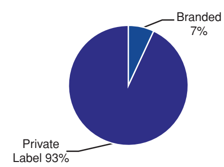
By Geography
(Finished products)



By Division
(Finished products)



Branded vs. Private Label
(Consumer division only)



We operate our business in two divisions, Consumer and Away-from-Home ("**AfH**"). Consumer, which represented 87.1% of our revenues from finished products in 2012 and 86.4% in the nine-month period ended September 30, 2013, focuses on Germany and the wider European retail sector. Consumer products are primarily branded under our customers' private labels and comprise mainly toilet paper, kitchen towels, facial tissues, handkerchiefs and napkins. The strategy of our Consumer division is to focus on the private label sector, although it also markets products under its own brands such as Kitkins, Mach mit..., Perla and Scala. AfH, which has a more regional focus within Central Europe and Poland, focuses on sales to large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. AfH offers a broad range of tissue products under our own "WEPA" brand and under our customers' brands, including toilet paper and paper towels, as well as dispenser systems for use in washrooms and cleaning.

Consumer and AfH supply together approximately 250 customers. Consumer serves most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, REWE and Rossmann in Germany, Carrefour, Auchan, Casino and Leclerc in France, Coop and Esselunga in Italy and Biedronka in Poland, which include most major European retailers. We have long-standing relationships with most of our key customers, some dating back more than 30 years. AfH serves leading distributors in the professional hygiene sector, such as igefa and GVS in Germany, cash & carry wholesalers (such as Metro Group in Germany) as well as distributors for office supplies.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Revenue Drivers

Our revenues are driven by demand from retailers (and their end customers) in our Consumer division, and by wholesalers or specialist distributors (and their end customers) in our AfH division. Sales to our Consumer customers are driven by underlying demand for our products, which in recent years has grown steadily and independently from the overall economic environment. Sales to our AfH customers have some correlation to overall economic trends, although this is limited by our exposure to customers in the government, health care and educational sectors. The volumes we sell are determined by our relationships with our customers and competition from alternative suppliers, which has been stable in most of our core markets, as certain suppliers have exited the European market. Although new players could enter the market, given lead time requirements of 18 to 24 months, we believe we will have good visibility on any new capacity being added. A change to overall capacity levels could lead to a change in levels of competition, which would affect our results of operations.

Exposure to Fluctuations in Pulp and Recovered Paper Prices

The main raw materials for the production of our products are pulp and recovered paper. Pulp is our largest and recovered paper our fourth largest purchasing cost item, accounting for 37.6% (€191.7 million) and 9.4% (€47.9 million), respectively, of our cost of materials in 2012. This compares to 38.5% (€211.1 million) and 10.1% (€55.4 million), respectively, of our cost of materials in 2011, and 37.5% (€197.2 million) and 10.7% (€56.1 million), respectively, of our cost of materials in 2010. In the nine-month period ended September 30, 2013, pulp and recovered paper accounted for 37.3% (€142.0 million) and 9.1% (€34.6 million), respectively, of our cost of materials. The prices for our raw materials, especially pulp and recovered paper, are affected by various factors, in particular global supply and demand and economic conditions in other paper industry sectors, and have been highly volatile in recent years. Our average cost per ton for pulp increased by 33.3% from €387 in 2009 to €516 in 2010, followed by a further increase of 4.1% to €537 in 2011, before decreasing by 6.7% to €501 in 2012. The sharp increase in pulp prices between early 2010 and mid-2011 was due, among other things, to a large earthquake off the coast of Chile in February 2010 which led to widespread destruction of pulp production facilities and infrastructure and removed approximately 8% of global pulp capacity from the market for approximately four months. This reduction in pulp supply coincided with an upswing in the global economy, which resulted in a further increase in global demand for pulp at a time when demand for pulp had already been high due to growing demand from Asia. Pulp prices returned to lower, but historically still elevated levels in 2012, because world economic activity fell substantially short of expectations, thereby undermining pulp demand and pulp prices. In the nine-month period ended September 30, 2013, our average cost per ton for pulp remained almost stable at a level of €501 per ton. While market gross prices increased by about 5% in U.S. dollar terms during this period, we were able to overcompensate this development due to an (on average) stronger euro, improved purchasing conditions and our hedging measures.

Historically, we have only been partially successful in passing the full costs of increased raw material prices on to our customers. Since our customer contracts do not provide for automatic price adjustments, there is typically a time lag between the time of any increases in underlying raw material costs and the time at which we are able to renegotiate the prices our customers pay for our finished tissue products. Approximately 50% of our sales volumes are subject to framework agreements with our retail customers, which allow those customers to place orders "on demand" at prices that are fixed for the duration of the agreement, which is typically one year. Although these agreements generally do not contain minimum purchase obligations, we are in regular dialogue with our customers and have reasonable visibility over sales volumes for the upcoming year. The remainder of our sales volumes is pursuant to spot orders from regular customers which historically do not change significantly from year-to-year. As a result, we typically enter into raw material supply agreements that match the duration and expected sales volumes under our customer contracts and spot orders, which mitigates the impact of increases in raw material prices. These supply agreements are normally only available for terms of one year or less. Historically, we have sought to enter into fixed price supply agreements for between half and two-thirds of our expected pulp requirements and for between one-third and half of our recovered paper requirements, with the prices under the remaining supply agreements linked to relevant sector indices, such as the PIX for pulp or EUWID for recovered paper. In addition, we try to further reduce our exposure to fluctuations in the prices of raw materials through the use of hedging derivatives. Subject to advantageous market conditions, we generally aim to hedge up to two thirds of our pulp demand and up to 85% of our U.S. dollar exposure in connection with expected pulp purchases on a rolling one year basis.

As a result of the sharp increase in the costs of some of our key raw materials, in particular pulp, between early 2010 and mid-2011 and our inability to fully pass on these increased costs to our customers, our consolidated profit decreased from a net profit of €14.2 million in 2009 to a net profit of €2.5 million in 2010 and a net loss of €23.3 million in 2011. We were not able to hedge against these increases in pulp prices due to the unavailability of sufficient credit lines as we had already fully utilized all credit lines available to us to hedge against a strengthening of the U.S. dollar against the euro. Since we had entered into these exchange rate hedging agreements, we did not benefit from the subsequent weakening of the U.S. dollar against the euro during the second half of 2010 and most of 2011, which would otherwise have partially off-set the increase in pulp prices, as quoted in U.S. dollars. See also "—Exposure to Exchange Rate Fluctuations" below. Following the completion of the offering of the Original Notes and the Refinancing, we now have sufficient credit lines available to enter into hedging transactions in accordance with our hedging targets. See also "—The Refinancing" below.

Exposure to Fluctuations in Energy Prices

Our production processes, in particular the production of de-inked pulp and the operation of our paper machines, require large amounts of energy, including in the form of electricity, natural gas and steam. Energy expenses are our second largest procurement cost item after the cost for pulp and amounted to

€93.4 million or 18.3% of our total cost of materials in 2012, €86.6 million or 15.8% in 2011 and €85.8 million or 16.3% in 2010. In the nine-month period ended September 30, 2013, energy expenses accounted for €63.8 million or 16.8% of our total cost of materials.

The key drivers of our energy expenses are fluctuations of the market prices for energy, as well as regulatory decisions. Our energy expenses have generally increased during recent years, as a result of price increases imposed by all energy providers. In our core market of Germany, energy prices have been strongly impacted by regulatory decisions related to the so-called "energy revolution" (*Energiewende*), a dramatic shift in government policy following the nuclear disaster in Fukushima, Japan in 2011. This new German energy policy focuses on promoting the development of renewable energy sources and contemplates the complete cessation of the production of nuclear power by 2021. To mitigate the impact of the resulting significant increases in electricity prices for energy-intensive industries, the German government adopted rules that provided for various businesses, including the WEPA Group, to be reimbursed for certain infrastructure investment surcharges necessary for the implementation of the "energy revolution." However, those rules have been declared void by a German court. The ruling has not yet become final and it is unclear at this point whether an appeal has been or will be filed in the future. Should this court ruling become final, we may be required to repay up to €7.4 million in reimbursement amounts we have already received. The exact impact of the recent court decision is unclear and potentially conflicts with the decision of other courts. In addition, the issue of reimbursement of infrastructure investment surcharges has been picked up by the European Commission and is currently being investigated for alleged illegal state aid. The European Commission has announced it will launch state aid proceedings against Germany. The outcome of any such investigations or proceedings is uncertain. As of September 30, 2013, we have established a provision of €3.5 million to cover reimbursement amounts that we will likely have to repay. In addition, it cannot yet be determined whether, following general elections in September 2013, the new German government will continue to reimburse companies like ours for infrastructure investment surcharges. A reversal or significant reduction in scope of this policy could have a negative impact on our energy expenses. Significant uncertainties remain with regard to energy costs in light of the unclear legislative tendencies relating to network utilization, market design, renewable energy and climate protection.

We attempt to limit our exposure to the volatility of electricity and gas prices by entering into long-term supply contracts rather than purchasing energy at spot prices. These contracts are entered into by different entities within the WEPA Group, mostly at the local level, and have varying durations. As of September 30, 2013, we had locked in prices for approximately 91%, 47%, 22% and 13% of our projected energy requirements for 2013, 2014, 2015 and 2016, respectively. We expect to lock in the prices for the remaining positions on a rolling basis, subject to prevailing market conditions and our expected energy requirements. We purchase energy at market rates for our Giershagen, Germany plant from our affiliate MKG which in 2012 supplied 40%, and during the nine-month period ended September 30, 2013, supplied 41%, of our electrical energy requirements for this plant.

Exposure to Exchange Rate Fluctuations

Fluctuations in the exchange rate between the euro and the U.S. dollar can also have a significant impact on our profitability. While the prices of some of our raw materials such as pulp and oil (which affects our energy costs, freight costs and auxiliary costs such as packaging materials) are quoted in U.S. dollars in international markets, we primarily generate our sales revenues in euros. Therefore, a weakening of the U.S. dollar compared to the euro will generally have a positive impact on our results, while a strengthening of the U.S. dollar against the euro will generally have a negative impact on our results.

Assuming a hypothetical pulp price of U.S.$800 per ton, a fluctuation in the exchange rate of the U.S. dollar and the euro by U.S.$0.01 would result in a price increase or decrease of €4.40 per ton of pulp. Given that we consumed approximately 380,000 tons of pulp in 2012, each U.S.$0.01 in exchange rate movement would have had an impact on our purchasing costs for pulp of approximately €1.7 million, assuming we had not hedged our exposure to exchange rate fluctuations.

There was a weakening of the U.S. dollar against the euro during the second half of 2010 and most of 2011, which would have normally decreased our cost of pulp, however, due to exchange rate hedging agreements we entered into we were not able to benefit from this movement. The U.S. dollar weakened against the euro during the first quarter of 2012, strengthened significantly in the middle of the year before weakening again late in the year. As a result of this development, the U.S. dollar did not have a material impact on our pulp costs during 2012. During the nine-month period ended September 30, 2013, the U.S. dollar was very volatile in relation to the euro. Due to our hedging strategy we were able to benefit from a weaker U.S. dollar by way of option contracts while nevertheless being hedged against negative currency developments. Overall, however, the development of the U.S. dollar did not have any material influence on our pulp prices.

Our only other foreign currency exposure is to the Polish Zloty and the British Pound.

Continuous Improvement Program and Restructuring (completed summer 2013)

Our EBITDA decreased from €76.8 million in 2010 to €50.0 million in 2011. The primary reasons for this decrease included (i) a sharp increase in the cost of key raw materials, in particular pulp, between early 2010 and mid-2011 and our inability to fully pass those increased costs on to our customers or to hedge those increased costs; (ii) relatively high transportation costs due to the complex structure and geographic distribution of our production sites; (iii) a complex group structure; and (iv) challenges in the integration with existing operations and excess production capacity at our Italian production sites, which we acquired from the former Kartogroup in 2009 as part of a packaged transaction. This deterioration of our results of operations and financial condition caused us to be in non-compliance with certain financial maintenance covenants under our then Existing Financing Arrangements and required us to obtain several waivers from our existing creditors. To address these challenges we implemented a comprehensive profitability and liquidity improvement program (the "**Continuous Improvement Program**") and restructured certain parts of our business (the "**Restructuring**"). The Continuous Improvement Program and the Restructuring, which were validated by an external consultant, also formed the basis for a restructuring agreement we entered into on June 30, 2012 with the creditors that were ultimately repaid in the Refinancing in May 2013 and which terminated following the repayment and termination of our then Existing Financing Arrangements in connection with the Refinancing as described at "—The Refinancing" below.

Continuous Improvement Program

As part of our Continuous Improvement Program, we worked to (i) optimize our customer and product mix by focusing on higher-margin customers and products, (ii) optimize our supply and delivery chains and generally improve efficiency, including through the implementation of an improved allocation model for accepting and processing customer orders, increased standardization of our product offering and optimization of batch sizes to increase machine capacities, (iii) improve our cash and working capital position and liquidity and reduce other costs, for example, by optimizing our use of factoring, further improving inventory management and cutting cost throughout our organization, as well as (iv) upgrade our controlling, reporting and IT functions to provide management with the tools and information necessary to effectively monitor our performance and to support the successful implementation of our Continuous Improvement Program.

We made significant progress in optimizing our customer and product portfolio in 2012. We launched a program to optimize our contract portfolio by focusing on higher- margin customers and products. We established minimum gross profit margin requirements for different categories of customers, based on the importance of the relevant customers to the WEPA Group, both in terms of total sales volumes as well as strategic considerations. As a result, we have begun to (i) phase-out certain customers and products that did not meet the relevant minimum gross profit margin requirements; (ii) replace the resulting reduction in sales volumes with increased sales to pre-identified target customers with higher gross profit margins; and (iii) reduce overall complexity of our business through a reduction in the number of our customers and product families. These initiatives have led to improved profitability notwithstanding an initial negative effect on revenues. For the year ending December 31, 2012, we managed out over 40,000 tons of production, which was replaced by more than 45,000 tons of new production at improved margins. For the nine-month period ended September 30, 2013, we managed out additional 2,400 tons of production, which was replaced by 13,600 tons of new production at improved margins.

In addition, we also began to implement a number of measures designed to optimize our supply and delivery chains and to generally improve the efficiency of our production process. To reduce our logistics costs, which represent a high proportion of the value of the goods delivered, we introduced an advanced system of client and logistical mapping, which allows us to identify inefficiencies and areas for cost improvement. As a result, we have altered certain logistical flows. For example, to minimize shipping distances, we relocated three converting lines, and are in the process of relocating a further handkerchiefs line, from Lucca to our production sites in Kriebstein, Piechowice and Lille. In the nine-month period ended September 30, 2013, we were able to renegotiate freight charges for certain shipments related to an annual delivery contract with one of our largest customers. To help us improve our cost efficiency, we targeted (i) increased standardization of both semi-finished products (e.g. jumbo reels) and finished products (resulting in the reduction of waste when converting jumbo reels into finished products) and (ii) the optimization of batch sizes (resulting in enhanced machine capacity due to reduced set-up times). We have already seen significant benefits from increased standardization. In 2012, we worked with one of our major customers to modify certain product specifications, which allowed us to increase pallet load by 43% leading to approximately €1 million in expected annual freight cost reductions. Standardization has also allowed us to reduce inventory levels and working capital requirements.

Furthermore, we implemented a number of short-term measures in 2012 to improve our cash position and liquidity. In particular, we (i) temporarily reduced the budget for capital expenditures in 2012 by approximately 30% or €9.0 million from €30.0 million to €21.0 million and focused on investments with payback periods of less than two years; (ii) improved our liquidity position by more than €10.0 million by negotiating improved payment terms (in return for trade discounts for early payments) with one of our large customers; and (iii) delayed settlement of certain trade payables to the contractually agreed payment dates, rather than making use of trade discounts for early payment. Furthermore, we successfully pursued other potential cost savings throughout our organization (e.g. IT, advertising, travel, telecommunication and consultancy expenses). For example, as a direct result of our new travel guidelines implemented in 2011, our travel and out-of-pocket expenses decreased by 24.9% from €1.6 million in 2011 to €1.2 million in 2012. Also, we were able to reduce our IT expenses by 17.5% from €2.5 million in 2011 to €2.1 million in 2012. In the nine-month period ended September 30, 2013, we were able to maintain the improved efficiency of our organization and to avoid substantial cost increases.

Restructuring

Our Restructuring program, which was completed in June 2013, was designed to streamline our organizational structure and realize potential savings through headcount reductions and other personnel-related measures throughout the WEPA Group; and to restructure and reposition our Italian business, including through the relocation of equipment from Italy to our production sites in Kriebstein, Piechowice and Lille, headcount reductions and the sale of certain facilities in Italy. The restructuring program for our Italian business was separately validated and certified in 2012 by an independent expert as part of a "restructuring plan" (*piano di risanamento*) pursuant to Italian law.

One of the initial objectives of the Restructuring was to achieve immediate cost savings and improve our cash position and liquidity through a series of mostly personnel-related measures, some of which are still ongoing as part of our Continuous Improvement Process, including reduced Christmas allowances and weekend pay, the deferral of salary increases under collective bargaining agreements, a reduction in the training budget and a hiring freeze. In addition to these immediate cost-saving measures, we implemented a new, streamlined organizational structure, which we expect to result in significant cost savings both through a reduction of our overhead expenses as well as headcount reductions at individual production sites. In September 2012, we also agreed a redundancy plan for our sites in Germany with the relevant works councils and unions. The implementation of the targeted redundancies both at our head office in Arnsberg and at our various production sites (i.e. Arnsberg, Mainz, Giershagen, Leuna and Kriebstein) has been completed. As a result of these redundancies, we incurred restructuring charges of approximately €4.1 million in 2012, but expect to benefit from related cost savings.

The Restructuring was also aimed at completing the integration and rationalization of our Italian production sites acquired as part of the acquisition of the assets of the insolvent Kartogroup in 2009. Following this acquisition, we faced significant challenges in integrating the Italian production sites of the Kartogroup into the WEPA Group. In particular, the Italian business operated as a stand-alone business with significant overhead expenses, and in addition, paper production, converting and warehousing at WEPA Lucca were spread across four separate sites in the vicinity of Lucca (Fabbriche di Vallico, Fosso Ralletta, Pian della Rocca and Salanetti) as well as additional external warehousing sites that were subject to long-term leases. This separation resulted in significant inefficiencies and internal logistics costs, which have had a significant negative impact on the results of our Italian operations. In response, we completed a full reorganization of our Italian business by closing certain facilities, moving converting capacity to other parts of the Group, reducing headcount and re-positioning our Italian production sites towards the Italian market. In late 2011, we agreed an initial redundancy plan for our Italian sites with the relevant works councils and trade unions. These agreed redundancies in addition to certain work force reductions which were initiated in 2010 resulted in a reduction of our Italian headcount by approximately 75 employees and contract workers by the end of 2012. As a result of these redundancies, we incurred restructuring charges of approximately €2.4 million in 2011, but expect to benefit from related cost savings. Furthermore, we relocated three converting lines to our production sites in Kriebstein, Piechowice and Lille. On May 15, 2013, we closed the sale of our production site at Pian della Rocca, including one paper machine located at the site, to Roto-cart for a total consideration of €7.6 million, which was slightly above book value. All 33 employees of the production site transferred to Roto-cart. In addition, we are planning to sell our production site at Fabbriche di Vallico, and signed a letter of intent with a prospective buyer on July 31, 2013. We are also planning to further optimize our customer and product portfolio at the remaining Italian sites at Cassino, Fosso Raletta and Salanetti. Finally, we further reduced our Italian headcount and reached an additional agreement with the unions for a further headcount reduction by about mid-2014.

As of the date of this offering memorandum we have met or exceeded all of the targets from the measures described above, including those for Italy (although we do not expect our results to fully reflect the benefits of the Restructuring in Italy until 2014), have established the Continuous Improvement Process with a long term perspective and are in the process of developing individual annual targets for each module thereunder.

The Refinancing

In connection with the issuance of the Original Notes on May 13, 2013, we entered into the Senior Revolving Credit Facility, a portion of which was drawn at the closing of the offering of the Original Notes. On the date of issuance of the Original Notes, we used the net proceeds from the offering of the Original Notes and partial drawings under the Senior Revolving Credit Facility to repay in full (including principal and accrued interest) and terminate all of our then Existing Financing Arrangement and to replace and terminate our then existing on-balance sheet factoring programs with UniCredit and FactorCoop in Italy. We also terminated certain of our interest rate swaps on the date of issuance of the Original Notes, which resulted in the realization of approximately €13.1 million in one-off losses and corresponding payments to the relevant swap counterparties.

The net proceeds from the offering of the Original Notes were €247.1 million. Following the issuance of the Original Notes, we used €25.1 million from the net proceeds of the offering of the Original Notes to subscribe for new shares in MKG representing a stake of approximately 22.3% in the share capital of MKG (the "**MKG Participation**"). MKG, in turn, used €23.4 million of the relevant funds to repay indebtedness (together with accrued interest, fees and expenses) it had incurred in connection with the repurchase of the 32% stake in WEPA Industrieholding SE from Pamplona in 2012. For more details on MKG and the MKG Participation, please see "Related Party Transactions—Marsberger Kraftwerk GmbH." We refer to the transactions described in this and the preceding paragraph and the payment of related fees and expenses as the "**Refinancing**."

Continuous Improvement Process

Following the completion of the Restructuring in July 2013 and the realization of all of the targets from the measures we have taken under the Continuous Improvement Program, we have transitioned the Continuous Improvement Program into a formal and ongoing Continuous Improvement Process intended to establish the WEPA Group as a cost leader in the tissue industry by further improving our profitability and cash position. We will continue to focus on this Continuous Improvement Process. Currently, we are executing several specific initiatives focusing on portfolio optimization, production, working capital, supply chain, general organization, our operations in Italy, purchase optimization, and IT systems, respectively.

KEY STATEMENT OF INCOME ITEMS

The following is a description of certain line items in our consolidated results of operations.

Sales revenues

Sales revenues include income derived from the sale of finished products both in our Consumer division and in our AfH division as well as income from the sale of semi-finished products such as jumbo reels and de-inked pulp. We report sales revenue as sales revenue Germany and foreign sales revenue, respectively, based on the invoicing entity within the WEPA Group. As a result, this geographic split does not reflect the location of our customers or the location of production.

Increase or decrease of inventory of finished goods and goods-in-progress

Our increase or decrease of inventory of finished goods and goods-in-progress records the change in stocks of finished and goods-in-progress at manufacturing cost. The manufacturing costs include direct material and labor costs as well as material and production overheads allocated proportionally on the assumption of normal utilization of production capacity.

Other internally produced and capitalized assets

Other internally produced and capitalized assets relate to the Group-wide implementation of JD Edwards enterprise resource planning ("ERP") software. This takes into account all acquisition costs and costs of production that are to be capitalized and have been incurred as a result of the implementation of the software.

Other operating income

Other operating income consists of all income from ordinary business activities not already recognized under other income items. Other operating income includes, among other things, income from the liquidation of provisions, insurance refunds from damage events, income from disposal of assets and exchange rate gains. In addition, other operating income includes income from other periods from the capitalization of spare parts inventories. In 2010, we decided to re-value our spare parts inventory on a "per item" basis, rather than on a global basis. This change has resulted in overall increases in the valuations of our spare parts inventories, which we report as other operating income. Other operating income also includes income from CO_2 certificates and scrap. Under EU regulations, we are required to purchase CO_2 certificates to be able to fully cover our energy consumption. To the extent we hold any excess CO_2 certificates, we sell those certificates and the proceeds from such sales are recorded as other operating income.

Costs of materials

The costs of materials consist of cost of raw materials, supplies and purchased goods such as pulp and recovered paper, costs of chemicals, costs for auxiliary material as well as pallet costs. It also includes third party service costs (including energy used, cost of waste disposal and maintenance) and purchased goods.

Personnel expense

Personnel expense includes all expenses for wages and salaries (including bonuses) and other employment benefits, contributions to pension plans and social security contributions. Personnel costs also include the costs of redundancy and partial retirement agreements, other than extraordinary expenses related to the Restructuring, which we report as extraordinary income/ (expenses).

Other operating expenses

Other operating expenses primarily include sales costs, expenses for external labor, expenses from allocations, expenses from exchange rate differences and expenses from other periods. Sales costs consist primarily of freight costs (approximately 80%) but also include other sales overheads, such as agency commissions and payments related to customer promotions.

Amortization and depreciation

We incur expense for amortization and depreciation of intangible assets and property, plant and equipment as a result of both scheduled depreciation and impairment losses on these assets. Depreciation and amortization are usually charged on a straight-line basis over the expected useful life of the assets. Capitalized expenses for the start-up and expansion of business operations include expenses of approximately €2.8 million related to the start-up of the business in Italy after the Kartogroup Transaction (e.g. certain promotion costs), which we were permitted to capitalize under German GAAP.

Earnings from associated companies

Earnings from associated companies relate to our 49% share in the net income of our Spanish joint-venture company GC & WEPA and to our 22.3% share in MKG. The remaining 51% in GC & WEPA is held by Goma-Camps. For more details on GC & WEPA, see "Certain Relationships and Related Party Transactions—GC & WEPA S.L."

Interest income/ (expenses), net

Interest income/ (expenses), net includes income from loans under financial assets, other interest and similar income, interest and similar expenses as well as the compensation for outstanding profit-sharing rights. Interest and similar expenses primarily include interest expense and other financing costs related to long term loans and the Original Notes, short-term bank liabilities, bank and bank guarantee provisions (including the commitment fee for the Senior Revolving Credit Facility) and transaction costs for factoring.

The compensation for outstanding profit-sharing rights refers to €15.0 million of profit-sharing rights (*Genussscheine*) originally issued on December 8, 2005 by the Issuer and subscribed by Westdeutsche Unternehmensbeteiligungsgesellschaft, Düsseldorf ("**WestUBG**"), a subsidiary of the former WestLB (now: Portigon), for mezzanine capital (redeemable equity). The profit-sharing rights were classified as equity and reported in our consolidated balance sheet as a separate item under equity. The original terms of the profit-sharing rights contemplated a repayment in three equal installments of €5 million in 2010, 2011 and 2012. However, in 2012, we redeemed €1.7 million and negotiated the partial extension of the repayment date for the last installment of €3.3 million until June 2014. The terms of these profit-sharing rights provided for fixed interest rate payments of 7.75% per annum plus 3% per annum in variable interest payments in case we achieve an EBITDA equal or in excess of €15.0 million in a particular year. The final outstanding €3.3 million were fully redeemed in May 2013 from the proceeds of the offering of the Original Notes.

Extraordinary income/ (expenses)

Extraordinary income/ (expenses) comprise one-off income and expenses not related to our ordinary business. The extraordinary expenses mainly relate to our restructuring and refinancing measures.

Taxes

Taxes comprise trade taxes, corporate taxes, foreign taxes, deferred taxes as well as other taxes, such as taxes on substance (mainly real estate taxes in France and Italy).

RESULTS OF OPERATIONS

Nine-Month Period Ended September 30, 2013 Compared to Nine-Month Period Ended September 30, 2012

The table below sets forth our results of operations for the nine-month periods ended September 30, 2012 and September 30, 2013:

	Nine-month period ended September 30,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Sales revenues	632,624	629,922	(0.4)
Increase or decrease of inventory of finished goods and goods-in-progress	8,986	5,309	(40.9)
Total operating performance	**641,610**	**635,231**	**(1.0)**
Other internally produced and capitalized assets	257	299	16.6
Other operating income	5,262	4,056	(22.9)
Cost of materials	(383,990)	(380,848)	(0.8)
Personnel expense	(96,226)	(95,236)	(1.0)
Other operating expenses	(106,733)	(93,218)	(12.7)
EBITDA[(1)]	**60,179**	**70,284**	**16.8**
Amortization and depreciation on intangible and tangible fixed assets as well as capitalized expenses for the start-up and expansion of business operations	(24,013)	(21,684)	(9.7)
Earnings from associated companies	883	(119)	(113.4)
Income from loans under financial assets	106	91	(14.1)
Other interest and similar income	186	68	(63.5)
Interest and similar expenses	(17,210)	(19,608)	13.9
Compensation for outstanding profit-sharing rights	(403)	(131)	(67,5)
Earnings from ordinary activities	**19,728**	**28,902**	**46.5**
Extraordinary income	*—*	*3,016*	*—*
Extraordinary expenses	*(6,525)*	*(38,161)*	*484.8*
Extraordinary income/(expenses)	(6,525)	(35,145)	438.6
Income taxes	(7,923)	(5,926)	(25,2)
Other taxes	(2,703)	(2,447)	(9,5)
Net income / (loss)	**2,578**	**(14,617)**	**(667.0)**

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

Sales revenues

Total sales revenues fell by €2.7 million or 0.4%, from €632.6 million in the nine-month period ended September 30, 2012 to €629.9 million in the nine-month period ended September 30, 2013. This decrease in total sales revenues was attributable to a reduction in volumes of finished products from 394,000 tons in the nine-month period ended September 30, 2012 to 393,000 tons in the nine-month period ended September 30, 2013, mainly as a result of our deliberate and ongoing efforts to phase out certain lower margin customers and products that do not meet our minimum gross profit margin requirements as described under "—Key Factors Affecting Our Results of Operations—Continuous Improvement Program and Restructuring" above. Sales prices during the same period remained largely unchanged. Sales of semi-finished products increased by 5,000 tons from 42,000 tons in the nine-month period ended September 30, 2012 to 47,000 tons in the nine-month period ended September 30, 2013. Whereas the sales volumes of jumbo reels decreased by 9,000 tons from 35,000 tons in the nine-month period ended September 30, 2012 to 26,000 tons in the nine-month period ended September 30, 2013, primarily due to the sale of our Pian della Rocca plant in May 2013, the sales volume of de-inked pulp increased by 14,000 from 7,000 in the nine-month period ended September 30, 2012 to 21,000 tons in the nine-month period ended September 30, 2013, due to increased capacities available for external sales.

The following table sets forth our sales revenues by geographic markets:

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Sales revenues Germany	239,897	254,552	6.1
Foreign sales revenues	392,727	375,371	(4.4)
Total sales revenues	**632,624**	**629,922**	**(0.4)**

In the nine-month period ended September 30, 2013, sales revenues in Germany accounted for 40.4% of total sales revenues compared to 37.9% of total sales revenues in the nine-month period ended September 30, 2012. Sales revenues in Germany increased by €14.7 million or 6.1%, from €239.9 million in the nine-month period ended September 30, 2012 to €254.6 million in the nine-month period ended September 30, 2013, while foreign sales revenues decreased by €17.4 million or 4.4%, from €392.7 million in the nine-month period ended September 30, 2012 to €375.4 million in the nine-month period ended September 30, 2013, primarily due to reduced sales in Italy and France. This resulted in a decrease in total sales revenues in the nine-month period ended September 30, 2013 of €2.7 million or 0.4% from €632.6 million in the nine-month period ended September 30, 2012 to €629.9 million in the nine-month period ended September 30, 2013.

Increase or decrease of inventory of finished goods and goods-in-progress

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Goods-in-progress	430	274	(36.2)
Finished goods	8,555	5,034	(41.2)
Total	**8,986**	**5,309**	**(40.9)**

Our change in inventory of finished goods and goods-in-progress decreased by €3.7 million, or 40.9%, from €9.0 million in the nine-month period ended September 30, 2012 to €5.3 million in the nine-month period ended September 30, 2013. The increase of inventory in the nine-month period ended September 30, 2012 was primarily driven by replenishing the stock of finished products to standard levels, following low stock levels at the end of 2011, which resulted from strong sales in November and December 2011. The build-up of inventory in finished goods in the nine-month period ended September 30, 2013 relates to low levels of inventory as at December 31, 2012 as a consequence of the devaluation of finished goods contaminated by smoke from a fire in Arnsberg as well as the build-up of stock for October 2013 sales promotions by customers. In addition to the lower increase in finished goods there was also a lower increase of goods in progress from an increase of €0.4 million in the nine-month period ended September 30, 2012 to an increase of of €0.3 million in the nine-month period ended September 30, 2013.

Other internally produced and capitalized assets

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Capitalized assets	257	299	16.6

Capitalized internally generated items remained stable with €0.3 million in the nine-month period ended September 30, 2012 and €0.3 in the nine-month period ended September 30, 2013. The position mainly reflects the Group-wide implementation of JD Edwards ERP software in both periods.

Other operating income

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Income from other periods from the capitalization of spare parts inventories	241	266	10.2
Liquidation of provisions	191	186	(2.5)
Income from insurance refunds from damage events	96	320	231.8
Refund of energy costs	—	—	—
Income from disposal of assets	447	—	(100.0)
Exchange rate difference	1,445	339	(76.5)
Income from services	809	684	(15.4)
Income from dissolution of delta amount resulting from capital consolidation	275	260	(5.4)
Reimbursement of other social security benefits	390	516	32.1
Income from CO_2 certificates and scrap	375	331	(11.8)
Income from reduction of bad debt allowance	342	464	35.5
Other income	650	690	6.1
Other operating income	**5,262**	**4,056**	**(22.9)**

Other operating income decreased by €1.2 million or 22.9% from €5.3 million in the nine-month period ended September 30, 2012 to €4.1 million in the nine-month period ended September 30, 2013. Income from disposal of assets decreased by €0.4 million or 100.0% from €0.4 million in the nine-month period ended September 30, 2012 to nil in the nine-month period ended September 30, 2013, due to an income from the sale of a converting line in 2012 by WEPA Papierfabrik Sachsen GmbH. Underlying exchange rate differences decreased by €1.1 million or 76.5% from €1.4 million in the nine-month period ended September 30, 2012 to €0.3 million in the nine-month period ended September 30, 2013, primarily due to a lower volatility of the exchange rate of the Polish Zloty against the euro. Income from services decreased by €0.1 million or 15.4% from €0.8 million in the nine-month period ended September 30, 2012 to €0.7 million in the nine-month period ended September 30, 2013, due primarily to lower service fees for GC &WEPA.

These reductions were partly offset by an increase in income from insurance refunds from damage events from €0.1 million in the nine-month period ended September 30, 2012 to €0.3 million in the nine-month period ended September 30, 2013, mainly due to an insurance claim relating to a damaged paper machine at our plant in Mainz. In addition, there was an increase in reimbursement of other social security benefits from €0.4 million in the nine-month period ended September 30, 2012 to €0.5 million in the nine-month period ended September 30, 2013, primarily due to higher income from granting company cars to employees. Furthermore, income from reduction of bad debt allowances increased from €0.3 million in the nine-month period ended September 30, 2012 to €0.5 million in the nine-month period ended September 30, 2013 due to the reversal of lump sum provisions for bad debt.

Cost of materials

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Cost of raw materials, supplies and purchased goods	(289,593)	(292,815)	1.1
Third-party service costs	(94,397)	(88,033)	(6.7)
Cost of materials	**(383,990)**	**(380,848)**	**(0.8)**

Cost of materials decreased by €3.1 million or 0.8% from €384.0 million in the nine-month period ended September 30, 2012 (60.7% of revenues or 59.8% of total operating performance) to €380.8 million in the nine-month period ended September 30, 2013 (60.5% of revenues or 60.0% of total operating performance). This decrease was mainly driven by lower third-party service costs due to lower energy costs, which decreased by €4.6 million or 6.7% from €68.4 million in the nine-month period ended September 30, 2012 to €63.8 million in the nine-month period ended September 30, 2012 as well as to lower maintenance expenses which decreased by €0.6 million or 3.8% from €17.0 million in the nine-month period ended September 30, 2012 to €16.4 million in the nine-month period ended September 30, 2013. In addition, the lower cost of waste disposal (mainly due to the purchase of better quality in recovered paper grades) further reduced third-party service costs by €1.1 million or 12.1% from €8.9 million in the nine-month period ended September 30, 2012 to €7.8 million in the nine-month period ended September 30, 2013.

The decrease in the third-party service costs was partly offset by a €3.2 million or 1.1% increase in the cost of raw materials, supplies and purchased goods, from €289.6 million in the nine-month period ended September 30, 2012 compared to €292.8 million in the nine-month period ended September 30, 2013. The main reason for this increase was an increase in purchases of jumbo reels from €5.9 million in the nine-month period ended September 30, 2012 to €15.9 million in the nine-month period ended September 30, 2013. This was only partly offset by a volume driven reduction of pulp costs, which decreased by €2.4 million or 1.6% from €144.4 million in the nine-month period ended September 30, 2012 to €142.0 million in the nine-month period ended September 30, 2013 as well as a volume driven reduction of costs for recovered paper, which decreased by €1.8 million or 5.0% from €36.5 million in the nine-month period ended September 30, 2012 to €34.6 million in the nine-month period ended September 30, 2013. In addition, purchases of trading goods decreased by €3.0 million or 8.6% from €34.3 million in the nine-month period ended September 30, 2012 to €31.4 million in the nine-month period ended September 30, 2013

Personnel expense

	Nine-month period ended September 30,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Salaries and wages	(76,505)	(75,471)	(1.4)
Social security contributions and retirements and assistance costs	(19,721)	(19,765)	0.2
—of which for retirement costs:	—	—	—
Personnel expense	**(96,226)**	**(95,236)**	**(1.0)**

Personnel expense in the nine-month period ended September 30, 2013 decreased by €1.0 million or 1.0% from €96.2 million in the nine-month period ended September 30, 2012 to €95.2 million in the nine-month period ended September 30, 2013, reflecting a €1.0 million or 1.4% decrease in salaries and wages, which resulted from headcount reductions under the Restructuring. Social security contributions, retirement and assistance costs remained nearly constant. Salaries and wages decreased by 1.4% in the nine-month period ended September 30, 2013 compared to a decrease of 4.1% in the average number of employees from 2,674 employees in the nine-month period ended September 30, 2012 to 2,565 employees in the nine-month period ended September 30, 2013. The decrease in salaries and wages was related primarily to the impact of the redundancy programs in Italy and Germany.

	Nine-month period ended September 30,		
	2012	**2013**	**Change**
			(%)
Factory workers	2,113	2,046	(3.2)
Administrative employees	561	519	(7.5)
Average number of employees	**2,674**	**2,565**	**(4.1)**

Both the number of factory workers and the number of administrative employees decreased by 3.2% and 7.5% from 2,113 and 561 in the nine-month period ended September 30, 2012 to 2,046 and 519 in the nine-month period ended September 30, 2013, primarily due to headcount reductions as part of the Restructuring.

Other operating expenses

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Sales costs	(57,421)	(52,581)	(8.4)
External labor	(18,440)	(16,116)	(12,6)
Expenses from allocations	(5,228)	(3,086)	(41.0)
Expenses from exchange rate differences	(1,328)	(1,198)	(9.8)
Expenses from other periods	(231)	(1,504)	550.5
Leasing expenses	(2,683)	(306)	(88,6)
Expenses for consulting services	(4,177)	(3,885)	(7.0)
Insurance premiums	(2,200)	(1,969)	(10.5)
Administrative and operating expenses	(928)	(893)	(3.8)
Repairs and spare parts	(3,469)	(3,012)	(13.2)
Travel and out-of-pocket expenses	(959)	(901)	(6.0)
IT expenses	(1,648)	(1,537)	(6,7)
Loss of receivables	(3,432)	(3,002)	(12.5)
Costs related to car pool	(1,285)	(1,205)	(6.2)
Others	(3,304)	(2,024)	(38,7)
Other operating expenses	**(106,733)**	**(93,218)**	**(12,7)**

Other operating expenses decreased by €13.5 million or 12.7% from €106.7 million in the nine-month period ended September 30, 2012 to €93.2 million in the nine-month period ended September 30, 2013, primarily due to cost reduction measures taken under our Continuous Improvement Program, Continuous Improvement Process and the Restructuring. Sales costs decreased by €4.8 million or 8.4%, from €57.4 million in the nine-month period ended September 30, 2012 to €52.6 million in the nine-month period ended September 30, 2013 due to slightly lower sales in the nine-month period ended September 30, 2013 as a result of our strategy to manage out lower profitability volumes as part of our portfolio optimization measures and the optimization of product allocation, which resulted in lower freight costs and an overall reduction in operating expenses as a percentage of sales.

External labor expenses decreased by €2.3 million or 12.6%, from €18.4 million in the nine-month period ended September 30, 2012 to €16.1 million in the nine-month period ended September 30, 2013, due to our ability to reallocate and use internal resources to handle certain tasks (such as cleaning and maintenance) that we had previously outsourced and also due to the reclassification of some of our external labor costs as administrative and operating expenses. Expenses from allocations decreased by €2.1 million or 41.0%, from €5.2 million in the nine-month period ended September 30, 2012 to €3.1 million in the nine-month period ended September 30, 2013, primarily due to lower management charges paid to WEPA Industrieholding SE. Leasing expenses decreased by €2.4 million or 88.6% from €2.7 million in the nine-month period ended September 30, 2012 to €0.3 million in the nine-month period ended September 30, 2013, primarily due to the reclassification of a French leasing agreement as a finance lease for purposes of German GAAP. In addition to these decreases, the effects of the various taken under our Continuous Improvement Program and the Restructuring led to a decrease of €0.3 million or 7.0% in expenses for consulting services (mainly the result of general cost cutting), as well as to a decrease in IT expenses by €0.1 million or 6.7% and other operating expenses by €1.3 million or 38.7% (mainly resulting from reduced personnel leading to less travel costs, etc.). Furthermore, expenses for repairs and spare parts decreased by €0.5 million or 13.2% from €3.5 million in the nine-month period ended September 30, 2012 to €3.0 million in the nine-month period ended September 30, 2013, due to fewer events requiring machine repair. Loss of receivables decreased by €0.4 million or 12.5% from €3.4 million in the nine-month period ended September 30, 2012 to €3.0 million in the nine-month period ended September 30, 2013, primarily due to lower lump sum provisions for bad debt as a result of lower sales volumes.

In contrast, expenses from other periods increased by €1.3 million or 550.5%, from €0.2 million in the nine-month period ended September 30, 2012 to €1.5 million in the nine-month period ended September 30, 2013, mainly due to accruals for reimbursement of German surcharges for funding infrastructure investments necessary for the implementation of the "energy revolution" in prior years, which were made as a precautionary measure in light of the current political uncertainty regarding the treatment of reimbursements of these surcharges in the future.

EBITDA

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
EBITDA[(1)]	60,179	70,284	16.8

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

Our EBITDA increased by €10.1 million or 16.8% from €60.2 million in the nine-month period ended September 30, 2012 to €70.3 million in the nine-month period ended September 30, 2013, primarily due to the positive impact of our Continuous Improvement Program, the Continuous Improvement Process and the Restructuring, in particular the decrease in other operating expenses by €13.5 million and the decrease of personnel expenses by €1.0 million, in addition to the reduction in our cost of materials by €3.1 million. These improvements more than offset a decrease in sales revenue by €2.7 million due to our deliberate and ongoing efforts to phase out and replace lower margin customers and products as described above, the lower increase in our inventory of finished goods and goods in progress by €3.7 million as well as a reduction of other operating income of €1.2 million.

Depreciation and amortization

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Depreciation on expenses for start-up and expansion of operations	—	—	—
Depreciation on intangible assets	(1,853)	(1,979)	6.8
Depreciation on tangible assets	(22,160)	(19,705)	(11.1)
Total depreciation and amortization	**(24,013)**	**(21,684)**	**(9.7)**

Depreciation and amortization expenses decreased by €2.3 million or 9.7% from €24.0 million in the nine-month period ended September 30, 2012 to €21.7 million in the nine-month period ended September 30, 2013. This increase is primarily the result of lower depreciation on tangible assets, from €22.2 million in the nine-month period ended September 30, 2012 to €19.7 million in the nine-month period ended September 30, 2013, mainly as a result of the sale of our production site at Pian della Rocca and our conservative investment policy. The depreciation on intangible assets slightly increased by €0.1 million or 6.8%, primarily due to an additional capitalization of JD Edwards ERP software. Depreciation and amortization expenses consisted of standard depreciation pursuant to German GAAP, and no specific impairments were otherwise incurred.

Earnings from associated companies

	Nine-month period ended September 30,		
	2012	2013	Change
	(€ in thousands)		(%)
Earnings from associated companies	883	(119)	(113.4)

Earnings from associated companies, which represents our 49% share in the net income of our Spanish joint-venture company GC & WEPA and the 22.3% stake in the share capital of Marsberger Kraftwerks GmbH (MKG), decreased by €1.0 million from an income of €0.9 million in the nine-month period ended September 30, 2012 compared to a loss of €0.1 million in the nine-month period ended September 30, 2013, due to €0.5 million lower proportionate profits at GC & WEPA and an amortization and net loss of €0.5 million in MKG.

Interest income/ (expenses), net

	Nine-month period ended September 30, 2012	2013	Change
	(€ in thousands)		(%)
Income from loans under financial assets	106	91	(14.1)
Other interest and similar income	186	68	(63.5)
Interest and similar expenses	(17,210)	(19,608)	13.9
Compensation for outstanding profit-sharing rights	(403)	(131)	(67.5)
Interest income/(expenses), net	**(17,321)**	**(19,580)**	**13.0**

Our net interest expenses increased by €2.3 million or 13.0% from net expenses of €17.3 million in the nine-month period ended September 30, 2012 to net expenses of €19.6 million in the nine-month period ended September 30, 2013, primarily due to a €2.4 million or 13.9% increase of interest and similar expenses from €17.2 million in the nine-month period ended September 30, 2012 to €19.6 million in the nine-month period ended September 30, 2013, due to higher interest expenses for long term financing as well as an additional commitment fee for the new Senior Revolving Credit Facility we entered into in connection with the Refinancing. Interest and similar expenses in the nine-month period ended September 30, 2013 included €14.2 million of interest expenses for long-term loans and the Original Notes, €1.9 million interest and similar expenses for short-term bank liabilities, €2.4 million of provisions for banking services and bank guarantees and €1.1 million of transaction costs for factoring arrangements. The compensation for outstanding profit-sharing rights decreased by €0.3 million or 67.5% from expenses of €0.4 million in the nine-month period ended September 30, 2012 to expenses of €0.1 million in the nine-month period ended September 30, 2013, due to the redemption of the remaining €3.3 million of profit sharing rights subscribed by West UBG (now: Portigon) in the course of the Refinancing. For further information regarding the profit-sharing rights capital, see "—Key Statement of Income Items—Interest income/(expenses), net."

Extraordinary income/(expenses)

	Nine-month period ended September 30, 2012	2013	Change
	(€ in thousands)		(%)
Expenses Related to Kartogroup integration	(3,890)	(5,912)	52.0
thereof consulting	*(3,753)*	*(1,007)*	*(73.2)*
thereof downsizing Italy	*(137)*	*(4,905)*	*3,487.0*
Expenses Related to the Refinancing	—	(27,931)	—
thereof swap costs	—	*(13,121)*	—
thereof closing fees	—	*(7,628)*	—
thereof consulting	—	*(4,707)*	—
thereof others	—	*(2,476)*	—
Other extraordinary expenses	(2,635)	(4,318)	63.9
thereof restructuring advisor	*(1,334)*	*(1,269)*	*(4.9)*
thereof personnel (without Italy)	*(980)*	*(519)*	*(47.1)*
thereof flood/fire damage	—	*(2,130)*	—
thereof others	*(321)*	*(400)*	*24.9*
Extraordinary expenses	**(6,525)**	**(38,161)**	**484.8**
Extraordinary income	**—**	**3,016**	**—**
Extraordinary income/(expenses)	**(6,525)**	**(35,145)**	**438.6**

Net extraordinary expenses increased by €28.6 million or 438.6% from €6.5 million of expenses in the nine-month period ended September 30, 2012 to €35.1 million of expenses in the nine-month period ended September 30, 2013. This increase was primarily due to an increase in extraordinary expenses of €31.6 million or 484.8%, from expenses of €6.5 million in the nine-month period ended September 30, 2012 to expenses of €38.2 million in the nine-month period ended September 30, 2013.

The increase in extraordinary expenses predominantly related to significant one-off expenses related to the Refinancing of €27.9 million in the nine-month period ended September 30, 2013. In May 2013, we issued €275 million of the Original Notes and entered into a €90 million Senior Revolving Credit Facility. The proceeds of the offering of the Original Notes, together with drawings under the Senior Revolving Credit Facility, were primarily used to refinance existing indebtedness. The extraordinary expenses related to the Refinancing include expenses of €13.1 million relating to the termination of interest swaps, €7.6 million of closing costs, €4.7 million of consulting fees and €2.5 million other extraordinary expenses related to the Refinancing. In addition, other extraordinary expenses in relation to the downsizing of our Italian business increased by €4.8 million from €0.1 million of expenses in the nine-month period ended September 30, 2012 to €4.9 million of expenses in the nine-month period ended September 30, 2013 mainly due to restructuring measures in Italy. This increase was partly offset by a decrease of consulting costs related to the Italian business of €2.7 million from €3.8 million of expenses in the nine-month period ended September 30, 2012 to €1.0 million of expenses in the nine-month period ended September 30, 2013. Furthermore, there was an one-off fee of €1.3 million that we paid to restructuring advisors in connection with advice rendered for restructuring measures outside Italy, and one-off expenses of €2.1 million related to a fire at our high rack warehouse in Arnsberg as well as damage to the paper machine at our plant in Mainz (although this was largely off-set by €3.0 million in extraordinary income mainly from corresponding insurance payments). Other extraordinary personnel expenses (without Italy) decreased from €1.0 million to €0.5 million, as the implementation of redundancy programs at production sites outside Italy was mainly completed in the year 2012.

Extraordinary income increased to €3.0 million in the nine-month period ended September 30, 2013 from nearly nil in the nine-month period ended September 30, 2012, with the increased extraordinary income mainly representing the insurance payments relating to the incidents in Arnsberg and Mainz as detailed above, the proceeds from the sale of the plant at Pian della Rocca (as part of the restructuring program in Italy) and a reduction in a severance payment program in WEPA International GmbH as earlier accruals for the related severance payments proved to have been overly cautious.

Taxes

	Nine-month period ended September 30,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Trade taxes	(1,397)	(1,664)	19.1
Corporate taxes	(1,006)	(1,343)	33.5
Foreign taxes	(975)	(145)	(85.2)
Deferred taxes	(4,544)	(2,774)	(38.9)
Income taxes	**(7,923)**	**(5,926)**	**(25.2)**
Other taxes	(2,703)	(2,447)	(9.5)
Total taxes	**(10,626)**	**(8,373)**	**(21.2)**

Total taxes decreased by €2.3 million or 21.2% from €10.6 million in the nine-month period ended September 30, 2012 to €8.4 million in the nine-month period ended September 30, 2013, primarily as a result of decreased income taxes due to the high amount of extraordinary expenses described above.

Net income / (loss)

	Nine-month period ended September 30,		
	2012	**2013**	**Change**
	(€ in thousands)		**(%)**
Net income / (loss)	2,578	(14,617)	—

Net income / (losses) fell significantly by €17.2 million from a net income of €2.6 million in the nine-month period ended September 30, 2012 to a net loss of €14.6 million in the nine-month period ended September 30, 2013 as a result of the factors described above.

Financial Year Ended December 31, 2012 Compared to Financial Year Ended December 31, 2011

The table below sets forth our results of operations for the financial years ended December 31, 2011 and December 31, 2012:

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Sales revenues	880,368	849,497	(3.5)
Increase or decrease of inventory of finished goods and goods-in-progress	(11,311)	(3,497)	(69.1)
Total operating performance	**869,058**	**845,999**	**(2.7)**
Other internally produced and capitalized assets	416	291	(29.9)
Other operating income	12,580	8,401	(33.2)
Cost of materials	(547,626)	(509,504)	(7.0)
Personnel expense	(130,676)	(125,147)	(4.2)
Other operating expenses	(153,728)	(134,935)	(12.2)
EBITDA(1)	**50,023**	**85,103**	**70.1**
Amortization and depreciation on intangible and tangible fixed assets as well as capitalized expenses for the start-up and expansion of business operations	(32,381)	(31,708)	(2.1)
Earnings from associated companies	741	661	(10.7)
Income from loans under financial assets	190	134	(29.5)
Other interest and similar income	106	241	127.5
Interest and similar expenses	(26,201)	(24,148)	(7.8)
Compensation for outstanding profit-sharing rights	(1,075)	(538)	(50.0)
Earnings from ordinary activities	**(8,597)**	**29,748**	**—**
Extraordinary income	2,942	5,273	79.3
Extraordinary expenses	(7,779)	(18,781)	141.4
Extraordinary income/(expenses)	(4,837)	(13,507)	(179.2)
Income taxes	(6,809)	(10,213)	50.0
Other taxes	(3,045)	(3,602)	18.3
Net income / (loss)	**(23,288)**	**2,426**	**—**

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

Sales revenues

Total sales revenues fell by €30.9 million or 3.5%, from €880.4 million in 2011 to €849.5 million in 2012. This decrease in total sales revenues was attributable to a reduction in volumes of finished products from 562,000 tons in 2011 to 525,000 tons in 2012, mainly as a result of our deliberate and ongoing efforts to phase out certain lower margin customers and products that do not meet our minimum gross profit margin requirements as described under "—Key Factors Affecting Our Results of Operations—Continuous Improvement Program and Restructuring" above. Sales prices during the same period remained largely unchanged. Sales of semi-finished products increased by 30,000 tons from 35,000 tons in 2011 to 65,000 tons in 2012. This is because of our deliberate reduction in the production and sale of lower margin finished products, particularly in Italy, which resulted in excess volumes of semi-finished products (in particular jumbo reels in Italy) which we did not need for our own production of finished products and therefore sold to third parties.

The following table sets forth our sales revenues by geographic markets:

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Sales revenues Germany	340,263	326,646	(4.0)
Foreign sales revenues	540,105	522,850	(3.2)
Total sales revenues	**880,368**	**849,496**	**(3.5)**

In 2012, sales revenues in Germany accounted for 38.5% of total sales revenue compared to 38.7% of total sales revenues in 2011. Sales revenues in Germany decreased by €13.6 million or 4.0%, from €340.3 million in 2011 to €326.6 million in 2012, while foreign sales revenue decreased by €17.3 million or 3.2%, from €540.1 million in 2011 to €522.9 million in 2012, resulting in a decrease in total sales revenues in 2012 of €30.9 million or 3.5% compared to 2011.

Increase or decrease of inventory of finished goods and goods-in-progress

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Goods-in-progress	(5,279)	(1,957)	(62.9)
Finished Goods	(6,032)	(1,540)	(74.5)
Total	**(11,311)**	**(3,497)**	**(69.1)**

Our inventory of finished goods and goods-in-progress decreased by €3.5 million in 2012, compared to a decrease of €11.3 million in 2011. The larger decrease of inventory in 2011 was primarily due to a significant inventory build-up in 2010 related to a large sales promotion in January 2011 by Lidl, one of our key customers, and reflects a return to normal inventory levels in 2011 following the completion of the sales promotion. The further decrease in our inventory by €3.5 million in 2012 is partly due to our efforts to improve inventory management as part of our Continuous Improvement Program.

Other internally produced and capitalized assets

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Capitalized Assets	416	291	(30.0)

Capitalized internally generated items decreased by €0.1 million or 30% from €0.4 million in 2011 to €0.3 million in 2012 due to the suspension of the Group-wide implementation of JD Edwards ERP software pending the implementation of the Continuing Improvement Program and the Restructuring.

Other operating income

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Income from other periods from the capitalization of spare parts inventories	4,582	1,040	(77.3)
Liquidation of provisions	1,195	501	(58.1)
Income from insurance refunds from damage events	446	210	(52.9)
Refund of energy costs	1,925	—	—
Income from disposal of assets	124	503	305.6
Exchange rate difference	286	1,538	437.8
Income from services	1,265	1,045	(17.4)
Income from dissolution of delta amount resulting from capital consolidation	347	344	(0.9)
Reimbursement of other social security benefits	663	507	(23.5)
Income from CO_2 certificates and scrap	1,232	619	(49.8)
Income from reduction of bad debt allowance	—	359	—
Other income	515	1,735	236.9
Other operating income	**12,580**	**8,401**	**(33.2)**

Other operating income decreased by €4.2 million or 33.2% from €12.6 million in 2011 to €8.4 million in 2012, primarily due to a decrease of €3.5 million or 77.3%, from €4.6 million in 2011 to €1.0 million in 2012, in income from other periods from the capitalization of spare parts inventories (as described under "—Key Statement of Income Items—Other Operating Income") and the non-recurrence of €1.9 million in one-off refunds of energy costs in Italy, which was the result of a retroactive price adjustment in an energy supply agreement and related to energy expenses we had paid in 2010. In addition income from the liquidation of provisions reduced by €0.7 million or 58.1%, from €1.2 million in 2011 to €0.5 million in 2012, mainly due to a €0.6 million decrease in income from the sale of CO_2 certificates and scrap and a decrease of provisions set aside for discounts and rebates.

These decreases were partially mitigated by €1.5 million of income from exchange rate differences in 2012 (up from €0.3 million in 2011), an increase in other income by €1.2 million, from €0.5 million in 2011 to €1.7 million in 2012 related to the reversal of provisions for commissions payable to sales agents in Italy and reimbursements for CONAI charges (an environmental levy imposed in Italy related to the use of packaging) as well as the reversal of other miscellaneous provisions. Additionally, we experienced an increase of €0.4 million in income from the disposal of assets in 2012, including from the sale of an obsolete converting machine out of our production site in Kriebstein and the sale of residential properties in Giershagen and near Arnsberg.

Cost of materials

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Cost of raw materials, supplies and purchased goods	(424,988)	(381,775)	(10.2)
Third-party service costs	(122,638)	(127,729)	4.2
Cost of materials	**(547,626)**	**(509,504)**	**(7.0)**

Cost of materials decreased by €38.1 million or 7.0%, from €547.6 million in 2011 (62.2% of revenues, or 63.0% of total operating performance) to €509.5 million in 2012 (60.0% of revenues, or 60.2% of total operating performance). This decrease was mainly driven by a decrease in the cost of raw materials, supplies and purchased goods as a result of lower prices for pulp and recovered paper. Our average pulp price per ton decreased from €537 in 2011 to €501 in 2012, due to a fall in global pulp prices, resulting in reduced costs of €14.1 million. See "—Key Factors Affecting Our Results of Operation—Exposure to Fluctuations in Pulp and Recovered Paper." At the same time, our average price for recovered paper decreased from €184 per ton in 2011 to €148 per ton in 2012, due to reduced market prices, resulting in reduced recovered paper costs of €11.2 million in 2012.

Further contributing to the decrease in the cost of raw materials, supplies and purchased goods, our consumption of pulp decreased by 11,000 tons in 2012 compared to 2011 due to our ongoing efforts to phase out certain customers and products that do not meet our minimum gross profit margin requirements and to replace the resulting reduction in sales volumes with increased sales of higher-margin products (i.e. proportionately lower related costs of materials) as described in more detail under "—Key Factors Affecting Our Results of Operations—Continuous Improvement Program and Restructuring." This resulted in reduced pulp costs of €5.6 million in 2012. In addition our purchases of jumbo reels decreased by 7,000 tons due to the reduction of our converting capacity in Italy in connection with the right-sizing of our Italian business, resulting in reduced jumbo reel costs of €5.7 million in 2012. These decreases were partially offset by an increase in our consumption of recovered paper by 13,000 tons, resulting in additional recovered paper costs of €2.4 million, due to a shift in product mix towards recycled and hybrid products.

Third-party service costs increased by €5.1 million or 4.2% in 2012, primarily due to an increase in energy expenses by 7.9% from €86.6 million in 2011 to €93.4 million in 2012 as a result of price increases imposed by all energy providers in connection with the so-called "energy revolution" (*Energiewende*) in Germany as described under "—Key Factors Affecting our Results of Operations—Exposure to Fluctuations in Energy Prices."

Personnel expense

	Year ended December 31,		
	2011	**2012**	**Change**
	(€ in thousands)		(%)
Salaries and wages	(105,571)	(99,415)	(5.8)
Social security contributions and retirements and assistance costs	(25,105)	(25,732)	2.5
—of which for retirement costs:	*(1,663)*	*(647)*	*(61.1)*
Personnel expense	**(130,675)**	**(125,147)**	**(4.2)**

Personnel expense in 2012 decreased by €5.5 million or 4.2%, from €130.7 million in 2011 to €125.1 million in 2012, reflecting a €6.2 million or 5.8% decrease in salaries and wages and offset slightly by a €0.6 million increase in social security contributions and retirement and assistance costs. Salaries and wages decreased by 5.8% in 2012 compared to a decrease of 2.4% in the average number of employees to 2,663 employees in 2012 from 2,728 employees in 2011. The decrease in salaries and wages was related primarily to one-off personnel-related cost-saving measures, including reduced weekend and Christmas pay and other allowances, as well as the initial impact of the redundancy programs both in Italy and Germany.

	Year ended December 31,		
	2011	**2012**	**Change**
			(%)
Factory workers	2,139	2,110	(1.4)
Administrative employees	589	553	(6.1)
Average number of employees	**2,728**	**2,663**	**(2.4)**

While the number of factory workers remained relatively stable in 2011 and 2012, the number of administrative employees decreased significantly by 36 or 6.1% from 589 in 2011 to 553 in 2012, primarily due to headcount reductions as part of the Restructuring.

Other operating expenses

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Sales costs	(88,679)	(79,757)	(10.1)
External labor	(22,432)	(18,353)	(18.2)
Expenses from allocations	(7,531)	(8,047)	6.9
Expenses from exchange rate differences	(2,289)	(1,513)	(33.9)
Expenses from other periods	(878)	(488)	(44.4)
Leasing expenses	(4,876)	(1,168)	(76.0)
Expenses for consulting services	(6,190)	(4,895)	(20.9)
Insurance premiums	(2,872)	(2,614)	(9.0)
Administrative and operating expenses	(1,733)	(2,759)	59.2
Repairs and spare parts	(6,907)	(4,468)	(35.5)
Travel and out-of-pocket expenses	(1,649)	(1,239)	(24.9)
IT expenses	(2,497)	(2,059)	(17.5)
Loss of receivables	(2,139)	(3,650)	70.6
Costs related to car pool	(848)	(1,582)	86.6
Others	(2,208)	(2,343)	6.1
Other operating expenses	**(153,728)**	**(134,935)**	**(12.2)**

Other operating expenses decreased by €18.8 million or 12.2%, from €153.7 million in 2011 to €134.9 million in 2012, primarily due to actions taken under our Continuous Improvement Program and the Restructuring. Sales costs decreased by €8.9 million or 10.1%, from €88.7 million in 2011 to €79.8 million in 2012 due to lower sales in 2012, as a result of our strategy to manage out volumes with lower profitability as part of our portfolio optimization measures and the increased optimization of product allocation, which resulted in lower freight costs and an overall reduction in operating expenses as a percentage of sales, through a combination of altering certain logisitical flows and relocating converting lines.

In addition external labor expenses decreased by €4.1 million or 18.2%, from €22.4 million in 2011 to €18.4 million in 2012, as we were able to reallocate and use internal resources to handle certain tasks (such as cleaning and maintenance) that we had previously outsourced and because we reclassified some of our external labor costs as administrative and operating expenses. Leasing expenses decreased by €3.7 million or 76.0% from €4.9 million in 2011 to €1.2 million in 2012, primarily due to the reclassification of a French leasing agreement as a finance lease for the purposes of German GAAP (with an impact of €2.3 million) as well as the reclassification of certain car leasing expenses as costs related to our car pool (with an impact of €0.7 million). Expenses for repairs and spare parts decreased by €2.4 million or 35.5% from €6.9 million in 2011 to €4.5 million in 2012 due to fewer events requiring machine repair. Expenses from exchange rate differences decreased by €0.8 million or 33.9%, from €2.3 million in 2011 to €1.5 million in 2012 due to lower volatility in the foreign exchange markets and our increased use of hedging. Travel and out-of-pocket expenses decreased by €0.4 million or 24.9%, from €1.6 million in 2011 to €1.2 million in 2012, as a result of our new travel guidelines implemented in 2011. IT expenses decreased by €0.4 million or 17.5%, from €2.5 million in 2011 to €2.1 million in 2012 as a result of cost reduction measures we took in connection with our Continuous Improvement Program. Finally insurance premiums decreased by €0.3 million or 9.0%, from €2.9 million in 2011 to €2.6 million in 2012 due to improved contract terms.

These reductions in operating expenses were partially offset by increased expenses from losses of receivables of €1.5 million or 70.6%, from €2.1 million in 2011 to €3.7 million in 2012, mainly relating to write-offs and the establishment of provisions with regard to a number of accounts receivable of WEPA Lucca. Administrative and operating expenses increased by €1.0 million or 59.2%, from €1.7 million in 2011 to €2.8 million in 2012, due to the reclassification of some of our external labor costs as administrative and operating expenses. Costs related to our car pool increased by €0.7 million or 86.6%, from €0.8 million in 2011 to €1.6 million in 2012, due to the reclassification of car lease expenses that had previously been reported as leasing expenses as described above. Finally, expenses from allocations in-creased by €0.5 million or 6.9%, from €7.5 million in 2011 to €8.0 million in 2012 due to higher management charges paid to WEPA Industrieholding SE.

EBITDA

	Year ended December 31, 2011	2012	Change
	(€ in thousands)		(%)
EBITDA[(1)]	50,023	85,103	70.1

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

Our EBITDA increased by €35.1 million or 70.1% from €50.0 million in 2011 to €85.1 million in 2012, primarily due to the reduction in our cost of materials (by €38.1 million) and the positive impact of our Continuous Improvement Program and the Restructuring, in particular, the decrease in other operating expenses by €18.8 million and the decrease of personnel expenses by €5.5 million. These improvements more than offset a decrease in sales revenue by €30.9 million due to our deliberate and ongoing efforts to phase out and replace lower margin customers and products as described above, the decrease in our inventory of finished goods by €7.8 million and the decrease in other operating income by €4.2 million.

Depreciation and amortization

	Year ended December 31, 2011	2012	Change
	(€ in thousands)		(%)
Depreciation on expenses for start-up and expansion of operations	1,400	—	—
Depreciation on intangible assets	4,926	2,492	(49.4)
Depreciation on tangible assets	26,055	29,216	12.1
Total depreciation and amortization	**32,381**	**31,708**	**(2.2)**

Depreciation and amortization expenses decreased slightly by €0.7 million or 2.2% from €32.4 million in 2011 to €31.7 million in 2012. This reduction was driven by a €2.4 million or 49.4% decrease in depreciation on intangible assets, which was affected by a goodwill impairment of €2.6 million in Italy in 2011. This impairment did not recur and the depreciation and amortization expenses for 2012 generally consisted of standard depreciation pursuant to German GAAP. There was also a total write-off of capitalized expenses in the amount of €1.4 million in 2011 for the start-up and expansion of operations in Italy, which also did not recur in 2012.

These reductions were partly offset by a €3.2 million or 12.1% increase in depreciation on tangible assets from €26.1 million in 2011 to €29.2 million in 2012, which resulted from abandoning a paper machine project in Leuna. In connection with this project, we had completed pre-engineering work in 2010, which we capitalized. In 2011, we further purchased a dryer for the planned paper machine, just before we abandoned the project due to the deterioration of our results in 2011. We wrote off the tangible assets at an amount of €2.6 million in accordance with German GAAP.

Earnings from associated companies

	Year ended December 31, 2011	2012	Change
	(€ in thousands)		(%)
Earnings from associated companies	741	661	(10.8)

Earnings from associated companies, which represents our 49% share in the net income of our Spanish joint-venture company GC & WEPA, decreased by €0.08 million or 10.8% in 2012 compared to 2011. The decrease in net income in GC & WEPA was a result of a slightly lower profit of GC & WEPA.

Interest income/ (expenses), net

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Income from loans under financial assets	190	134	(29.5)
Other interest and similar income	106	241	127.4
Interest and similar expenses	(26,201)	(24,148)	(7.8)
Compensation for outstanding profit-sharing rights	(1,075)	(538)	(50.0)
Interest income/(expenses), net	**(26,980)**	**(24,311)**	**(9.9)**

Our interest income/ (expenses), net in 2012 fell by €2.7 million or 9.9% from net expenses of €27.0 million in 2011 to net expenses of €24.3 million in 2012. This decrease was primarily due to a decrease in interest and similar expenses by €2.1 million or 7.8% from €26.2 million in 2011 to €24.1 million in 2012, primarily due to lower drawings of credit facilities as well as lower interest rates payable. Interest and similar expenses in 2012 included €14.7 million of interest payments for long-term loans, €3.6 million of short-term bank liabilities, €2.7 million of bank and bank guarantee provisions and €1.5 million of transaction costs for factoring arrangements.

The overall decrease was also due to a decrease of €0.5 million or 50% in compensation paid for outstanding profit-sharing rights from €1.1 million in 2011 to €0.5 million in 2012 due to the scheduled repayment of €5.0 million of certain profit-sharing rights capital at the end of 2011. For further information regarding the profit-sharing rights capital, see "—Key Factors Affecting Our Results of Operation—Key Statement of Income Items—Interest income/ (expenses), net."

Extraordinary income/(expenses)

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Expenses Related to Kartogroup integration	(4,801)	(5,904)	23.0
thereof consulting	*(2,360)*	*(4,778)*	*102.5*
thereof downsizing Italy	*(2,441)*	*(1,126)*	*(53.9)*
Other extraordinary expenses	(2,978)	(12,877)	332.44
thereof restructuring advisor	—	*(1,810)*	—
thereof personnel (without Italy)	*(1,263)*	*(4,101)*	*224.7*
thereof flood/fire damage	—	*(6,315)*	—
thereof others	*(1,715)*	*(651)*	*(62.0)*
Extraordinary expenses	**(7,779)**	**(18,780)**	**141.4**
Extraordinary income	**2,942**	**5,273**	**79.2**
Extraordinary income/(expenses)	**(4,837)**	**(13,507)**	**179.3**

Net extraordinary expenses increased by €8.7 million or 179.2% from €4.8 million of expenses in 2011 to €13.5 million of expenses in 2012. This increase in net extraordinary expenses was primarily due to an increase in extraordinary expenses of €11.0 million or 141.4%, from expenses of €7.8 million in 2011 to expenses of €18.8 million in 2012.

This increase in extraordinary expenses includes a one-off expense of €6.3 million related to flooding in Lucca and a fire at our high rack warehouse in Arnsberg (although this was largely off-set by €5.3 million in extraordinary income from corresponding insurance payments). In addition, extraordinary personnel expenses (without Italy) increased by €2.8 million, from €1.3 million in 2011 to €4.1 million in 2012, due to the implementation of redundancy programs at production sites outside Italy. Consulting expenses related to the Kartogroup integration, increased by €2.4 million, from €2.4 million in 2011 to €4.8 million in 2012 and there was a one-off fee of €1.8 million that we paid to restructuring advisors for work outside Italy.

Extraordinary income increased by €2.3 million or 79.2%, from €2.9 million in 2011 to €5.3 million in 2012, with the 2012 extraordinary income representing the insurance payments relating to incidents at Lucca and Arnsberg as detailed above.

Taxes

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Trade taxes	(1,578)	(1,967)	24.7
Corporate taxes	(597)	(1,406)	135.5
Foreign taxes	(767)	(1,711)	123.1
Deferred taxes	(3,867)	(5,128)	32.6
Income taxes	**(6,809)**	**(10,212)**	**50.0**
Other taxes	(3,045)	(3,602)	18.3
Total taxes	**(9,854)**	**(13,814)**	**40.2**

Total taxes increased by €4.0 million or 40.2%, from €9.9 million in 2011 to €13.8 million in 2012, primarily as a result of increased income taxes. Income taxes increased by €3.4 million or 50.0% from €6.8 million in 2011 to €10.2 million in 2012. This was primarily due to an increase of foreign taxes by €0.9 million or 123.1% due to tax increases in France and a general increase in corporate taxes by €0.8 million or 135.5% due to our improved results. In addition, deferred taxes increased by €1.3 million or 32.6% due to the partial loss of our ability under German tax laws to carry forward losses from prior periods as a result of the purchase by Marsberger Kraftwerk GmbH of a 32% stake in WEPA Industrieholding SE, our parent company, from Pamplona in 2012.

Net income / (loss)

	Year ended December 31,		
	2011	2012	Change
	(€ in thousands)		(%)
Net income / (loss)	(23,288)	2,426	—

Net income / (losses) improved by €25.7 million in 2012 from a net loss of €23.3 million in 2011 to net income of €2.4 million in 2012 as a result of the factors described above.

Financial Year Ended December 31, 2011 Compared to Financial Year Ended December 31, 2010

The table below sets forth certain information from our consolidated income statement for the financial years ended December 31, 2010 and December 31, 2011:

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Sales revenues	859,493	880,368	2.4
Increase or decrease of inventory of finished goods and goods-in-progress	12,234	(11,311)	—
Total operating performance	**871,727**	**869,058**	**(0.3)**
Other internally produced and capitalized assets	246	416	69.1
Other operating income	16,408	12,580	(23.3)
Cost of materials	(526,259)	(547,626)	4.1
Personnel expense	(131,403)	(130,676)	(0.6)
Other operating expenses	(153,957)	(153,728)	(0.1)
EBITDA(1)	**76,762**	**50,023**	**(34.8)**
Amortization and depreciation on intangible and tangible fixed assets as well as capitalized expenses for the start-up and expansion of business operations	(30,949)	(32,381)	4.6
Earnings from associated companies	378	741	96.0
Income from loans under financial assets	—	190	—
Other interest and similar income	263	106	(59.8)
Interest and similar expenses	(28,164)	(26,201)	(7.0)
Compensation for outstanding profit-sharing rights	(1,612)	(1,075)	(33.3)
Earnings from ordinary activities	**16,678**	**(8,597)**	**—**
Extraordinary income	—	2,942	—
Extraordinary expenses	(7,233)	(7,779)	7.6
Extraordinary income/(expenses)	(7,233)	(4,837)	(33.1)
Income taxes	(4,258)	(6,809)	59.9
Other taxes	(2,679)	(3,045)	13.6
Net income / (loss)	**2,508**	**(23,288)**	**—**

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

Sales revenues

Total sales revenues increased by €20.9 million or 2.4%, from €859.5 million in 2010 to €880.4 million in 2011, mostly due to an increase of the average price per ton for finished products as we succeeded in passing some of our cost increases for raw materials on to our customers. Our total volumes remained broadly unchanged at 562,000 tons of finished products in 2011 compared to 561,000 tons in 2010.

The following table sets forth our sales revenues by geographic markets:

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Sales in Germany	382,290	340,263	(11.0)
Foreign sales	477,203	540,105	13.2
Total sales revenues	**859,493**	**880,368**	**2.4**

In 2011, sales revenues in Germany accounted for 38.7% of total sales revenue compared to 44.5% of total sales revenues in 2010. Sales revenues in Germany decreased by €42.0 million or 11% from €382.3 million in 2010 to €340.3 million in 2011, while at the same time foreign sales revenue increased by €62.9 million or 13.2% from €477.2 million in 2010 to €540.1 million in 2011. The decrease in German sales revenues and the increase in foreign sales revenues in 2011 resulted primarily from the reallocation of sales revenues related to our UK and Ireland business with Lidl from Germany to Lille in order to consolidate all customer related activities (from production to invoicing) at WEPA Lille. The overall increase of total sales revenues was primarily driven by price increases as well as additional sales of semi-finished products.

Increase or decrease of inventory of finished goods and goods-in-progress

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Goods-in-progress	5,657	(5,279)	—
Finished Goods	6,577	(6,032)	—
Total	**12,234**	**(11,311)**	**—**

Our inventory of finished goods and goods-in-progress increased by €12.2 million in 2010 primarily due to a large sales promotion in January 2011 by Lidl, one of our key customers. The decrease of inventory by €11.3 million in 2011 reflects a return to normal inventory levels following the completion of this sales promotion.

Other internally produced and capitalized assets

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Capitalized Assets	246	416	69.1

Capitalized internally generated items increased by €0.2 million or 69.1% from €0.2 million in 2010 to €0.4 million in 2011 due to the launch of the Group-wide implementation of JD Edwards ERP software.

Other operating income

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Income from other periods from the capitalization of spare parts inventories	4,718	4,582	(2.9)
Liquidation of provisions	1,237	1,195	(3.4)
Income from insurance refunds from damage events	2,650	446	(83.2)
Refund of energy costs	—	1,925	—
Income from disposal of assets	151	124	(17.9)
Exchange rate difference	1,594	286	(82.1)
Income from services	1,554	1,265	(18.6)
Income from dissolution of delta amount resulting from capital consolidation	347	347	—
Reimbursement of other social security benefits	555	663	19.5
Income from CO_2 certificates and scrap	283	1,232	335.3
Other income	3,320	515	(84.5)
Other operating income	**16,409**	**12,580**	**(23.3)**

Other operating income decreased by €3.8 million or 23.3%, from €16.4 million in 2010 to €12.6 million in 2011. This reduction was largely due to the change in other income, which decreased by €2.8 million or 84.5% from €3.3 million in 2010 to €0.5 million in 2011, mainly because of reversals of provisions against accounts receivable and a reimbursement of waste water charges in 2010, neither of which recurred in 2011. In addition, income from insurance refunds from damage events decreased by €2.2 million or 83.2%, from €2.7 million in 2010 to €0.4 million in 2011, with the high level in 2010 as a result of machinery breakdown and resulting production losses at our production site in Mainz. There was also a reduction in income from exchange rate differences of €1.3 million or 82.1%, from €1.6 million in 2010 to €0.3 million in 2011.

These decreases were partially offset by a €1.9 million one-off refund of energy costs in Italy that we received in 2011 as a result of a retroactive price adjustment in an energy supply agreement, in addition to a €0.9 million increase in income from the sale of higher volumes of CO_2 certificates and increased sales of scrap from obsolete parts.

Cost of materials

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Cost of raw materials, supplies and purchased goods	(406,624)	(424,988)	4.5
Third-party service costs	(119,635)	(122,638)	2.5
Cost of materials	**(526,259)**	**(547,626)**	**4.1**

Cost of materials increased by €21.4 million or 4.1% from €526.3 million in 2010 to €547.6 million in 2011. The increase was mainly driven by increases in the price of pulp and recovered paper. Our average pulp price increased by €21 per ton or 4.1% from €516 per ton in 2010 to €537 per ton in 2011, resulting in increased pulp costs of €7.8 million. At the same time, the average price for recovered paper increased by €12 per ton from €172 per ton in 2010 to €184 per ton in 2011, resulting in increased waste paper costs of €3.7 million. Furthermore, our pulp consumption increased by 12,000 tons compared to 2010 due to a fluctuation in our product mix away from recovered paper products and more towards virgin pulp products, which resulted in increased pulp costs of €6.1 million. At the same time, our consumption of waste paper decreased by 20,000 tons compared to 2010, resulting in reduced waste paper costs of €3.5 million. Partly as a result of high crude oil prices, we also experienced a significant increase in auxiliary costs related to packaging materials, which represent approximately 75% of our total auxiliary costs.

Third-party service costs increased by €3.0 million or 2.5%, primarily due to an increase of maintenance expenses by an amount of €2.2 million or 10.4% as well as an increase of energy costs by €0.7 million or 0.9%.

Personnel expense

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Salaries and wages	(99,405)	(105,571)	6.2
Social security contributions and retirements and assistance costs	(31,998)	(25,105)	(21.5)
—*of which for retirement costs:*	*(1,547)*	*(1,663)*	*7.5*
Personnel expense	**(131,403)**	**(130,675)**	**(0.6)**

Personnel expenses decreased slightly by €0.7 million or 0.6% from €131.4 million in 2010 to €130.7 million in 2011, primarily due to a small decrease in our average number of employees as shown in the table below. The reported 6.2% increase in salaries and wages and 21.5% decrease in social security contribution and retirement and assistance costs primarily relates to a misclassification of certain salary and wage amounts in Italy as social security contributions in 2010. This misclassification was corrected in 2011 with the result that social security contributions decreased by €6.9 million and salary and wages increased by €6.2 million.

The number of factory workers decreased by 40 or 1.8% from 2,179 in 2010 to 2,139 in 2011 mainly due to redundancies in Italy. During the same period, the number of administrative employees increased by 10 or 1.7% from 579 in 2010 to 589 in 2011.

	Year ended December 31,		
	2010	2011	Change
			(%)
Factory workers	2,179	2,139	(1.8)
Administrative employees	579	589	1.7
Average number of employees	**2,758**	**2,728**	**(1.1)**

Other operating expenses

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Sales costs	(83,909)	(88,679)	5.7
External labor	(32,335)	(22,432)	(30.6)
Expenses from allocations	(7,886)	(7,531)	(4.5)
Expenses from exchange rate differences	(1,614)	(2,289)	41.8
Expenses from other periods	—	(878)	—
Leasing expenses	(7,131)	(4,876)	(31.6)
Expenses for consulting services	(4,523)	(6,190)	36.9
Insurance premiums	(3,668)	(2,872)	(21.7)
Administrative and operating expenses	(4,277)	(1,733)	(59.5)
Repairs and spare parts	(2,303)	(6,907)	199.5
Travel and out-of-pocket expenses	(2,310)	(1,649)	(28.6)
IT expenses	(2,049)	(2,497)	21.9
Loss of receivables	(612)	(2,139)	249.5
Costs related to car pool	(625)	(848)	35.7
Others	(716)	(2,208)	208.5
Other operating expenses	**(153,958)**	**(153,728)**	**(0.1)**

Other operating expenses remained stable in 2011 compared to 2010. The key underlying movements included an overall increase in sales costs of €4.8 million or 5.7% from €83.9 million in 2010 to €88.7 million in 2011 that was driven primarily by a reclassification of an environmental levy on packaging in Germany ("*Grüner Punkt*") from administrative and operating expenses to sales costs, higher sales volumes and a price increase for diesel fuel (with effects on freight costs). Furthermore, expenses for repairs and spare parts increased by €4.6 million or 199.5% from €2.3 million in 2010 to €6.9 million in 2011, primarily as a result of more frequent events requiring machine repair. Expenses for consulting services increased by €1.7 million or 36.9%, from €4.5 million in 2010 to €6.2 million in 2011, mainly in connection with the Restructuring. Expenses from loss of receivables also increased by €1.5 million, from €0.6 million in 2010 to €2.1 million in 2011, due to bankruptcies of some of our Italian customers. Expenses from other periods of €0.9 million related to invoices from 2010 that were received in 2011 after the preparation of the consolidated financial statements for the year ended December 31, 2010 and expenses from exchange rate differences increased by €0.7 million or 41.8%, mainly due to changes in the exchange rate between the Euro and the Polish Zloty. IT expenses increased by €0.5 million or 21.9% from €2.0 million in 2010 to €2.5 million in 2011 due to the introduction of new software, and costs related to our car pool increased by €0.2 million or 35.7% from €0.6 million in 2010 to €0.8 million in 2011 due to increased operating costs.

These increased costs were offset by a reduction in external labor expenses of €9.9 million or 30.6% from €32.3 million in 2010 to €22.4 million in 2011 as we were able to reallocate and use internal resources to handle certain tasks (such as cleaning and maintenance) which we had previously outsourced. Administrative and operating expenses decreased by €2.5 million or 59.5%, from €4.3 million in 2010 to €1.7 million in 2011, primarily due to a reclassification of an environmental levy on packaging in Germany ("*Grüner Punkt*") from administrative and operating expenses to sales costs. Our leasing expenses also decreased by €2.2 million or 31.6%, from €7.1 million in 2010 to €4.9 million in 2011, due to declining leasing volumes as a result of a reclassification of German warehouse leasing agreements as finance leases for purposes of German GAAP. Our insurance premiums decreased by €0.8 million or 21.7%, from €3.7 million in 2010 to €2.9 million in 2011, due to improved contract terms and fewer damage events in previous years. Travel and out-of-pocket expenses decreased by €0.7 million or 28.6%, from €2.3 million in 2010 to €1.6 million in 2011, which was the result of our new travel guidelines starting in 2011.

EBITDA

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
EBITDA[(1)]	76,762	50,023	(34.8)

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

Our EBITDA decreased by €26.7 million or 34.8% from €76.8 million in 2010 to €50.0 million in 2011, due primarily to a €21.4 million increase in our costs of materials, from €526.3 million in 2010 to €547.6 million in 2011, a €3.8 million decrease in other operating income and a €0.9 million reduction from an increase in inventory of finished goods and goods-in-progress.

These decreases were partially mitigated through an increase of sales revenues by €20.9 million or 2.4%, the decrease of personnel expense by €0.7 million or 0.6%, the increase of other internally produced and capitalized assets by €0.2 million or 69.1%, and the slight decrease in other operating expenses by €0.2 million or 0.1%.

Depreciation and amortization

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Depreciation on expenses for start-up und expansion of operations	700	1,400	100.0
Depreciation on intangible assets	2,223	4,926	121.6
Depreciation on tangible assets	28,026	26,055	(7.0)
Total	**30,949**	**32,381**	**4.6**

Depreciation and amortization expenses increased by €1.4 million or 4.6% from €30.9 million in 2010 to €32.4 million in 2011 due primarily to increased write-offs in our Italian operations.

Depreciation and amortization expenses for 2011 included write-offs of €2.6 million of goodwill from the capital consolidation of WEPA Lucca as well as a write-off of €1.4 million in capitalized expenses for the start-up and expansion of business operations in Italy, which became necessary during 2011 in light of the development of the business. The remaining depreciation expenses in 2011 relate to straight line depreciation according to our standard accounting treatment for depreciation of fixed and intangible assets.

Earnings from associated companies

	Year ended December 31,		
	2010	2011	Change
	(€ in thousands)		(%)
Earnings from associated companies	378	741	96.0

Earnings from associated companies, which represents our 49% share in the net income of our Spanish joint-venture company GC & WEPA, increased by €0.4 million or 96%, from €0.4 million in 2010 to €0.7 million in 2011, due to an increase in net income in GC & WEPA.

Interest income/(expenses), net

	Year ended December 31,		
	2010	**2011**	**Change**
	(€ in thousands)		**(%)**
Income from loans under financial assets	—	190	—
Other interest and similar income	263	106	(59.7)
Interest and similar expenses	(28,164)	(26,201)	(7.0)
Compensation for outstanding profit-sharing rights	(1,613)	(1,075)	(33.4)
Interest income/(expenses), net	**(29,514)**	**(26,980)**	**(8.6)**

Our interest income/(expenses), net in 2011 improved by €2.5 million or 8.6% from net expenses of €29.5 million in 2010 to net expenses of €27.0 million in 2011. This improvement is primarily due to a decrease in interest and similar expenses by €2.0 million or 7.0%, from net expenses of €28.2 million in 2010 to net expenses of €26.2 million in 2011, primarily due to lower drawings under credit facilities as well as lower interest rates, which were partly off-set by an increase in interest to shareholders. The compensation paid for outstanding profit-sharing rights also decreased by €0.5 million or 33.3%, from €1.6 million in 2010 to €1.1 million in 2011, due to the repayment of €5.0 million of the profit-sharing rights capital at the end of 2010.

Extraordinary income/(expenses)

	Year ended December 31,		
	2010	**2011**	**Change**
	(€ in thousands)		**(%)**
Expenses Related to Kartogroup integration	(5,740)	(4,801)	(16.4)
thereof consulting	*(5,740)*	*(2,360)*	*(58.9)*
thereof downsizing Italy	—	*(2,441)*	—
Other extraordinary expenses	(1,493)	(2,978)	99.5
thereof personnel (without Italy)	—	*(1,263)*	—
thereof others	*(1,493)*	*(1,715)*	*14.9*
Extraordinary expenses	**(7,233)**	**(7,779)**	**7.5**
Extraordinary income	**—**	**2,942**	**—**
Extraordinary income /(expenses)	**(7,233)**	**(4,837)**	**(33.1)**

Net extraordinary income/(expenses) improved by €2.4 million or 33.1%, from €7.2 million of expenses in 2010 to €4.8 million of expenses in 2011, primarily due to an increase of extraordinary income of €2.9 million in 2011 from nil in 2010. This extraordinary income in 2011 resulted from an assumption of costs by our parent holding company WEPA Industrieholding SE, which included €1.3 million related to special consulting expenses for the strategic development of WEPA Industrieholding SE in connection with restructuring projects and €0.8 million related to expenses incurred in connection with the discontinuation of WEPA Clean & Care GmbH (a company originally dedicated to the manufacture of a niche product and discontinued due to a change of our strategy). In addition, WEPA Industrieholding SE assumed €0.7 million in personnel expenses in connection with the gardening leave of one management executive.

The one-off impact of these extraordinary income items more than offset a €0.5 million or 7.5% increase in extraordinary expenses, from €7.2 million in 2010 to €7.8 million in 2011. This increase in extraordinary expenses in 2011 includes one-off costs of €2.4 million relating to the downsizing of our Italian operations and one-off costs of €1.3 million due to the implementation of redundancy programs in production sites outside Italy. These one-off items were partly offset by a €3.4 million reduction in consulting expenses related to the Kartogroup integration, from €5.7 million in 2010 to €2.4 million in 2011.

Taxes

	Year ended December 31, 2010	2011	Change
	(€ in thousands)		(%)
Trade taxes	(1,807)	(1,578)	(12.7)
Corporate taxes	(1,580)	(597)	(62.2)
Foreign taxes	(279)	(767)	174.9
Deferred taxes	(590)	(3,867)	555.4
Income taxes	**(4,258)**	**(6,809)**	**60.0**
Other taxes	(2,679)	(3,045)	13.7
Total taxes	**(6,937)**	**(9,854)**	**42.1**

Total taxes increased by €2.9 million or 42.0% from €6.9 million in 2010 to €9.9 million in 2011. Income taxes increased by €2.6 million or 60% from €4.3 million to €6.8 million due to an increase in foreign taxes of €0.5 million or 174.9%. This was due to higher taxation in France and an increase of €3.3 million in deferred taxes due to differences in the depreciation periods for machinery for commercial accounting and tax purposes. The increase in total taxes was partially offset by a decrease of corporate taxes by €1.0 million or 62.2% primarily due to decreased taxable income.

Net income / (loss)

	Year ended December 31, 2010	2011	Change
	(€ in thousands)		(%)
Net income / (loss)	2,508	(23,288)	—

Net income / (loss) decreased by €25.8 million from a net income of €2.5 million in 2010 to a net loss of €23.3 million in 2011, primarily as a result of factors described above.

LIQUIDITY AND CAPITALIZATION

Overview

Our primary sources of financing are the following:

- cash generated from our operating activities;
- the Original Notes;
- our ABS and factoring programs; and
- borrowings under our Senior Revolving Credit Facility.

Our cash requirements consist mainly of the following:

- debt and tax servicing requirements;
- fund the purchase of raw materials and energy;
- fund our working capital; and
- fund capital expenditures.

As at September 30, 2013, we had total senior debt of €302.7 million compared to €276.7 million as at December 31, 2012 and €309.4 million as at December 31, 2011. As at Sepetmber 30, 2013, we had cash in the amount of €20.9 million and Net Debt of €281.9 million (Net Debt is calculated by deducting cash and cash equivalents from total debt).

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under “Risk Factors.”

We believe that the cash generated from our operations, the proceeds from the offering of the Additional Notes, capacity under the Senior Revolving Credit Facility as well as our ABS and factoring programs will be sufficient to meet our liquidity requirements for the next twelve months, although this may not be the case. In addition, our ability to draw under the Senior Revolving Credit Facility will only be available if, among other things, we meet the financial covenants set out in the facility agreement relating thereto. See "Description of Other Indebtedness—Senior Revolving Credit Facility—Covenants."

Cash flows

The following table sets forth our cash flows for the years ended December 31, 2010, 2011 and 2012 and for the nine-month periods ended September 30, 2012 and 2013:

	Year ended December 31,			Nine-month period ended September 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	(€ in thousands)			(unaudited) (€ in thousands)	
EBITDA[(1)]	**76,762**	**50,023**	**85,103**	**60,179**	**70,284**
Inventories	*(31,751)*	*16,820*	*8,983*	*(6,011)*	*(6,863)*
Trade receivables	*(16,495)*	*33,930*	*22,343*	*24,207*	*24,895*
Trade payables	*29,637*	*(24,254)*	*(7,522)*	*(17,585)*	*(13,742)*
Trade working capital	(18,609)	26,496	23,804	611	4,290
Provisions	(5,224)	(1,221)	15,385	17,792	7,581
Other non-cash income/(expenses)	(738)	(1,867)	7,453	(119)	1,944
Gains/(losses) on disposal of assets	(57)	(139)	(308)	(447)	10
Changes in other assets	(7,205)	(781)	(7,973)	2,169	2,854
Changes in other liabilities	2,346	4,622	(87)	(2,008)	(2,743)
Interest expenses	(29,513)	(26,980)	(24,311)	(17,321)	(19,580)
Result from associated companies	378	741	661	883	(119)
Taxes	(6,937)	(9,854)	(13,815)	(10,626)	(8,373)
Extraordinary income/(expenses)[(2)]	(7,233)	(4,837)	(13,507)	(6,525)	(35,145)
Cash flow from operating activities	**3,971**	**36,203**	**72,408**	**44,589**	**21,004**
Cash in from disposal of assets	946	760	4,756	4,179	9,167
Purchase of property, plant and equipment	(29,944)	(23,279)	(34,386)	(13,963)	(18,181)
Exchange rate differences on assets	—	(2,196	(2,085)	(1,919)	964
Purchase of shares of associated companies[(3)]	—	—	—	—	(25,108)
Cash flow from investing activities	**(28,998)**	**(24,715)**	**(31,715)**	**(11,703)**	**(33,157)**
Free cash flow[(4)]	**(25,027)**	**11,488**	**40,694**	**32,885**	**(12,153)**
Proceeds from borrowings	87,325	—	—	—	290,000
Repayment of borrowings	(71,796)	(14,130)	(34,387)	(27,327)	(267,260)
Dividends on equity[(5)]	(1,666)	—	—	—	—
Cash flow from financing activities	**13,863**	**(14,130)**	**(34,387)**	**(27,327)**	**22,740**
Net increase/(decrease) in cash and cash equivalents	(11,164)	(2,642)	6,307	5,559	10,587
Net foreign exchange difference	943	55	54	119	(22)
Cash and cash equivalents at beginning of period	16,748	6,527	3,940	3,940	10,301
Cash and cash equivalents at end of period	**6,527**	**3,940**	**10,301**	**9,618**	**20,866**

(1) EBITDA means the total operating performance, plus other internally produced and capitalized assets, plus other operating income, minus the cost of materials, minus personnel expense, minus other operating expenses. EBITDA is not a German GAAP measure. See "Presentation of Financial Information."

(2) Extraordinary income/(expenses) comprise one-off income and expenses not related to our ordinary business. Extraordinary expenses mainly relate to the Restructuring and the Refinancing. For a more detailed explanation of this line item for the relevant years, see "—Results of Operations."

(3) The cash outflows of €25.1 million in 2013 relate to the MKG Participation as described under "—Key Factors Affecting Our Results of Operations—The Refinancing" above.

(4) Free cash flow (unaudited; not a German GAAP measure) we define as cash flow from operating activities less cash flow from investing activities.

(5) Dividends on equity of €1.7 million in 2010 relate to the conversion of the Issuer from a limited partnership (*Kommanditgesellschaft; GmbH & Co. KG*) into a limited liability company (*Gesellschaft mit beschränkter Haftung*). In connection with this conversion, a portion of the capital accounts of the former limited partners was converted into capital reserves of the Issuer and another portion in the amount of €1.7 million was converted into shareholder loans, which we reported as dividends on equity.

Cash flow from operating activities

In the nine-month period ended September 30, 2013, cash flow from operations decreased by €23.6 million or 52.9% from €44.6 million in the nine-month period ended September 30, 2012 to €21.0 million in the nine-month period ended September 30, 2013.

This decrease was mainly due to an increase of net extraordinary expenses by €28.6 million or 438.6% from €6.5 million of expenses in the nine-month period ended September 30, 2012 to €35.1 million of expenses in the nine-month period ended September 30, 2013, predominantly due to restructuring and refinancing expenses. Interest expenses increased by €2.3 million from €17.3 million in the nine-month period ended September 30, 2012 to €19.6 million in the nine-month period ended September 30, 2013, primarily due to higher debt resulting from one-off costs relating to the Refinancing and Restructuring. Provisions for the nine-month period ended September 30, 2013 decreased by €10.2 million compared to the nine-month period ended September 30, 2012. This was because the provisions for the nine-month period ended September 30, 2012 included amounts relating to supplies received in 2011 and were not booked as trade payables. In contrast, the provisions for the nine-month period ended September 30, 2013 were booked as trade payables, so that they remained largely unaffected by amounts relating to supplies received in 2012, which could not be converted to payables or paid within the 2012 accounting year. In addition, there was a €0.7 million decrease in changes from other liabilities, from €(2.0) million in the nine-month period ended September 30, 2012 to €(2.7) million in the nine-month period ended September 30, 2013, primarily as a result of a decrease in liabilities to associated companies due to a deliberate reduction of the business volume with our joint venture in Spain, GC & WEPA. Furthermore, the result from associated companies decreased the cash flow by €1.0 million in the nine-month period ended September 30, 2013 compared to the nine-month period ended September 30, 2012.

These outflows were partially offset by a €3.7 million higher decrease of trade working capital, as discussed in more detail in the table below, in addition to an increase of €10.1 million or 16.8% in our EBITDA. There was a €2.1 million increase in other non-cash income / (expenses), from €(0.1) million in the nine-month period ended September 30, 2012, to €1.9 million in the nine-month period ended September 30, 2013. In addition there was a €0.7 million difference in changes from other assets, from €2.2 million in the nine-month period ended September 30, 2012, to €2.9 million in the nine-month period ended September 30, 2013, primarily as a result of insurance payments relating to a fire in the high rack warehouse in Arnsberg. Furthermore, there was a €0.5 million increase in gains / (losses) on disposal of assets from a loss of €0.4 million in the nine-month period ended September 30, 2012 to nearly nil in the nine-month period ended September 30, 2013, which was the result of the sale of a converting line in 2012 by WEPA Papierfabrik Sachsen GmbH. Taxes decreased by €2.3 million from €10.6 million in the nine-month period ended September 30, 2012 to €8.4 million in the nine-month period ended September 30, 2013 primarily as a result of decreased income taxes due to the high amount of extraordinary expenses.

In 2012, cash flow from operations increased by €36.2 million or 100.0% from €36.2 million in 2011 to €72.4 million in 2012. This increase was primarily due to a €35.1 million or 70.1% increase in EBITDA, in addition to a €17.1 million change in provisions, a €9.3 million change in other non-cash income / (expenses) and a €2.7 million reduction in interest expenses. This was offset partially by a €8.7 million increase in extraordinary expenses (primarily related to the restructuring) and a €4.0 million increase in taxes due to our improved performance.

In 2011, our cash flow from operating activities increased by €32.2 million from €4.0 million in 2010 to €36.2 million in 2011. This increase was primarily due to our continuous efforts to optimize our working capital management as part of our Continuous Improvement Program.

Cash flow from operating activities is significantly affected by changes in net working capital. As a result, our cash flow from operating activities can be significantly affected by changes in raw material prices or an increase or decrease of sales volumes as those factors affect the amount of inventories, trade accounts receivable and trade accounts payable. The following table sets forth our net working capital as of the dates indicated:

	As at December 31,			As at September 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(€ in thousands)			(€ in thousands)	
Trade accounts receivable	**143,314**	**109,384**	**87,041**	**85,178**	**62,146**
Inventories	**131,085**	**114,265**	**105,282**	**120,276**	**112,145**
Raw materials and supplies	64,181	59,642	58,965	55,938	56,954
Semi-finished products and work in progress	24,959	19,681	17,724	20,101	17,998
Finished products	40,524	34,752	28,584	43,597	37,183
Advance payments	1,421	190	10	640	10
Trade accounts payable	**(105,905)**	**(81,651)**	**(74,129)**	**(64,103)**	**(60,388)**
Trade working capital[(1)]	**168,493**	**141,998**	**118,194**	**141,351**	**113,904**

(1) Trade working capital (unaudited; not a German GAAP measure) we define as trade accounts receivable plus inventories, minus trade accounts payable.

We achieved the continuing reduction of trade working capital between 2010 and 2012 primarily through:

- an active management of trade accounts receivables and the extension of external financing (off-balance factoring and ABS programs) through the increased utilization of our ABS program as well as our factoring program with GE Capital;
- a focused inventory management which involved defining target levels for pulp, semi-finished and finished goods and monitoring those target levels and any deviations on a weekly basis, and
- the use of trade discounts from our suppliers for early payment to improve EBITDA and to reduce the amount of trade accounts payable. This partially offset the working capital reduction measures detailed above.

In the nine-month period ended September 30, 2013, our trade working capital decreased by €4.3 million or 3.6% from €118.2 million as of December 31, 2012 to €113.9 million as of September 30, 2013, primarily driven by a change in the accounting policy for the French factoring program with GE Capital in WEPA Lille S.A.S. from on-balance to off-balance, with an effect of approximately €15.7 million as at September 30, 2013.

Compared to the same period in the prior year, there was a higher decrease of trade working capital by €0.6 million in the nine-month period ended September 30, 2012 compared to €4.3 million in the nine-month period ended September 30, 2013. The increase of inventory in the nine-month period ended September 30, 2012 was primarily driven by building up the stock of finished products back to standard levels after the stock had been very low at the end of 2011 due to a favourable sales situation in November and December 2011. The inventory build-up in finished goods in the nine-month period ended September 30, 2013 related to a sales promotion in October 2013.

In 2012, our trade working capital decreased by €23.8 million or 16.7% from €142.0 million as of December 31, 2011 to €118.2 million as of December 31, 2012, primarily due to our continued working capital optimization program as part of our Continuous Improvement Program as described in more detail under "—Key Factors Affecting our Results of Operations—Continuous Improvement Program and Restructuring." The further reduction of our trade accounts receivables by €22.3 million to €87.0 million as of December 31, 2012 resulted primarily from a further expansion of our ABS program by €5.0 million and utilization of other factoring arrangements. We plan to continue our efforts to further optimize our working capital management.

In 2011, our trade working capital decreased by €26.5 million or 15.8% from €168.5 million as of December 31, 2010 to €142.0 million as of December 31, 2011, primarily due to our working capital optimization program introduced in January 2011, which significantly increased our liquidity. We used the generated liquidity primarily to reduce our trade payables from €105.9 million as of December 31, 2010 to €81.7 million as of December 13, 2011. At the same time, the amount of trade accounts receivables decreased by €34.0 million or 23.7% from €143.3 million as of December 31, 2010 to €109.3 million as of December 31, 2011. This decrease resulted primarily from an increased utilization of our ABS program as well as other factoring programs totalling €35.0 million.

Cash flow from investing activities

Cash flow from investing activities generally consists of cash flows for investments and disinvestments in tangible, intangible and financial assets as well as exchange rate differences on assets.

In the nine-month period ended September 30, 2013, our cash outflow from investing activities increased by €21.5 million or 183.3% from €11.7 million in the nine-month period ended September 30, 2012 to €33.2 million in the nine-month period ended September 30, 2013. This increase was mainly due to the purchase of new shares in MKG representing an approximately 22.3% stake in the share capital of MKG with a cash outflow of €25.1 million as well as the payment of €18.2 million for fixed asset expenditures. This was only partly offset by the proceeds from the disposal of assets in the amount of €9.2 million, which mainly resulted from the sale of the production site Pian della Rocca.

In 2012, our cash outflow from investing activities increased by €7.0 million or 28.5% from €24.7 million in 2011 to €31.7 million in 2012. This increase was mainly due to the reclassification of an operating lease to a finance lease in the amount of €13.3 million in 2012 with regard to a warehouse at our production site in Lille.

In 2011, our cash outflow from investing activities decreased by €4.3 million or 14.8% from €29.0 million in 2010 to €24.7 million in 2011. This decrease was primarily due to reduced capital expenditures related to productivity enhancement and capacity extension projects.

We primarily finance our maintenance capital expenditures with cash flow from operations. From time to time, we also finance our expansion capital expenditures through borrowings. The following table sets forth our capital expenditures for the years ended December 31, 2010, 2011 and 2012:

	Year ended December 31,			Nine-month period ended September 30,	Nine-month period ended September 30,
	2010	2011	2012	2012	2013
	(€ in thousands)			(unaudited) (€ in thousands)	
Capital Expenditures(1)	29,944	23,279	34,386	13,963	18,181

(1) Includes the reclassification of an operating lease to a finance lease in the amount of €13.3 million with regard to a warehouse at our production site in Lille, France in 2012.

In the nine-month period ended September 30, 2013, our capital expenditures increased by 30.2% to €18.2 million primarily due to capital expenditures reduction measures undertaken in the nine-month period ended September 30, 2012, which did not recur in the nine-month period ended September 30, 2013. Our most significant drivers of capital expenditures relate to (i) maintenance, (ii) productivity improvements and (iii) capacity expansion.

In 2012, our capital expenditures increased by 47.6% to €34.4 million primarily due to the reclassification of an operating lease to a finance lease in the amount of €13.3 million with regard to a warehouse at our production site in Lille. In response to the sharp decrease in our net income in 2010 and our significant net losses in 2011, we temporarily reduced our capital expenditures by 22.3%, from €29.9 million in 2010 to €23.3 million in 2011. As the average residual life of our production facilities is above industry average, we were able to bolster our cash and liquidity position by reducing certain capital expenditures in 2011 and 2012 without creating an investment backlog. Our most significant drivers of capital expenditures relate to (i) maintenance, (ii) productivity improvements (iii) capacity expansion and (iv) the finance lease transaction for our production site in Lille, France.

In recent years, we have spent an average of approximately €30 million in annual capital expenditures. However, due to the above-average asset quality of the majority of our production facilities, we believe we could reduce the amount of our expansion capital expenditures for a certain period of time without compromising the overall high quality of our asset base. In particular, as an alternative to incurring capital expenditures for the expansion of our paper production capacity, we can purchase jumbo reels in the market to support potential future growth. We also believe that we could expand our converting capacities by increasing the number of weekly shifts and without incurring additional capital expenditures.

Free cash flow

We define free cash flow as cash flow from operating activities less cash flow from investing activities. Free cash flow comprises the cash surplus or deficit after expenditure on investments and taxes but before net cash used in/provided by financing activities, and before taking into account cash proceeds and payments relating to shareholders' equity and financial liabilities. The reasons for changes in the free cash flow are therefore the same as explained above. In the nine-month period ended September 30, 2013, our free cash flow decreased by €45.0 million from a cash inflow of €32.9 million in the nine-month period ended September 30, 2012, to a cash outflow of €12.2 million in the nine-month period ended September 30, 2013. In 2012, our free cash flow increased by €29.2 million from a cash inflow of €11.5 million in 2011 to a cash inflow of €40.7 million for 2012. In 2011, our free cash flow increased by €36.5 million or 146.0% from a cash outflow of €25.0 million in 2010 to a cash inflow of €11.5 million in 2011.

Cash flow from financing activities

In the nine-month period ended September 30, 2013, cash flow used in financing activities increased by €50.1 million from a cash outflow of €27.3 million in the nine-month period ended Sepetmber 30, 2012 to a cash inflow of €22.7 million in the nine-month period ended September 30, 2013, primarily as a result of the offering of €275 million of the Original Notes in May 2013. Upon the issuance of the Original Notes and completion of the Refinancing, we drew down €15.0 million under the Senior Revolving Credit Facility in order to be able to finance our current business until the new bilateral credit agreements under the Senior Revolving Credit Facility were implemented. The proceeds of the Offering of the Original Notes were mainly used to repay existing indebtedness. At the end of the nine-month period ended September 30, 2013, liabilities to banks decreased by €249.0 million and there was no drawdown on the Senior Revolving Credit Facility. In addition, there was a cash outflow due to the redemption of the remaining €3.3 million of profit sharing rights subscribed by West UBG (now: Portigon) in the course of the Refinancing. For further information regarding the profit-sharing rights capital, see "—Key Statement of Income Items—Interest income/(expenses), net." In 2012, cash flow used in financing activities decreased by €20.3 million or 143.4% from a cash outflow of €14.1 million in 2011 to a cash outflow of €34.4 million in 2012, primarily as a result of the scheduled repayments under our existing credit facilities and the repayment of a portion of the profit-sharing rights (*Genussscheine*) we issued to WestUBG.

In 2011, cash flow from financing activities decreased by €28.0 million from a cash inflow of €13.9 million in 2010 to a cash outflow of €14.1 million in 2011, primarily as a result of the scheduled repayments under our existing credit facilities and the repayment of a portion of the profit-sharing rights (*Genussscheine*) we issued to WestUBG.

Our cash flow from financing activities in 2010 amounted to €13.9 million resulting from a €87.3 million cash inflow, approximately €80.0 million of which was the result of an increase of shareholders equity in connection with an investment by Pamplona, a private equity firm, in WEPA Industrieholding SE, our parent company, and a €73.4 million cash outflow for reimbursement of debt and profit-sharing rights.

Dividends on equity of €1.7 million in 2010 relate to the conversion of the Issuer from a limited partnership (*Kommanditgesellschaft; GmbH & Co. KG*) into a limited liability company (*Gesellschaft mit beschränkter Haftung*). In connection with this conversion, a portion of the capital accounts of the former limited partners was converted into capital reserves of the Issuer and another portion in the amount of €1.7 million was converted into shareholder loans, which we reported as dividends on equity.

Liquidity management and cash pooling

While we intend to primarily meet our liquidity requirements with cash generated from our operations, we expect to have sufficient capacity available under the Senior Revolving Credit Facility to be able to meet any additional operating requirements. Upon completion of the offering of the Additional Notes and after giving effect to the transactions described under "Use of Proceeds", we expect to have undrawn capacity of approximately €90 million under the Senior Revolving Credit Facility as well as the ability to sell certain additional receivables under the ABS Program and factoring programs. In early 2014, we expect to replace our current ABS program and the factoring programs with a new ABS structure in the amount of €110 million. This line of credit will be provided to the Issuer, WEPA Professional GmbH, WEPA Lille S.A.S. and WEPA Lucca. Once this new structure is in place, the use of the remaining unutilized capacity under the new ABS program may be subject to limitations pursuant to the Senior Revolving Credit Facility, since under the new ABS structure and the Senior Revolving Credit Facility only an aggregate amount of €180 million may be drawn. See also "—Off-Balance Sheet Arrangements—ABS Program" as well as "—Off-Balance Sheet Arrangements—Factoring Programs."

To manage our liquidity, we maintain a largely centralized cash management system, which includes all our subsidiaries. In particular, liquidity plans are prepared with the group budget on a monthly rolling period for a current fiscal year in which the expected cash receipts and payments for the specified time period are set off against each other. The upcoming 12 weeks are planned on a weekly rolling basis and include a deviation analysis. For the purposes of improved cash management, our German subsidiaries have implemented a central cash pooling system. This system comprises several cash pooling agreements with different banks. The balances resulting from the daily settlement of accounts are subject to customary interest rates. The general policy on subsidiary cash balances is to transfer these to the accounts of the Issuer. This takes place daily (by means of an IT-based cash-pool solution) or weekly (via a manual cash-pool solution) in the case of operating subsidiaries. We plan to integrate further foreign operating subsidiaries into the IT-based "daily sweep" cash pool.

LEASE COMMITMENTS

As of December 31, 2012, the future minimum lease payments under our existing finance leases were as follows:

	As of December 31, 2012		
	<1 year	1 to 5 years	> 5 years
	(€ in thousands)		
Minimum lease payments	5,157	20,540	10,649
Interest	(1,368)	(4,041)	(0,758)
Present value of minimum lease payments (total)	**3,790**	**16,499**	**9,891**

OFF-BALANCE SHEET ARRANGEMENTS

The following discussion describes our material off-balance sheet arrangements, which consist of our ABS Program, off-balance sheet factoring program with GE Capital factoring as well as operating leases and guarantee lines.

ABS Program

We optimize our liquidity by selling a portion of our trade receivables as part of an off-balance asset-backed securities (ABS) program (the "**ABS Program**"). Based on an agreement we originally entered into with, *inter alia*, WestLB (now: Portigon AG) in 2004 and renewed in 2009 for an additional 5-year term, we sell our trade receivables to a special purpose vehicle (named Compass ABSproM Ltd.) on a non-recourse basis in return for an immediate cash payment. In order to cover the credit risk, we are paid the nominal amount of the sold receivables minus pre-agreed reserve amounts, a purchase price discount and transaction costs, which are booked to the income statement. Trade receivables are sold on a revolving basis with a maximum aggregate transaction volume of currently €45 million. In early 2014, we expect to replace our current ABS Program and our factoring programs with a new ABS structure in the amount of €110 million. This line of credit will be provided to the Issuer, WEPA Professional GmbH, WEPA Lille S.A.S. and WEPA Lucca. Once this new structure is in place, the use of the remaining unutilized capacity under the new ABS structure may be subject to limitations under the Senior Revolving Credit Facility, since under the new ABS structure and the Senior Revolving Credit Facility only an aggregate amount of €180 million may be drawn. See also "—Off-Balance Sheet Arrangements—ABS Program" as well as "Description of Other Indebtedness—ABS Program/Factoring Arrangements—ABS Program."

Factoring program

We finance some of our trade receivables through off-balance sheet factoring programs in Germany and France. We have entered into off-balance sheet factoring agreements with GE Capital Factoring, which expire in March 2014 (France) and December 2015 (Germany), respectively. We sell our trade receivables to GE Capital Factoring on a non-recourse basis in return for an immediate cash payment. The factoring transactions occur on a rolling basis with a maximum aggregate transaction volume of currently €20 million in Germany and €20 million in France. As a result of our decision to enter into a new ABS structure in the amount of €110 beginning in early 2014, we declined the offer made by GE Capital to increase the Factoring program of WEPA Lille S.A.S. in France to €25 million and extend the term until December 2015. Both factoring programs will now end upon replacement by the ABS structure or at the end of

March 2014, at the latest. See also "Description of Other Indebtedness—ABS Program/Factoring Arrangements—Factoring Arrangements."

Operating leases

For the year ended December 31, 2012, we had operating leases in an aggregate amount of €8.4 million. As of December 31, 2012, the future minimum lease payments under our existing operating leases were as follows:

	As of December 31, 2012		
	<1 year	1 to 5 years	> 5 years
		(€ in thousands)	
Minimum lease payments	5,220	11,019	9,563

Guarantee lines

We entered into a guarantee framework agreement with R+V Insurance in the amount of €5 million in 2009 and into another guarantee framework agreement with Euler Hermes AG in the same amount in 2011. So far, no payments have been made under such guarantees.

Contractual Obligations

The following table shows the maturity profile of our contractual obligations and principal payments under debt instruments based on our consolidated financial statements as of and for the year ended December 31, 2012 as adjusted to reflect the offering of the Additional Notes as described under "Use of Proceeds." As at September 30, 2013, we would not have any drawdown under the Senior Revolving Credit Facility.

	Commitments(1)						
	Total	<1 Year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 Years
				(€ in thousands)			
Original Notes	275,000	—	—	—	—	—	275,000
Additional Notes offered hereby	52,000	—	—	—	—	—	52,000
Senior Revolving Credit Facility(2)	—	—	—	—	—	—	—
Financial Leases (on balance)	30,200	3,800	3,900	4,100	4,200	4,300	9,900
Total indebtedness(3)	**357,200**	**3,800**	**3,900**	**4,100**	**4,200**	**4,300**	**336,900**

(1) As adjusted to give effect to the offering of the Additional Notes as described under "Use of Proceeds" as if the offering of the Additional of the Additional Notes had taken place at December 31, 2012.

(2) At closing of the offering of the Additional Notes we expect to have no drawdown under the Senior Revolving Credit Facility. We have a total remaining commitment of €90 million under our €90 million Senior Revolving Credit Facility. See "Use of Proceeds" and "Description of Other Indebtedness—Senior Revolving Credit Facility."

(3) Total indebtedness excludes off-balance ABS liabilities and off-balance factoring. See "Description of Other Indebtedness."

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of different market risks arising from our normal business activities.

Based on our assets, liabilities, pending transactions, and planned transactions, we are particularly exposed to risks arising from changes in exchange rates, interest rates and commodity prices, as well as credit risks, such as the risk of default by counterparties. Furthermore, solvency must be assured at all times (liquidity risk). The objective of risk management is to use appropriate measures to control these risks where they affect our cash flows. Derivative financial instruments are used only for hedging purposes. They are not used for trading or speculative purposes. Exchange effects resulting from the translation of financial statements in foreign currencies into our reporting currency are not hedged. The guidelines for risk hedging and their implementation are defined and continuously monitored by our Group Risk Management.

Raw material price risks

Raw material price risks result primarily from fluctuations in the prices of pulp and recovered paper. Due to the fact that fluctuations in the prices of raw materials often cannot be passed on to customers fully and/or in a timely manner, partial hedging is undertaken with commodity derivative instruments. Currently, these consist mainly of pulp forward exchange contracts, from which we receive payments that depend on the development of the pulp stock price, and are therefore protected against price increases with respect to the hedged raw material.

Energy price risks

Energy price risks result primarily from fluctuations in global energy prices and regulatory risks in Germany and other markets in which we operate.

Currency risk

We primarily generate our sales revenues in euro. Currency risk arises mainly on trade accounts receivable and payable in foreign currencies, on planned future sales revenue in foreign currency, and on existing and planned future contracts for the supply of raw-material where the purchase price is in a foreign currency. Throughout the years 2010, 2011 and 2012, there were currency risks mainly in the U.S. dollar, British pound sterling and Polish Zloty relative to the euro.

Interest rate risk

Currently, interest rate risks arise mainly on interest-bearing liabilities that are denominated in euro. The ratio of fixed-interest and variable-interest liabilities is constantly monitored by Group Risk Management. We primarily manage interest rate risk through interest rate swaps.

We expect that our exposure to interest rate fluctuations will relate primarily to any drawings under our €90 million Senior Revolving Credit Facility and to receivables financing under our ABS Program and Factoring Programs. Following completion of the offering of the Additional Notes, we expect to have interest rates swaps in place with a nominal amount of approximately €97 million and with terms ending between 2017 and 2019. Furthermore, we have interest rates swaps for existing leasing agreements in France in the amount of €9.9 million and have entered into additional interest rate swaps effective as of July 2014 with a notional amount of €26.7 million. Any floating rate borrowings in excess of this amount will expose us to interest rate fluctuations.

Credit risks

Credit risks arise mainly on trade accounts receivable, bank balances and derivative financial instruments. In view of our broadly diversified customer list, which extends over various regions, the credit risk on trade accounts receivables is limited. Further, almost all of our trade accounts receivables are credit insured for nearly their full face value under credit insurance we purchase in connection with our factoring and ABS programs.

To minimize the credit risks from the operational business activity, transactions with external business partners are only entered into after an internal credit check and a credit approval process. Based on the internal credit check, a limit for a maximum credit risk per contract partner is set.

SIGNIFICANT ACCOUNTING POLICIES

In preparing our consolidated financial statements, assumptions and estimates have been made which affect the amounts and presentation of the assets and liabilities recognized in the statement of financial position, income and expenses, and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of our assets and liabilities in future periods.

By "significant", we mean that the following accounting policies are both important to the portrayal of our financial condition and results and require management's subjective judgments, often as a result of the need to estimate the effects of matters that are inherently uncertain. We discuss the impact and risks associated with these significant accounting policies on our business operations throughout this discussion and analysis where such policies affect our reported and expected financial results. You should note that the preparation of our financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during each reporting period.

All assumptions and estimates are made according to the best of management's knowledge and belief in order to present a true and fair view of our net assets, financial position and results of operations. Since the actual values may, in individual cases, differ from the assumptions and estimates that were made, these are continuously reviewed. Adjustments to the estimates that are relevant for the financial statements are made in the period in which the change occurs, provided that the change relates only to this period. If the change relates not only to the reporting period but also to subsequent periods, the change is taken into account both in the period of the change and in the subsequent periods.

Capital Consolidation

Until 2009, capital consolidation was undertaken according to the book value method by offsetting the acquisition costs of the investment against the group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries that could be recorded were reflected at their book values regardless of the level of the minority share.

Starting in 2010, capital consolidation was undertaken for the first time by offsetting the acquisition costs of the investment against the group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation were disclosed and accounted for in accordance with the underlying Assets and Liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off. Differences on the Liabilities side are treated in accordance with section 309, paragraph 2 of the German Commercial Code.

Differences on the Liabilities side with an amount of €2.5 million as at December 31, 2012 have resulted from capital consolidation.

Intangible Assets

Intangible Assets acquired for a consideration are capitalized at acquisition cost and, if subject to wear and tear, amortized over their estimated useful life using the straight-line method. Internally generated intangible assets amounted to €0.3 million in 2012 and were incurred in connection with the introduction of uniform ERP software for the Group. Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, as according to our plans we assume long-term use of the acquired values. Current developments are reflected by write-offs, if necessary.

Tangible Assets

Tangible Fixed Assets are valued at acquisition cost, taking into account scheduled depreciation. Write-offs are allowed for in the case of permanent impairment. Additions during the Fiscal year are depreciated pro rata temporis.

Valuation of Inventories

Finished Goods are valued using the reverse costing method. In principle, the average sales price of the last quarter of a financial year is used as the basis. A discount for unit and overhead distribution costs, freight, commissions and advertising cost allowance, as well as the profit margin, was applied. Trade goods are valued at the lower of acquisition cost and market price.

Raw materials and supplies are strictly valued at acquisition costs, giving consideration to the lower current prices at the procurement market. Goods-in-progress are measured at their production cost. Production costs of goods-in-progress include, in addition to direct manufacturing and material costs, appropriate portions of production and material overhead costs, wear and tear on fixed Assets and administrative costs attributable to production. Interest on debt is not included in production costs. Reductions in Value due to obsolescence, quality defects or limited mobility are applied as necessary.

The valuation of the spare parts and warehouse inventory was based on individual measurement and, in the case of similar inventory assets, on a weighted average figure. Obsolescence, quality defects or limited turnover are reflected by appropriate reductions.

Receivables and other assets are valued at the lower of the nominal value or the fair value as at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks. Because of the specific customer structure, the general default and credit risk is accommodated by way of a lump-sum allowance, which the management has assessed at 1.5% of the net accounts receivable.

Pension provisions

Pension provisions for entitlements and current pension obligations are calculated using the Projected Unit Credit Method in application of IAS 19. They are calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2 and section 246, paragraph 2 of the German Commercial Code. Actuarial opinions have been furnished. Calculations are based on the "Guide tables 2005 G" of Professor Klaus Heubeck and an Interest Rate of 5.06% as at December 31, 2013 (prior year: 5.14%).

Anticipated salary and pension increases are reflected at a rate of 2.5% and 2.0%, respectively, as at December 31, 2012. A fluctuation rate of 0.0% was used as of December 31, 2012.

Tax and Other Provisions

Tax and Other Provisions are created for all identifiable risks and uncertain liabilities. They are recorded at an amount in line with a reasonable business assessment. Provisions with a remaining term in excess of a year are discounted at the average market interest rate as published by the German Central Bank commensurate with the remaining term.

The partial retirement provision is calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2, and section 246, paragraph 2 of the German Commercial Code. The partial retirement provision is calculated based on an IDW (German Institute of Public Accountants) opinion (IDW RS HFA 3). Calculations are based on an interest rate 4.39% as at December 31. 2012. Anticipated salary increases are reflected at a rate of 2.0%.

In order to calculate deferred taxes due to temporary or quasi-permanent differences between accounting for assets and liabilities for commercial law purposes and for tax purposes or due to tax loss carryforwards, the amounts of the resulting tax charges or reductions are measured using the tax rates of the individual companies over the time that the differences are phased out and not discounted. Deferred tax assets and liabilities are not offset against each other. Deferred taxes were capitalized in the individual financial statements of the companies included in application of the existing accounting option.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GERMAN GAAP AND IFRS

Our consolidated financial statements included elsewhere in this offering memorandum have been prepared on the basis of German GAAP, which differ in certain respects from IFRS. The following paragraphs summarize certain significant differences between German GAAP and IFRS as of December 31, 2012.

The organizations that promulgate IFRS have ongoing projects that could have a significant impact on future comparisons of German GAAP and IFRS. This description is not intended to provide a comprehensive listing of all such differences specifically related to us or the industry in which we operate. IFRS are generally more restrictive and more comprehensive than German GAAP regarding recognition and measurement of transactions, account classification and presentation and disclosure requirements. We have not attempted to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the consolidated financial statements or the notes thereto included elsewhere in this offering memorandum.

We have not prepared audited consolidated financial statements in accordance with IFRS. Accordingly, we cannot assure you that the differences described below would, in fact, be the accounting principles creating the greatest material differences between our consolidated financial statements prepared under German GAAP and under IFRS. In addition, we cannot estimate the net effect that applying IFRS would have on our results of operations or our financial position, or any part of them, in any of the presentations of financial information in this offering memorandum. The effect of such differences may be material and, in particular, it may be that the total shareholders' equity (capital deficit) and net income prepared on the basis of IFRS would be materially different due to these differences.

Financial Statement Presentation

Under IFRS, the presentation of the balance sheet is based on a current/non-current distinction of assets and liabilities. IFRS requires the presentation of assets and liabilities in order of liquidity only when a liquidity presentation provides information that is reliable and is more relevant than a current/ non-current presentation. Under German GAAP, the presentation of the balance sheet is based on the liquidity of the assets and liabilities.

In addition, the disclosures required in the explanatory notes to the financial statements are far more extensive under IFRS than under German GAAP.

Property, plant and equipment

Under IFRS, the recorded acquisition costs of property, plant and equipment include the appropriate dismantling, removal and restoration costs. After recognition, IFRS states an option to measure property, plant and equipment at its lower cost less any accumulated depreciation or at its fair value at the date of revaluation less any subsequent accumulated depreciation. Significant parts of an asset are depreciated separately (component approach).

Under German GAAP, property, plant and equipment is initially measured at purchase or production cost. Subsequently property, plant and equipment are accounted for cost less any accumulated depreciation. A revaluation is not permitted. In addition, a separate depreciation of significant parts is only permitted, but not required, under specific conditions.

Impairment of Assets

Under IFRS, an impairment loss is recognized if the recoverable amount of an asset is less than its carrying amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Under German GAAP, an impairment loss for long-lived assets must only be recorded if a permanent impairment in value is anticipated. The concept of cash generating units is not applicable under German GAAP, and the impairment loss is determined on an item-by-item basis.

Inventories

IFRS requires inventories to be recorded at the lower of costs and net realizable value. The costs of inventories are determined by using either the FIFO ("first in, first out") cost formula or the weighted average cost formula. The use of the LIFO ("last in, first out") cost formula is not permitted. Subsequent write-downs are required if the net realizable value is lower than the costs of the inventories.

Under German GAAP, inventories are measured at the lower of costs and market value. The costs of inventories may be assigned using the FIFO, LIFO or weighted average cost formula, if they are a group of a large number of items that are ordinarily interchangeable.

Provisions and Contingencies

Under IFRS, provisions are recognized if an enterprise has a present obligation as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Under German GAAP, the criteria for the recognition of provisions and contingencies are less detailed and prescriptive than under IFRS. Accordingly, there is greater flexibility under German GAAP to record provisions for onerous contracts and restructuring expenses. In addition, German GAAP estimates are typically made in a more conservative manner.

Interest-Bearing Loans and Borrowings

Under IFRS, all interest-bearing loans and borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method.

Under German GAAP, interest-bearing loans and borrowings are recorded at their repayment amounts. Transaction costs, except for costs to be paid to the finance providers, are expensed as incurred. Only transaction costs paid to finance providers are deferred and amortized on a straight-line basis to interest and similar expense.

Leasing

Under IFRS, a lease has to be classified either as an operating lease or as a finance lease. A finance lease is a lease that transfers substantially all the risks and benefits incident to ownership of the leased item. For finance leases, the lessee records an asset and an obligation at an amount equal to the lower of the fair value of leased property and the present value of the minimum lease payments. Operating leases are expensed as incurred. The accounting for leases under IFRS is currently under revision.

Under German GAAP, accounting for leases is mainly driven by tax regulations, so the lease contracts in Germany typically consider such rules in order to avoid capitalization at the lessee level. These rules differ from the IFRS rules in several respects.

INDUSTRY AND COMPETITION

The following overview of the European market for tissue paper was prepared based on independent third-party reports and publicly available data from reputable industry organizations. Certain information in the following overview has been obtained from official and non-official third party sources believed by the Issuer to be reliable. However, since such information is unavoidably subject to certain assumptions and estimates made by third parties, there can be no assurance as to the accuracy or completeness of information included and it should not be relied upon. As certain economic data may have been collected on a sample basis or estimated by the authors of the relevant reports, all figures included in this section should be assumed to include estimated information.

Any forecasts and assumptions included in this overview section are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of governments, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, the risks and uncertainties inherent in the market for tissue paper, recovered paper and de-inked pulp as described in more detail under "Risk Factors—Risks Related to Our Business." starting on page 18.

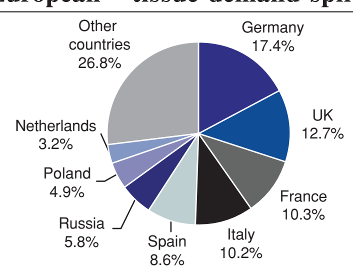
Prospective investors in the Notes should note that no independent verification has been carried out of any facts or statistics that are directly or indirectly derived from official and non-official third-party sources. The Issuer believes that the sources of the information in this section are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false, inaccurate or misleading or that any part has been omitted that would render such information false, inaccurate or misleading. However, neither the Issuer nor the Joint Lead Managers nor their respective affiliates, directors and advisors and other persons or parties involved in the offering of the Additional Notes make any representation as to the accuracy of the information from official and non-official third party sources, which may not be consistent with other information. Accordingly, prospective investors in the Notes should not place undue reliance on the information contained in this section and should conduct such independent investigation and analysis regarding the market for tissue paper as they deem appropriate to evaluate the merits and risks of an investment in the Notes.

*We have generally obtained the market and competitive position data in this offering memorandum from industry publications. In particular, we used data extracted from industry consultant RISI, Inc. ("**RISI**")—Outlook for World Tissue Business (10 year) Forecast (June 2013) report if not otherwise stated differently.*

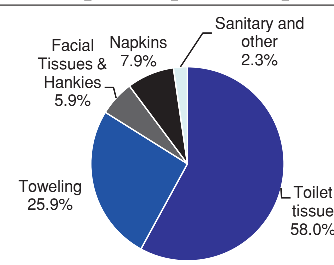
EUROPEAN TISSUE MARKET

Germany is the biggest Western European market for tissue products and comprised approximately 22% of the Western European market with a demand of 1,370 kt in 2011. The Western European market experienced a growth of 1.9% in tissue consumption between 2001 and 2011. The demand for tissue products in the region is expected to grow broadly in line with historical growth levels between 2011 and 2022 according to the RISI-Report estimates. This increasing demand is expected to be driven by population growth, demographic changes, development in tissue quality (e.g. the shift from two-ply to three or four-ply products), new product specifications (e.g. enhanced absorptivity), limited substitution of products and increases in product penetration levels.

Total European(1) tissue demand split—2012



Total European(1) product split—2011



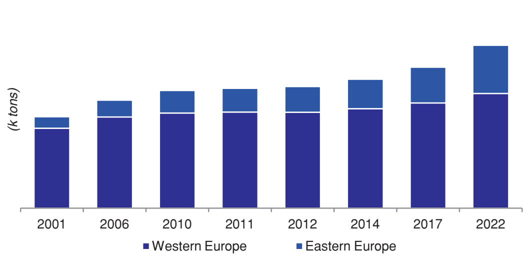
Source: RISI Report

(1) Including Eastern Europe

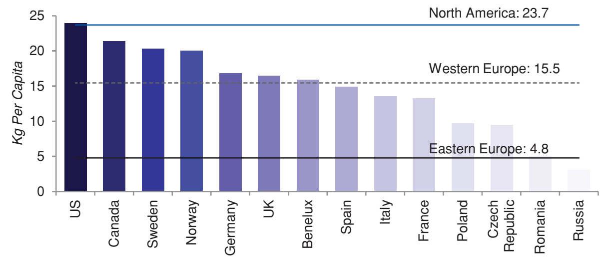
We also compete in the Eastern European market for tissue products with a sizeable presence in Poland which is the second biggest market in the region and comprised approximately 24% of the Eastern European market with a demand of 373 kt in 2011. The Eastern European market registered a growth of approximately 7.5% in tissue consumption between 2001 and 2011. The demand for tissue products in the region is expected to grow at an average annual rate that continues to be significantly higher than in Western Europe between 2011 and 2022 according to the RISI Report. This demand is expected to be driven by GDP and economic growth, population developments, increasing urbanization, the penetration of Western European retailers into the Eastern European retail market and the increase of per capita consumption levels to average Western European levels, partly driven by the expansion of Western European retailers in Eastern Europe.

In Western Europe, average per capita consumption increased from 13.5 kg RISI 2011 in 2001 to 15.5 kg in 2011, which, however was still approximately 8 kg less than the per capita consumption in North America. Sweden led the region with a per capita consumption of 20,4 kg while Germany experienced a per capita consumption of approximately 17 kg in 2011. In Eastern Europe, average per capita consumption increased from 2.2 kg RISI 2011 in 2001 to 4.8 kg in 2011, which, however was still significantly less than the levels in Western Europe and North America.

Forecast of tissue demand 2001-2022



Per capita consumption: 2011 breakdown



Source: RISI Report

The European tissue market can be divided into two main market segments: the Consumer (or at-home) segment which represented approximately 73% of total European demand of 7,908 kt in 2011 and the AfH segment, which constituted approximately 27% of 2011 demand.

CONSUMER SEGMENT

The Consumer segment accounted for approximately 72% of tissue consumption in Western Europe in 2011. The upgrading of product quality has helped the Consumer segment to grow further, among others, through the shift towards three and four-ply toilet tissue in Central European countries such as Germany, the Netherlands, Belgium and Austria. The Consumer segment experienced an average annual growth of 2.0% in demand during 2001 and 2011 and is expected to grow at a comparable average annual growth rate between 2010 and 2022 according to the RISI Report. Toilet tissue is the biggest end-market product within the Consumer segment and in 2011, represented approximately 64% of the total consumption in the segment in Western Europe.

In Eastern Europe, the Consumer segment accounted for approximately 78% of tissue consumption in 2011. The segment experienced an average annual growth of 6.8% in demand during 2001 and 2011 and is expected to grow at a slightly lower average annual growth rate between 2011 and 2022 according to the RISI Report. Toilet tissue dominates the Consumer segment, accounting for 74% of total consumption in 2011.

AWAY-FROM-HOME (AFH) SEGMENT

Unlike the Consumer segment, AfH products are not delivered to the end customer via larger retailers, but via typically smaller, regional distributors specialized in professional hygiene solutions. These distributors serve end customers such as industrial companies, hotels, restaurants, health care providers and other customers with public washrooms.

The AfH segment accounted for the remaining 28% of tissue consumption in Western Europe in 2011. The AfH segment experienced an average annual growth of 1.6% in demand between 2001 and 2011 and is expected to grow at an average annual growth rate of 1.8% between 2011 and 2022 according to the RISI Report. Hand towels represent the biggest end-market product within the AfH segment and represented 43% of total consumption within the segment in 2011.

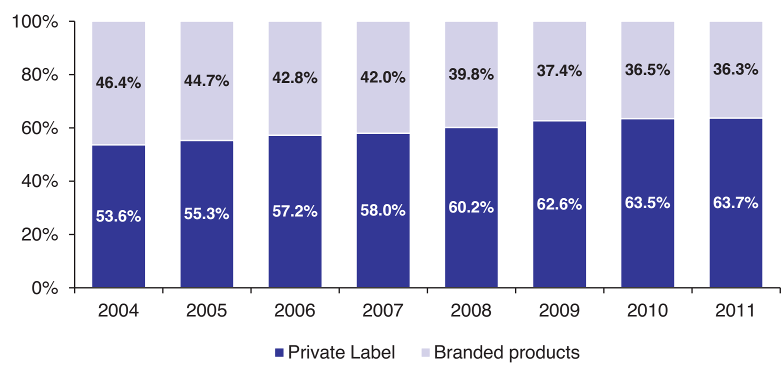
In Eastern Europe, the AfH segment accounted for approximately 22% of tissue consumption in 2011. The segment registered an average annual growth of 10.7% in demand during 2001 and 2011 and is expected to grow at an average annual growth rate of 7.5% between 2011 and 2022, according to the RISI Report. Toilet tissue dominates consumption within the AfH segment and accounted for 38% of total consumption in 2011.

PRIVATE LABEL VS. BRANDED

The tissue industry is further classified between private label and branded products. Private label tissue products are marketed and sold through retail stores under retailers' own in-house labels. The share of private label products has shown continuing growth in most European countries with currently approximately 63.5% of total tissue products being sold under private labels across Western Europe in 2011. This is partly driven by the continued expansion of European retailers, especially discounters. Germany has one of the highest shares of private label products as compared to branded products in Europe, with approximately 81.6% share. The private label sector, in general, has proved more resilient in times of economic downturn compared to branded products. Differences exist between countries in their mix of private label versus branded tissue products due to the concentration (and in effect, negotiating power) of retailers, the position of discounters in the distribution chain, the traditional market dominance of a few brand owners, product margins and pricing decisions, the level of brand advertising and consumer attitudes. In Western Europe, Spain, Germany and Belgium have the highest share of private label products as compared to branded products (all more than 80%), while Finland and Italy have a significantly higher share of branded products.

In terms of products, the average Western European volume share of private labels increased from 57.8% in 2007 to around 63.5% in 2011 when calculated with reference to all consumer tissue product categories. The chart below shows the development of private labels using toilet tissue, the largest category for both our Group and the market, as an example. Here, amongst the different countries within Western Europe, Germany had the highest private label volume share of toilet tissue at 84.6% in 2011, whilst Finland had the lowest private label volume share of toilet tissue at 19.5%. Kitchen rolls, facial tissue and table napkins also have a higher volume share of private labels as compared to branded products and stood at an average of 65.5%, 60.1% and 62.4% respectively in 2011 (RISI Report).

Toilet Tissue: Private Label development



Sources: RISI—Outlook for world tissue business forecast (2008 & 2013)

In Eastern Europe, private label shares are already at a rather high level in the Czech Republic, Slovakia, Hungary, and also more recently in Poland. This is understandable as retailing is well concentrated in the hands of international chains. The private label share seems to be particularly high in kitchen towels, which resembles the situation in Western Europe. The private label share of Poland for toilet tissue, kitchen rolls, facial tissue and table napkins in 2011 stood at 53.6%, 61.4%, 61.3% and 32.3% respectively, according to the RISI Report.

COMPETITION

Western Europe

In Western Europe, the top five players account for more than two-thirds (approximately 68%) of the tissue product market. Following the acquisition of Georgia-Pacific's European tissue business, SCA continues to be the largest Western European tissue supplier with a production capacity share of approximately 32.5% according to the RISI Report. WEPA currently ranks fourth in Western Europe with a market share of approximately 8% according to RISI.

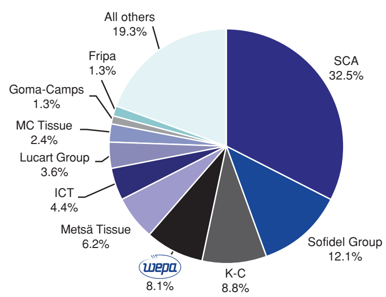
There has been an ongoing consolidation process in the Western European tissue industry in the last few years and the industry has experienced several ownership changes since 2007. The most notable transactions during the period have been SCA's acquisition of Georgia-Pacific's European tissue business in 2012, which created a clear market leader; Sofidel's acquisition of LPC Group of the UK in 2010, which strengthened Sofidel's position in the UK market and provided access to the Nordic region and SCA's acquisition of Procter & Gamble's entire European tissue operations in 2007. Similarly, we acquired most of the assets of Kartogroup in 2009. In addition, Kimberly Clark announced continuing divestments in the European consumer tissue segment which will most likely add to the ongoing consolidation process.

Eastern Europe

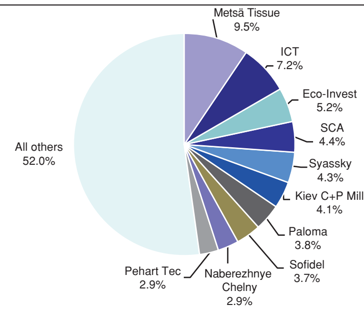
Metsä Tissue is currently the largest Eastern European tissue product supplier, following its acquisition of the Tento mill in Slovakia in 2006, with 9.5% of market share in production capacity.

Unlike Western Europe, the Eastern European market is relatively fragmented as none of the producers control more than 10% of the region's capacity. The top five manufacturers (Metsä Tissue, Industrie Cartarie Tronchetti, ECO-Invest, SCA and Syassky) have a combined market share of approximately 30%.

Western Europe production capacity shares (2013)



Eastern Europe production capacity shares (2013)



Source: RISI Report

DEMAND/SUPPLY BALANCE

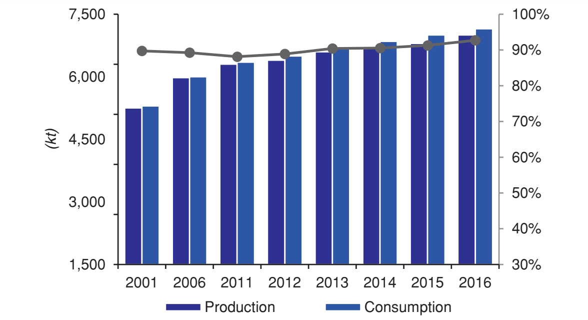
Western Europe

Between 2001 and 2011, Western European tissue production grew by close to 1.1 million tons, mainly in line with consumption. During the same period, investments in Germany and Spain had increased production substantially, and these two countries accounted for the highest production increases, passing Italy, which previously had the largest production expansion. The total installed tissue capacity in Western Europe at the end of 2011 was 7.2 million tons. Currently, however, the region is a net importer of tissue products and imports mainly from Eastern Europe. Further, manufacturers more focused on branded products, such as Kimberly Clark, are adjusting production capacity in light of the strong growth in the private label sector in Western Europe. The region is expected to remain a net importer of tissue products in the short to medium term with average capacity utilization rates expected to remain around 90% during 2012-2016. New capacity typically requires a lead time of approximately of 18-24 months to become operational. We expect no immediate change in the current supply/demand situation as current demand for new paper machines stems mainly from Asia.

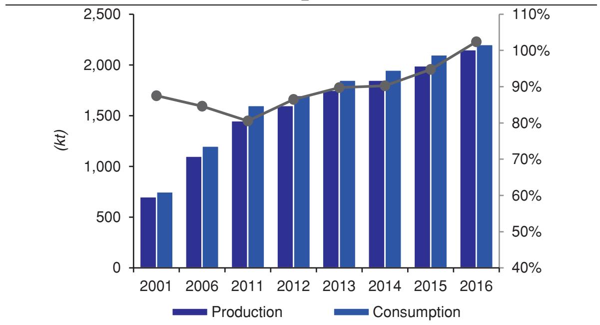
Eastern Europe

Eastern European tissue production more than doubled from 710,000 tons in 2001 to 1.45 million tons in 2011 according to the RISI Report. The increase took place mainly in Poland, followed by Russia, the Ukraine and Romania. Eastern Europe exported more tissue than it imported until the mid-1990s, with Western Europe as the main destination. Since then, however, there has been an increasing demand for imports of high quality products in the Eastern European market. As a result Eastern Europe is currently a net importer of tissue products and is expected to remain a net importer in the near term. The capacity utilization rate is also expected to rise significantly from current levels of approximately 85% to 90% by 2016. The total installed tissue capacity in Eastern Europe at the end of 2012 was 1.9 million tons.

Western Europe tissue demand and supply development



Eastern Europe tissue demand and supply development



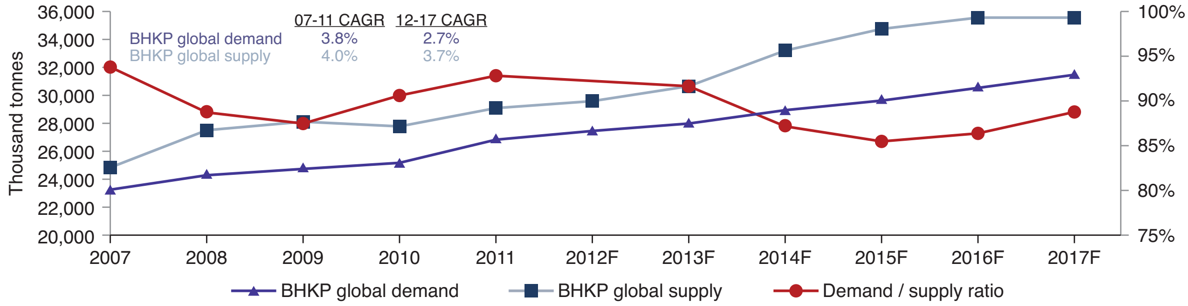
Source: RISI Report

RAW MATERIAL MARKET

Pulp is one of the principal raw materials required to manufacture tissue paper and is traded in the international market. Pulp is classified according to the type of wood or fiber from which it is made (hardwood or softwood), the manner in which it is processed (chemical or mechanical process) and whether it is bleached and how it is bleached. Alternatively, tissue paper can be manufactured from recycled fiber (so-called "de-inked pulp").

Pulp

The chart below shows the evolution of the global annual demand and capacity of Bleached Hardwood Kraft Pulp ("**BHKP**") from 2007 to 2011, and an estimate of how global annual demand and capacity of BHKP is expected to continue to grow from 2012 to 2017.



Source: Hawkins Wright, Outlook for Market Pulp (March 2013)

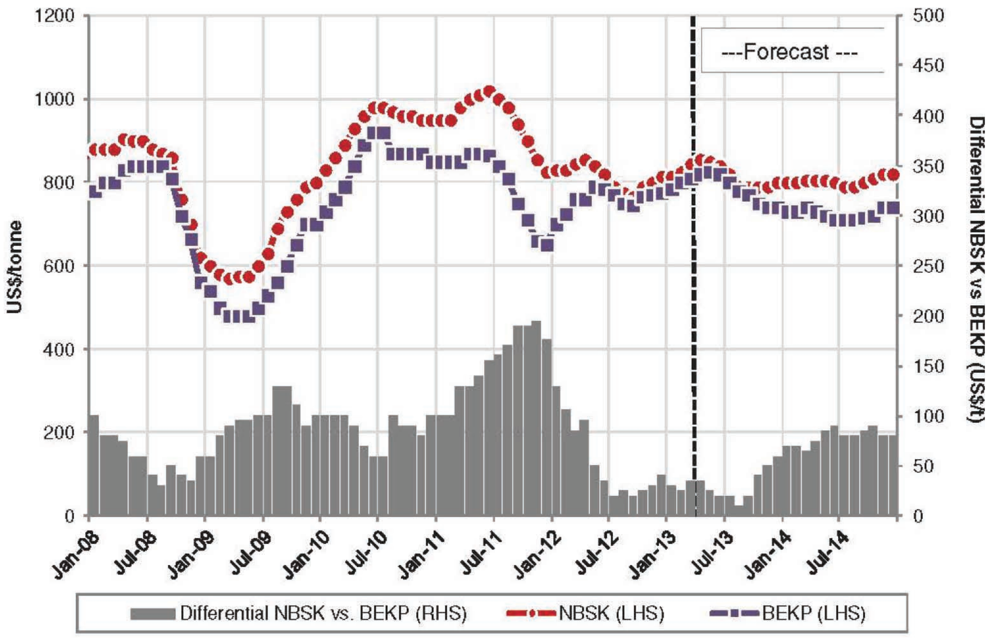
Globally, in the period from 2007 to 2011 there has been a surplus in supply of BHKP, which is forecasted by Hawkins Wright to continue until 2017. Despite continued growth in demand from 2013-2017, the excessive level of investment in greenfield capacity is expected to cause the supply-demand ratio to fall from around 93% to below 92% in 2013 and below 89% from 2014-17.

According to Hawkins Wright ("Outlook for Market Pulp", March 2013), between 2012 and 2017, global BHKP demand is expected to grow by an average annual rate of 2.7%, or an average 0.8 million tons per annum, to 31.5 million tons in 2017. In terms of geographies, emerging markets, and China in particular, are expected to play an increasing role in the demand for pulp, and are expected to drive market growth going forward. The BHKP market is expected to be oversupplied by around 2 million tons in 2014. The market is expected to be the most heavily oversupplied in 2015 and 2016 when there is projected to be 2.5-3.0 million tons of surplus capacity.

The relative recovery of general paper demand and pulp prices in 2010 led to the revival of many of the projects that were terminated during the financial crisis in 2009. Hence, further new BHKP production capacity is expected to come on-stream in the short to medium term, mainly in South America.

Over the past five years, European Bleached Eucalyptus Kraft Pulp ("**BEKP**") average list prices have experienced strong volatility. Prices experienced a sharp drop from 2008 into 2009, falling from around U.S.$840 per metric ton in August 2008 down to a five-year trough of around U.S.$450 per metric ton in April 2009, as a result of a bleak economic outlook and a decreasing demand in paper, fueled by sharp destocking in the context of high inventory levels. As the destocking phase came to an end and China's demand increased, driven by a strong economic growth, the rebound in paper demand in 2010 was stronger than expected and consequently drove BEKP prices up to approximately U.S.$920 per metric ton in July 2010. The earthquake that occurred in Chile in February 2010 contributed to this record price, because it forced the shutdown of approximately 8% of the global production capacity of both long and short fiber. Since then pulp price volatility has reduced and overall pulp prices witnessed a decline starting mid-2011, with a particular dip during the fourth quarter of 2011 as prices bottomed out at around U.S.$650 per metric ton when increasing macroeconomic fears in Western Europe and North America led to a demand correction in these geographies. Again, a strong surge in Chinese demand, taking advantage of lower prices and declining consumer inventory levels, led to a fast recovery in BEKP prices.

NBSK and BEKP price forecast (cif Europe)



Source: Hawkins Wright, Outlook for Market Pulp (March 2013)

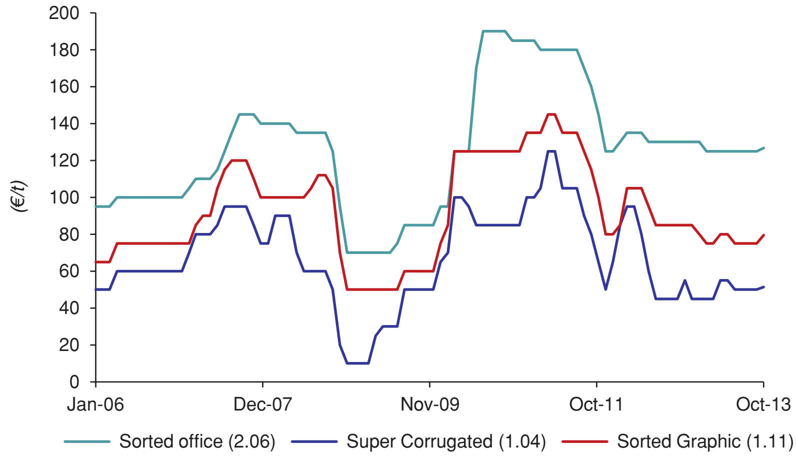
RECOVERED PAPER

Recovered paper (also known as waste paper) is an alternative raw material used in manufacturing tissue paper and is a globally traded commodity. According to industry sources, the global demand growth for recovered paper in the near term is expected to be much slower than the growth during the past decade and is expected to grow at an average growth rate of around 4.1% per year from 2011 to 2015, with emerging markets expected to generate most of this growth.

Recovered paper prices in Western Europe, in general, track closely with those in North America, after adjusting for the euro/U.S. dollar exchange rate. The European recovered paper market has historically been more stable than the North American market. However, the European recovered paper market has become more dynamic since 2011, showing increasing price volatility. In 2013, due to the economic situation, no major price changes are expected, but in the mid term higher demand especially in Asia might lead to increasing prices.

WEPA procures more than 80% of its recovered paper from the German market. The chart below shows the development of recovered paper prices in Germany since 2006. While the prices remained relatively stable during 2006-2007, the economic downturn led the prices to bottom-out by mid-2009 before starting to rebound again on the back of growing demand. More recently, the prices have remained relatively stable over the last twelve months.

Price development in recovered paper (for deliveries in Germany)



Source: Euwid (October 2013)

BUSINESS

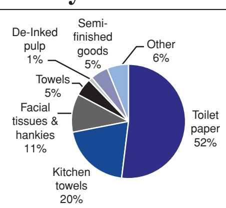
OVERVIEW

We are a leading, family-owned producer and supplier of tissue products in Europe with a market share (by production volumes) of approximately 25% in Germany and approximately 8% in Western Europe, according to "Outlook for World Tissue Business (10-Year Forecast) 2013" published by RISI in June 2013 (the "**RISI Report**"). The tissue market exhibits resilient demand characteristics with low product substitution risk. We are the fourth largest producer of tissue products in Europe and we believe we are the second largest private label tissue producer in Europe, in both cases, by volume. Private label tissue products are marketed and sold by our customers through their retail stores under their own in-house labels. We believe private label products offer higher growth potential than branded products.

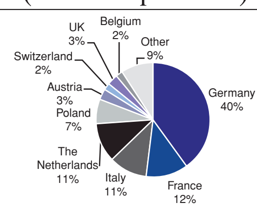
We are headquartered in Arnsberg, Germany, and operate 15 paper machines and more than 70 converting machines in ten production sites strategically located across Europe in Germany, Italy, France, Poland and, through our joint venture with Goma-Camps, GC & WEPA, in Spain. Our annual tissue production capacity is 585,000 tons and our annual tissue converting capacity is 625,000 tons. In addition, GC & WEPA has an annual converting capacity of 40,000 tons. Nearly 60% of our production and converting capacity is located in Germany, our core market and Europe's largest tissue market. We also own technically advanced facilities for the production of de-inked pulp from recovered paper, with an annual capacity of more than 200,000 tons. In 2012, we sold more than 525,000 tons of finished tissue products, 51,000 tons of jumbo reels and 14,000 tons of de-inked pulp across Europe, which generated approximately €849.5 million and €85.1 million of revenue and EBITDA, respectively. During the fiscal year ended December 31, 2012 we employed on average 2,663 employees, excluding GC & WEPA. In the nine-month period ended September 30, 2013, we sold 393,000 tons of finished tissue products, 26,000 tons of jumbo reels and 21,000 tons of de-inked pulp across Europe, which generated approximately €629.9 million and €70.3 million of revenue and EBITDA, respectively. During the same period, we employed an average 2,565 employees. We offer a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels as well as semi-finished goods (i.e. jumbo reels and de-inked pulp). Toilet paper and kitchen towels accounted for 72% of our revenues in 2012 and for 73% of revenues in the nine-month period ended September 30, 2013.

Sales Breakdown—2012

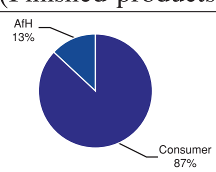
By Product



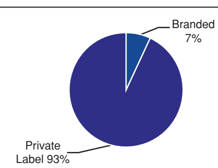
By Geography
(Finished products)



By Division
(Finished products)



Branded vs. Private Label
(Consumer division only)



We operate our business in two divisions, Consumer and Away-from-Home ("**AfH**"). Consumer, which represented 87.1% of our revenues from finished products in 2012 and 86.4% in the nine-month period ended September 30, 2013, focuses on Germany and the wider European retail sector. Consumer products are primarily branded under our customers' private labels and comprise mainly toilet paper, kitchen towels, facial tissues, handkerchiefs and napkins. The strategy of our Consumer division is to focus on the private label sector, although it also markets products under its own brands such as Kitkins, Mach mit..., Perla and Scala. AfH, which has a more regional focus within Central Europe and Poland, focuses on sales to large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. AfH offers a broad range of tissue products under our own "WEPA" brand and under our customers' brands, including toilet paper and paper towels, as well as dispenser systems for use in washrooms and cleaning.

Consumer and AfH supply together approximately 250 customers. Consumer serves most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, REWE and Rossmann in Germany, Carrefour, Auchan, Casino and Leclerc in France, Coop and Esselunga in Italy and Biedronka in Poland, which include most major European retailers. We have long-standing relationships with most of our key customers, some dating back more than 30 years. AfH serves leading distributors in the professional hygiene sector, such as igefa and GVS in Germany, cash & carry wholesalers (such as Metro Group in Germany) as well as distributors for office supplies.

OUR STRENGTHS

We believe that we benefit from the following strengths:

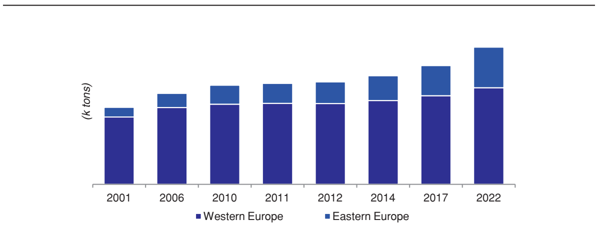
Leading Market Positions

We are the fourth largest tissue producer in Europe and the second largest tissue producer in our core market of Germany, in both cases based on volume, according to the RISI Report. Unlike many of our competitors, who serve both the branded and private label sectors, we focus on the growing private label sector. We believe we are the second largest manufacturer of private label tissue products in Europe based on volume. We believe our European network of ten strategically located production sites together with our high quality products make us an attractive partner for large retailers across Europe. In addition, we believe we are the leading producer by volume of recycled tissue products in the consumer sector in Europe, and we own technically advanced facilities for the recycling of recovered paper in Arnsberg, Giershagen, Mainz and Lille, with an annual capacity of more than 200,000 tons of de-inked pulp production. We use most of the de-inked pulp that we produce in the production of our own recycled and hybrid (i.e. using both virgin pulp and de-inked pulp) tissue products. We also have the capability to dry and prepare up to 80,000 tons of any surplus de-inked pulp for sale to third parties. These capabilities make us a leader in recycled and hybrid tissue products and particularly well positioned to offer our customers ecologically sustainable products. In addition, we believe our significant scale, purchasing power and geographic coverage gives us a competitive advantage over smaller players and the ability to compete with other leading players in the market.

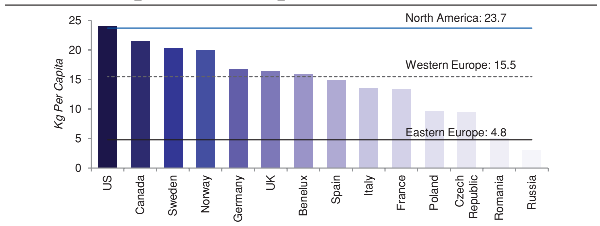
Attractive and Resilient End-Markets

Our core tissue products benefit from utility-like consumer demand, with high penetration rates, low substitution risk and resilient demand characteristics. According to RISI, between 2001 and 2011, consumption of tissue products in Western Europe grew by 1.9% per annum and in Eastern Europe by 7.5% per annum, with demand for our core products remaining stable during the 2008-2009 recession. For the period between 2011 and 2022, RISI expects the growth rate of tissue consumption in Western Europe to be broadly in line with historical growth levels, and growth rates in Eastern Europe to continue to substantially exceed rates in Western Europe. Current consumption rates in Western Europe are still substantially below other developed regions such as the United States, and consumption levels in Eastern Europe are significantly below Western Europe. We believe that demographic changes, increased urbanization, higher product penetration levels, and developments in tissue quality and softness (such as multi-ply products) will continue to underpin continuing demand growth for our products.

Forecast of tissue demand 2001 - 2022



Per capita consumption: 2011 breakdown



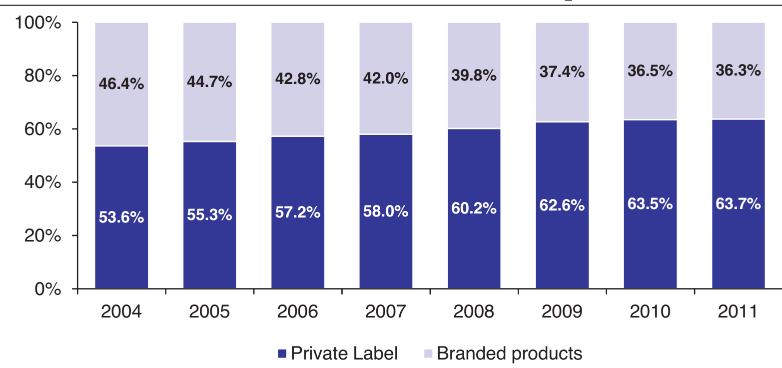
Source: RISI—Outlook for World Tissue Business Forecast (June 2013)

Focus on Key Growing Private Label Sector

We believe we are the second largest tissue producer in Europe by production volume in the significant and growing private label sector, which dominates our core market of Germany (representing 81.6% of the overall German tissue market in 2011) and many other European countries where we operate. In recent years, private label tissue products have gained market share in Western Europe relative to branded products, increasing from 57.8% in 2007 to 63.5% in 2011, a trend that was also seen in our largest product category, toilet paper, according to the RISI Report. This increase has been driven by the expansion of discount retailers such as Aldi and Lidl in Germany, who primarily sell own-label goods (private label), as well as by consumers substituting higher-priced branded products with lower-priced private label products of comparable quality. We believe that our focus on the private label sector positions us well to capture growth opportunities in this resilient and growing market and makes us a particularly attractive partner for our key customers. As a private label specialist, our customers can be confident that our interests are aligned and that we are fully committed to helping them strengthen their own in-house brands.

The toilet tissue market has been indicative of the wider tissue market's shift from branded to private label products. The following chart shows the steady increase of the market share of private label toilet paper, which accounts for roughly half of the general tissue market, between 2004 and 2011 in Western Europe.

Toilet Tissue: Private Label development



Source: RISI—Outlook for World Tissue Business Forecast (2008/2013)

Broad, Strong and Long-Standing Customer Base

We have established a strong and long-standing customer base, with some of our customer relationships dating back more than 30 years. We have grown with our large German customers as they have expanded across Europe and have also successfully entered into new relationships with key customers outside of Germany. Today, we supply approximately 250 different customers, including most of the leading retailers in each key country where we operate, such as Aldi, dm, Edeka, Lidl, Müller, REWE and Rossmann in Germany, Carrefour, Auchan, Casino and Leclerc in France, Coop and Esselunga in Italy and Biedronka in Poland. The customers of our AfH division include the leading distributors in the professional hygiene sector (such as igefa and GVS in Germany), cash & carry wholesalers (such as Metro Group in Germany) as well as distributors for office supplies. We believe that our ability to provide high-quality, cost-effective and innovative products has enabled us to benefit from a trend among major retailers to consolidate their supplier bases and work with larger partners that have the scale and quality to supply retailers efficiently across their key markets. We are able to foster strong partnerships of mutual dependence with our customers, operating as a fundamental part of their supply chains by improving inventory management, security of supply and customer service. Our strong customer relationships are reinforced through a combination of our geographic reach, our manufacturing and logistics excellence, and the limited availability of alternative suppliers with the capacity and geographic proximity to provide a competitive offering.

Strategically Located Production Facilities

We operate ten production sites strategically located across Europe in Germany, Italy, France, Poland and, through GC & WEPA, in Spain. This network largely mirrors the footprint of our key pan-European customers and thus enables us to supply our customers in a timely and cost-effective manner. Mainly due to proportionally high transportation costs relative to the value of products shipped, it is not economical for participants in our industry to supply customers more than a certain distance from a particular production site. The alignment of our production sites with the geographic footprint of our major customers is therefore an important competitive and cost advantage. In addition, our geographic footprint allows us to reduce delivery times and typically, to guarantee delivery to our customers within 48 hours from the receipt of an order. Our geographic footprint reduces our inventories by shortening the supply chain which lowers our storage and transportation costs. It also allows us to tailor individual production sites to target the specific needs of the customers in the relevant region, which improves product offering, service quality and reliability.

Low Cost Production via Efficient Asset Base

We have invested over €370 million in our business over the last eight years to help ensure that we have efficient production facilities that allow us to compete effectively against other tissue manufacturers. According to a report prepared for us in January 2009 by an independent industry consulting firm, the operating performance of our assets is high. The asset quality (as a measure of factors such as capacity, technical age and standards such as automation) of the majority of our assets is also above average among comparable Western and Eastern European tissue paper producers. In particular, we believe that our production site in Leuna is one of the most modern and efficient tissue production and converting facilities in Europe for toilet paper and kitchen towels, as is Kriebstein with regard to handkerchiefs and facial tissues, and Giershagen with regard to the processing of recovered paper. Our production assets have an average residual life of approximately 15 years, which we believe is above average compared with our major competitors. Our well-invested, high quality and operationally efficient asset base provides us with investment flexibility and allows us to produce a high quality, consistent product in a cost-effective manner.

Experienced Management and Committed Family Shareholders

Our company was founded in 1948 by Paul Krengel, and his three sons continue to be actively involved in the business and currently own the company. We believe this family link and the strong personal and financial commitment from our owners ensures a focus on stability and long-term value generation. Martin Krengel, in particular, has overseen the growth of the business through his role as our Chief Executive Officer and has been involved in the business since 1985. The expertise of the Krengel family is augmented with a strong and highly-experienced management team with extensive industry experience, including experience with the company. Our top operational managers have gained extensive industry experience at leading companies such as SCA, M-Real, International Paper, Zanders Feinpapiere AG, Albis Finance AG, Papierfabrik Scheufelen, Salamander AG, Sappi and Grohe AG. In addition, the Supervisory Board of WEPA Industrieholding SE, our Parent company, is comprised of members with extensive senior management experience at leading German companies as well as significant knowledge of our business, leading to a balanced, external perspective being offered to our management.

OUR STRATEGY

Maintain Our Position as a Leading Tissue Producer in Europe through Private Label Strength

We intend to leverage our leading position in the private label tissue market and capitalize on the ongoing growth of the private label tissue market through overall market growth and the continued shift in market share from branded to private label products. We have historically generated significant revenue growth through organic development as well as a series of acquisitions. Our primary focus is on organic growth, however, we will evaluate any investment opportunities, including in the private label market, by considering the needs of our customers, our existing geographical footprint, the competitive landscape in our markets and our stringent investment criteria.

Broaden and deepen our partnerships with key customers

We intend to broaden and deepen our customer relationships by building on our existing reputation for providing high-quality, cost-effective products as a core component in our customers' supply chains. We will continue to enhance our product portfolio through the development of product innovations and improvements in response to customer demand, such as developing product lines like hybrid tissue products or, when economical, creating bespoke designs, for our major customers. Further, we will continue to position ourselves as a fundamental part of our customers' supply chain. By maintaining and improving our reputation for reliability and consistent delivery of high-quality products, we aim to achieve strategic supplier status (i.e. top-three supplier) with our key customers, thus further entrenching our position. In addition, we have invested in a dedicated sales force for our AfH division to help us expand our customer base.

Portfolio Optimization

In connection with the implementation of our Continuous Improvement Program in 2012, we launched a formal program designed to improve our average gross margin by focusing on higher-margin customers and products. We established minimum gross profit margin requirements for different categories of customers, based on the importance of the relevant customers to the WEPA Group, both in terms of total sales volumes as well as strategic considerations. As a result of this exercise, we have begun to (i) phase-out certain customers and products that did not meet the relevant minimum gross profit margin requirements; (ii) replace the resulting reduction in sales volumes with increased sales to target customers at higher gross profit margins; and (iii) reduce the overall complexity of our business through a reduction in the number of our customers and product families. We expect this initiative to lead to improved profitability, notwithstanding an initial drop in revenues. For the year ending December 31, 2012, we managed out over 40,000 tons of production, which was replaced by more than 45,000 tons of new production at improved margins.

Optimization of Supply Chain and Production to Improve Cost Efficiency

We intend to continue with our supply chain optimization program, and to generally improve the efficiency of our production processes to help us improve cost efficiency. To reduce our logistics costs, which represent a high proportion of the value of goods delivered, we have introduced an advanced system of client and logistical mapping, which allows us to identify inefficiencies and areas for cost improvement. As a result, we have already altered certain logistical flows, for example, to minimize shipping distances, we have relocated three converting lines from Lucca to our production sites in Kriebstein, Piechowice and Lille. To help us improve our cost efficiency, we are targeting increased standardization of both semi-finished products (i.e. jumbo reels) and finished products (resulting in the reduction of waste when converting jumbo reels into finished products) and the optimization of batch sizes (resulting in enhanced machine capacity due to reduced set-up times). We have already seen significant benefits from increased standardization. For example in 2012, we worked with one of our major customers to modify certain product specifications, which allowed us to increase pallet load by 43% leading to approximately € 1 million in expected annual freight cost reductions. Standardization has also allowed us to reduce inventory levels and working capital requirements.

Streamlining of Organizational Structure and Headcount Reduction

In 2012, we conducted a detailed benchmarking exercise to compare the productivity of our work force across the WEPA Group. This allowed us to identify significant potential savings in our personnel expenses at a number of production sites. We have recently completed the implementation of a new, streamlined organizational structure, which we expect to result in cost savings both through a reduction of our overhead expenses as well as headcount reductions at individual production sites. Between 2011 and 2013, we have implemented redundancy programs at our head office site in Arnsberg as well as other sites in Germany and in Italy. We will continue to monitor our organizational structure and the size, composition and distribution of our workforce on an ongoing basis to ensure an efficient and streamlined organization.

Right-Sizing and Repositioning of Italian Operations

In 2009, we acquired a number of strategically important production sites across Europe from the former Kartogroup as part of a packaged transaction, which also included several unprofitable sites in Italy. These Italian operations suffered from high overhead costs as well as overcapacity, with products being transported across large distances to secure sufficient demand, thus eroding profitability. Having acquired these operations, we are undertaking a full reorganization of the Italian business by closing certain facilities, moving converting capacity to other parts of the Group, reducing headcount and re-positioning our remaining Italian production sites towards the Italian market. As part of this process, we have already relocated three converting lines to our production sites in Kriebstein, Piechowice and Lille and shut down our plant in Fabbriche di Vallico (Lucca) in mid-2012. Currently, a fourth converting line is being relocated from Italy to Piechowice. Moreover, we have reduced our Italian headcount by more than 100 employees and contract workers since 2010. In May 2013, we sold our production site at Pian della Rocca in Lucca, which employed 33 employees, to Roto-cart. We are also in sales negotiations for our production site at Fabbriche di Vallico. We signed a letter of intent with a prospective buyer on July 31, 2013 and we expect to be able to finalize the sale by the end of this year. We further plan to optimize our customer and product portfolio at our facilities in Cassino, Fosso Raletta (Lucca) and Salanetti (Lucca). Because branded tissue products continue to dominate the Italian tissue market, we expect to continue to market and sell a significant portion of our tissue products in Italy under our own Perla and Scala brands, but we also believe there is significant potential for growth in the Italian private label sector.

HISTORY

We were founded in 1948 by Paul Krengel as a wholesaler of wrapping, gift wrapping and cupboard lining paper. Five years later, we expanded our product range by installing our first automatic converting machine for the production of hygiene paper products, such as toilet paper. In 1958, we started our own tissue paper production with our first paper machine, and since then, we have continuously invested in the development of our production sites. By the end of the 1980s, we were increasingly focusing on recovered paper and had become one of the leading producers of recycled tissue products.

In 1990, shortly after the German reunification, we founded WEPA Sachsen in East Germany, initially as a 50/50 joint venture until we bought out our joint venture partner in 2001. In 2004, we established GC & WEPA, our Spanish joint venture with Goma-Camps, and also installed one of the then fastest state-of-the-art kitchen towel converting line in Europe at our production site in Giershagen. In 2006, we continued to grow by acquiring a tissue paper production and converting site in Mainz from Kimberly Clark and Polish tissue producer Fabryka Papieru Piechowice SA (FPP).

In December 2009, we acquired out of administration the majority of the assets of the former Kartogroup, an Italian tissue company (the "**Kartogroup Transaction**"). By adding production sites in Italy, France and Germany, the Kartogroup Transaction allowed us to create a production network across Europe that more closely matched the geographic footprint of our key customers and to improve our supply chain and logistics. Further, our expanded geographic footprint strengthened our sales position and the loyalty of our fast-growing European customers. In addition to entering the Italian market by way of the Kartogroup Transaction, we also gained new customers, particularly in the Benelux region, France and Eastern Europe, expanded into napkin products and increased our purchasing power.

In May 2010, in connection with the financing of the Kartogroup Transaction, WEPA Industrieholding SE, our parent company, issued new shares to Pamplona, a private equity investor, which represented 32% of the shares in WEPA Industrieholding SE. In August 2012, our current shareholders repurchased these shares from Pamplona through Marsberger Kraftwerk GmbH ("**MKG**"), an affiliate owned by them that operates an industrial power plant which supplies our production site in Giershagen, Germany, returning the WEPA Group to 100% family control. See "Certain Relationships and Related Party Transactions—Marsberger Kraftwerk GmbH." In connection with the issuance of the Original Notes on May 13, 2013, we used €25 million from the proceeds of the offering of the Original Notes to subscribe for new shares of MKG representing a stake of approximately 22.3% in the share capital of MKG. MKG, in turn, used €23.4 million of these proceeds to repay the indebtedness it incurred in connection with the repurchase of the 32% stake of the WEPA Industrieholding SE from Pamplona, together with accrued interest and transaction costs.

Between 2010 and 2011, our results of operations and financial condition deteriorated. The key reasons for this deterioration included (i) a sharp increase in the costs of key raw materials, in particular pulp and recovered paper, between early 2010 and mid-2011 and our inability to fully pass those increased costs on to our customers in a timely manner; (ii) relatively high transportation costs due to the complex structure and geographic distribution of our production sites; (iii) a complex group structure; and (iv) challenges in the integration and excess capacity at our Italian production sites, which we acquired as part of the Kartogroup Transaction. In response, we decided to develop and implement a comprehensive profitability and liquidity improvement program (the "**Continuous Improvement Program**") and to restructure certain parts of our business (the "**Restructuring**") to ensure the long-term success of the WEPA Group. The Continuous Improvement Program focused on (i) portfolio optimization, (ii) the optimization of our supply chain and production, (iii) liquidity improvement and other cost reduction opportunities, and (iv) an upgrade of our controlling, reporting and IT functions. The Restructuring focused on (i) streamlining of our organizational structure and headcount reduction as well as on (ii) the restructuring of our Italian operations. We have met or exceeded all of the targets from the measures we have taken under the Continuous Improvement Program and Restructuring and the Restructuring has been completed, although we do not expect our results to fully reflect the benefits of the Restructuring in Italy until 2014. See "Management's Discussion and Analysis of Financial Condition and Results of

Operation—Key Factors Affecting our Results of Operations—Continuous Improvement Program and Restructuring."

Following the completion of the Restructuring in July 2013 and the realization of all of the targets from the measures we have taken under the Continuous Improvement Program, we have transitioned the Continuous Improvement Program into a formal and ongoing Continuous Improvement Process ("**Continuous Improvement Process**") intended to establish the WEPA Group as a cost leader in the tissue industry by further improving our profitability and cash position. As part of the Continuous Improvement Process, we are currently executing several specific initiatives focusing on portfolio optimization, production, working capital, supply chain, general organization, our operations in Italy, purchase optimization, and IT systems, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Factors Affecting our Results of Operations—Continuous Improvement Process."

CONSUMER DIVISION

Overview

Our Consumer division generated approximately €695.1 million in sales revenues, which represented approximately 87.1% of our total sales revenues from finished products in 2012 and focuses on the production and distribution of tissue products for the German and wider European retail sector, primarily branded under private labels of our customers. Our customers include major national and multi-national retail and drugstore chains. Although we also market products under a number of our own consumer brands such as Kitkins, Mach mit..., Scala and Perla, our strategy has been to focus on the so-called "private label" business, i.e. tissue products that are being marketed and sold by our customers through their retail stores under their own retail labels.

Private label products accounted for approximately 93% of total sales revenues by Consumer in 2012 while branded products accounted for approximately 7%. In recent years, private label products have in almost all W.E markets gained high market share in the markets where we operate, a trend we expect to continue. In 2011, for example, private labels accounted for an estimated 81.6%, 70.3% and 80.6% of the overall tissue market by volume in Germany, France and Belgium, respectively, according to the RISI Report. Only France, the Netherlands, Switzerland, Finland, Norway and the UK have seen slightly declining private label shares. With the exception of the tissue markets in Italy, the Netherlands, Finland, Norway and the UK, branded products accounted for less than 50% of the tissue market, according to the RISI Report. We believe our focus on the private label market allows us to benefit from the general growth in this market segment as well as from economic slowdowns when there is an increasing trend for consumers to buy less expensive private label tissue products. Although private label products are often positioned as low cost alternatives to regional, national or international brands, they are typically of comparable quality and several private labels have recently been positioned as "premium" brands, putting further pressure on the market for branded tissue products.

Products

We sell a broad range of tissue paper products in our Consumer division, with a focus on toilet paper, kitchen towels, handkerchiefs, facial tissues and napkins. Our production and converting facilities allow us to produce tissue paper products to a broad range of specifications. Our product range includes tissue products with varying layers, additives (e.g. chamomile for toilet paper and balsam for handkerchiefs), colors, decorations, sizes, embossments and packaging sizes.

In addition to private labels, our own consumer brands include Kitkins, Mach mit..., Perla and Scala. Under the Kitkins brand, we market and sell an innovative product that can be used as both a traditional paper kitchen towel on one side and a decorative napkin on the other side. In our markets in Southern Europe, we have a significant presence with our Perla and Scala brands, which we acquired as part of the Kartogroup in 2009. Perla and Scala are well-known brands in the Italian tissue market, each with a broad assortment of products intended to meet the needs of private consumers.

Customers

We have established a strong and long-standing customer base with some of our customer relationships dating back more than 30 years. We have grown with our large German customers as they have expanded across Europe and have also successfully entered into new relationships with key customers outside of

Germany. Today we supply approximately 110 different customers in our Consumer division, including most of the leading retailers in each key country where we operate such as Aldi, dm, Edeka, Lidl, Müller, REWE and Rossmann in Germany. Carrefour, Casino, ITM and Leclerc in France, Coop and Esselunga in Italy and Biedronka in Poland, which includes most major European retailers. Approximately 55% of our sales revenues in 2012 were derived from our ten largest customers and in the private label segment, our top 5 customers accounted for 52% of sales revenues.

We have established long-term business relationships with the majority of our largest customers. In accordance with market practice, our business relationships are not governed by long-term agreements with fixed prices and purchase amounts and our customer contracts do generally not provide for automatic price adjustments. Approximately 50% of our total sales volumes are subject to framework agreements with our retail customers, which allow these customers to place orders "on demand." The prices under these agreements are usually fixed for the duration of the agreement, which is typically one year. Although these agreements generally do not contain minimum purchase obligations, demand levels are typically stable and we are in regular contact with our customers to ensure we have reasonable visibility over sales volumes for the upcoming year.

"AWAY-FROM-HOME" DIVISION

Overview

Our AfH division generated approximately €103 million in sales revenues or approximately 12.9% of our total sales from finished products in 2012. We offer a broad range of tissue paper products both under our own "WEPA" brand and under our customer's brands, including paper towels, toilet paper, industrial rolls as well as dispenser systems for use in washrooms and for cleaning by large commercial and institutional customers, such as government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. Geographically, our AfH division is focused on Central Europe and Poland. Our AfH business in Germany remains the most significant country of operations.

In order to emphasize the importance of professional buyers and to better meet the needs of our customers, we established a dedicated sales unit for our AfH division and founded WEPA Professional GmbH & Co. KG (now: WEPA Professional GmbH) in January 2006. WEPA Professional GmbH has its own, dedicated management, marketing, customer service and sales team that focuses on our AfH business. The dedicated AfH sales & marketing team consists of 17 people centrally steering the sales marketing and customer service activities from our headquarters in Arnsberg. In addition, Contreda GmbH acts as a sales agent for the business with igefa/INPACS, and we also have local sales representatives in Poland, the UK and France.

Products

Our product range in the AfH division includes a wide tissue paper range mainly for washroom applications, such as paper towels and toilet paper, as well as paper rolls for cleaning by large commercial and institutional customers. These products are primarily being marketed under the "WEPA" brand and supported by a proprietary range of dispenser systems, in addition to private label offerings for large wholesalers. Paper towels are, by far, the most important product group within the AfH division, accounting for approximately 47% of its sales volumes in 2012, followed by toilet paper.

Customers

The products offered by our AfH division are mainly distributed via cash & carry wholesalers (such as Metro Group), specialized wholesalers for cleaning products (such as igefa and GVS eG) and medium sized and regional focused specialized dealers for office supplies. In total, we supply approximately 140 customers in our AfH division. Ultimate buyers of our AfH products include government agencies, hotels, restaurants, private enterprises, hospitals and other healthcare providers. Our agreements with our AfH customers generally resemble the agreements we enter into with customers in our Consumer division.

OTHER BUSINESS ACTIVITIES

Aside from the sale of tissue products to our customers in the Consumer and the AfH division, we also generate sales revenues from the sale of de-inked pulp and jumbo reels.

Sale of Jumbo Reels

While we primarily produce tissue paper for our own needs, we also sell excess jumbo reels to other tissue paper producers. Our customers include tissue paper converting companies and tissue paper manufacturers that require jumbo reels of certain specifications, such as recycled paper. Other tissue paper producers buy jumbo reels from us to reduce their own logistics costs. In 2012, our sales revenue from jumbo reels amounted to €45.0 million, accounting for 5.0% of our total revenues. The amount of jumbo reels sold to third parties varies and primarily depends on our demand for jumbo reels as well as the demand for and supply of jumbo reels within our Group.

Sale of De-inked Pulp

We own technically advanced facilities for the recycling of recovered paper at our sites in Arnsberg, Giershagen, Mainz and Lille. These sites have an annual production capacity of more than 200,000 tons of de-inked pulp. De-inked pulp is produced as another alternative raw material next to to virgin pulp and is made from recovered paper. It serves as a key ingredient of recycled and hybrid tissue paper products. While most of the de-inked pulp produced by us is used for the manufacture of our own tissue paper products, we sell excess amounts to other paper manufacturers in the tissue and other paper industries, such as manufacturers of corrugated cardboard, and we have the capability to dry and prepare up to 80,000 tons of any surplus volumes for sale to third parties. The volume of these sales depends on excess capacities, and the selling radius is limited to Germany and its neighboring countries. Customers include Smurfit, Fripa or Technokarton and in 2012, we sold approximately 14,000 tons of de-inked pulp across Europe, which generated approximately €6.9 million in revenues, accounting for 0.8% of our total revenues that year. The amount of de-inked pulp sold by us to third parties varies and primarily depends on our own internal demand for de-inked pulp.

PRODUCTION FACILITIES AND OTHER PROPERTIES

Our production facilities are located in Germany, Italy, France, Poland and, through GC & WEPA, Spain. Overall, we currently operate 15 paper machines and more than 70 converting machines in ten production sites. Most of our sites are vertically integrated and can handle the entire production process from raw material (i.e. mainly pulp) to the finished tissue products. Our site in Spain focuses exclusively on converting jumbo reels into finished tissue products.

We have an overall annual production capacity of 585,000 tons and an overall annual converting capacity of 625,000 tons. Approximately 62% of our total production capacity is located in Germany where we have a combined annual paper production capacity of approximately 362,000 tons and an annual converting capacity of approximately 351,000 tons at five different production sites. Three of these production sites are located in Western Germany, serving primarily customers in Germany as well as in the Benelux countries. Our two production sites in Eastern Germany also primarily serve the German market as well as customers in Poland and the Czech Republic.

Our production sites in Italy currently have a combined annual paper production capacity of approximately 132,000 tons and an annual converting capacity of approximately 140,000 tons. As part of our Restructuring described in more detail under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Continuous Improvement Program and Restructuring”, we are undertaking a reorganization of our Italian business by closing, selling and consolidating certain facilities and moving converting capacity to other parts of the Group. The remaining sites and production capacities will be focused towards supplying the Italian market. We have already relocated three converting lines to our production sites in Kriebstein, Piechowice and Lille and plan to relocate one additional converting line to Piechowice. In May, 2013, we sold our production site at Pian della Rocca in Lucca, which employed 33 employees, to Roto-cart. We further plan to sell our paper machine/plant at Fabbriche di Vallico (Lucca) which has already been shut down.

Our manufacturing site in Lille, France has an annual paper production capacity of approximately 60,000 tons and an annual converting capacity of approximately 85,000 tons. Our Lille site serves the French market, the UK market as well as the Benelux countries and some parts of Western Germany.

Our gateway to the Eastern European market is our Piechowice plant in Poland. It has an annual paper production capacity of approximately 33,000 tons and an annual converting capacity of approximately 50,000 tons. This production and converting site currently serves as a low cost manufacturing base for exports both to Western and Eastern European countries, but it has also begun to convert high quality products for the Polish market. Our paper machine in Piechowice produces crêpe paper jumbo reels for our paper towel production and the converting lines in Piechowice also convert jumbo reels produced at other sites into toilet paper and kitchen towels.

Through GC & WEPA, we operate a converting plant in Ejea de los Caballeros (Spain) with an annual converting capacity of approximately 40,000 tons. GC & WEPA serves primarily customers in Spain, Portugal and Southern France.

The following table provides an overview over our manufacturing sites:

Location	Size (land)	Property owned/ leased	Annual Production/ Converting Capacity (in tons)	Use
Arnsberg, Germany	88,000 sqm	Owned / Warehouse: Leased	Production: 65,000 Converting: 80,000	• Headquarters (office space) • Recycling of recovered paper • Paper production • Converting (toilet paper, industrial rolls, hand towels) (including AfH) • Warehouse
Giershagen, Germany	270,000 sqm	Owned / Warehouse: Leased	Production: 95,000 Converting: 115,000	• Office space • Recycling of recovered paper (incl. drying) • Paper production • Converting (toilet paper, kitchen towels) • Warehouse
Kriebstein, Germany	24,000 sqm	Owned	Production: 85,000 Converting: 46,000	• Office space • Paper production • Converting (handkerchiefs, facials) • Warehouse
Mainz, Germany	94,500 sqm	Owned / Warehouse: Leased	Production: 58,000 Converting: 50,000	• Office space • Recycling of recovered paper • Paper production • Converting (toilet paper) • Warehouse
Leuna, Germany	182,900 sqm	Owned	Production: 59,000 Converting: 60,000	• Office space • Paper production • Converting (toilet paper, kitchen towels) • Warehouse
Piechowice, Poland	149,300 sqm	Hereditary Building Right	Production: 33,000 Converting: 50,000	• Office space • Paper production • Converting (toilet paper, kitchen towels, hand towels) (incl. AfH) • Warehouse
Lucca, Italy				• Office space • Paper production
—Fosso Ralletta	19,175 sqm	Owned	Production: 62,000	• Converting (toilet paper, kitchen towels, napkins, hand towels, handkerchiefs, facials) • Warehouses
—Fabbriche di Vallico*	20,327 sqm	Owned	Production: 18,000	
—Salanetti	92,145 sqm	Rented	Converting: 90,000	
Cassino, Italy	195,943 sqm	Owned	Production: 52,000 Converting: 50,000	• Office space • Paper production • Converting (toilet paper, kitchen towels, napkins) • Warehouse
Lille, France	57,000 sqm	Owned/Warehouse: leased	Production: 60,000 Converting: 85,000	• Office space • Recycling of recovered paper • Paper production • Converting (toilet paper, kitchen towels, handkerchiefs, facials) • Warehouse
Ejea de los Caballeros, Spain (operated by joint venture GC & WEPA)	146,472 sqm	Owned/Warehouse: leased	Production: Converting: 40,000	• Office space • Converting (toilet paper, kitchen towels), • Warehouse

* mothballed, pending sale

Our high rack warehouses in Arnsberg, Giershagen and Mainz are owned by special purpose vehicles and are used by us pursuant to lease agreements, as described in more detail under "—Warehouse Lease Arrangements." Our production site in Poland is located on real property used by us on the basis of a hereditary building right, with a fixed term until 2089.

PROCUREMENT / PURCHASING

Overview

Our most important purchasing items include pulp, recovered paper, energy and logistics, which collectively accounted for approximately 70% of our total procurement volume in 2012.

The following table sets forth the total cost in euros for each of these items in 2010, 2011 and 2012:

	2010	2011	2012
Pulp	€197.2 million	€211.1 million	€191.7 million
Recovered paper	€ 56.1 million	€ 55.4 million	€ 47.9 million
Energy	€ 85.8 million	€ 86.6 million	€ 93.4 million
Logistics	€ 81.9 million	€ 83.9 million	€ 73.1 million

Other procurement items, such as packing materials and chemicals, accounted for an aggregate €72 million.

Our procurement and purchasing activities are concentrated in a centralized purchasing organization at our headquarters in Arnsberg, excluding logistics and the purchasing of finished and semi-finished goods. Our production sites outside Germany have local purchasing managers who report to our Head of Procurement in Arnsberg. By centralizing our purchasing activities, we aim to maximize our purchasing power, while at the same time building a high degree of expertise. The markets and prices for the most important production costs in our business, such as pulp, energy and recovered paper, are driven by international supply and demand and require Group-wide purchasing strategies in order to optimize results. Our strategies include a mixture of long-term supply contracts and spot purchasing. Price and currency risk management is performed in close co-operation with our treasury department.

Raw Materials

The main raw materials for the production of our tissue paper products are pulp and recovered paper. Purchasing for both is centralized at our headquarters in Arnsberg. In 2012, we purchased a total of 382,500 tons of pulp and 324,600 tons of recovered paper. Prices for both pulp and recovered paper have been highly volatile in recent years. By improving supplier portfolio management and competition among our pulp suppliers, we have been able to improve our average purchasing conditions significantly since 2011. We have further benefited from technical developments which have enabled us to use a higher proportion of cheaper hardwood in our paper production process, leading to an average price advantage between 2008 and 2012 of €67 per ton of paper.

For pulp, we aim to contract up to 85% of our demand on the basis of annual contracts with selected historically reliable suppliers, allowing us to ensure a majority of our demand while still being able to use spot purchasing opportunities. Usually, approximately 90% of the purchase price in our long term contracts is either linked to the PIX Index or subject to monthly negotiations, the remaining 10% being contracts with fixed prices. While our long term agreements thus ensure the availability of pulp, they give only limited security in respect of the prices we have to pay. As pulp suppliers seldom agree to fixed price agreements, we hedge a certain share of the price risk by entering into commodity swaps. For 2013, we hedged the price for approximately 127,000 tons of pulp, accounting for approximately 34% of our estimated demand. Furthermore, as pulp is traded on the global market, mainly in U.S. dollars, we try to reduce our foreign exchange related risk by hedging the euro against the U.S. dollar. In 2013, however, we have not entered into any fixed price supply agreements.

In 2012, we procured 324,600 tons of recovered paper from more than 70 suppliers in Europe. As with pulp, we can choose from a wide variety of suppliers. For our production process, we require homogenous, long fiber recovered paper (i.e. 80% to 90% sorted office waste). We purchase approximately 42% of our recovered paper in the spot market. The remainder is purchased on the basis of long-term supply contracts with the prices being predominantly index-linked. Only 20% of our demand for recovered paper is hedged by supply agreements with fixed prices.

Energy

The production of tissue paper is very energy intensive. The operation of our 17 paper machines uses approximately 90% of our total energy demand and the operation of our over 70 converting machines and our raw material treatment facilities account for substantially the remainder. Our primary sources of energy are electricity, natural gas and steam. Our energy expenses have been volatile in recent years. They are affected by various factors, including energy prices and regulatory decisions. We attempt to limit our exposure to the volatility of electricity and gas prices by entering into long-term supply contracts. The contracts are entered into by different companies in our Group, mostly at local level, and have varying expiration dates. In Italy, we are a member of the Consortio Toscana Energia S.p.A., an energy procurement and management consortium. In Germany, we have a close relationship with Marsberger Kraftwerk GmbH ("**MKG**"), a company currently owned by the Krengel brothers (see "Certain Relationships and Related Party Transactions—Marsberger Kraftwerk GmbH"). Together with a local energy supplier, MKG erected a power plant at our production site in Giershagen in 1996 to use the residual materials from our recycling processes in Arnsberg and Giershagen as a source of thermal energy. In 2007, the Krengel brothers acquired all outstanding shares in MKG from the local energy supplier. The steam and electricity produced by MKG are contracted at arm's length prices by us for the operation of our production facility in Giershagen. Overall, MKG covers 40% of electric power and 100% of steam requirements for our Giershagen site.

Freight/Logistics

We deliver our products to our customers through external logistics companies. Due to the relatively large size of our products compared to value, freight and logistics expenses play an important role in our business. The selection and commissioning of the logistics companies is centrally organized by our logistics department in Arnsberg, supported by our local organizations in France, Poland and Italy. Orders are regularly tendered on web-based tendering platforms for logistics services. With the exception of the holiday seasons before Christmas, when there is a high demand for logistics services, in our experience, the market for logistics services has been characterized by overcapacity in recent years, allowing us to choose from a great variety of logistics providers at competitive prices.

While prices for freight services have generally increased in recent years, primarily due to the increased price of oil, we were able to reduce our freight costs significantly between 2010 and 2012 as a result of our Continuous Improvement Program. One focus of our Continuous Improvement Program is improving supply chain logistics by improved production site allocation to reduce delivery costs as well as reduced intercompany shipments and a reduction in the use of external warehouses. As a result, our average costs for freight of finished products has already decreased significantly.

WAREHOUSE LEASE ARRANGEMENTS

While our warehouses in Kriebstein and Leuna are owned by members of our group, our high rack warehouses in Arnsberg, Giershagen and Mainz, as well as our block warehouse in Lille, are owned by third party special purpose vehicles and are used by us pursuant to lease agreements.

Arnsberg

The high rack warehouse in Arnsberg is leased by us from Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG ("**Tignaris**"), a special purpose vehicle controlled by an affiliate of Commerzbank Aktiengesellschaft. In a sale and lease back transaction, we granted Tignaris a hereditary building right (*Erbbaurecht*) on the property for a 50-year period for initial consideration of €50,000. At the same time, Tignaris constructed the high rack warehouse and we entered into a lease agreement with Tignaris pursuant to which we agreed to lease the warehouse to be constructed by Tignaris for a term of 13.5 years, beginning on November 1, 2006. Rental payments under the lease are fixed at approximately €1.7 million per year and were calculated based on Tignaris' total cost of constructing the warehouse plus a return on its investment. The lease expires in 2020, at which time we will have the right to acquire all rights to the warehouse from Tignaris for a nominal amount.

Giershagen

Our high rack warehouse in Giershagen is situated on property that we own and is subject to a similar financing and lease arrangements to our Arnsberg high rack warehouse, as described above. We granted Tignaris the hereditary building right on the site in 2003 and our lease agreement with Tignaris started on

January 1, 2005. Rental payments under the lease are fixed at approximately € 0.8 million per year. The lease expires in 2018, at which time we will have the right to acquire all rights to the warehouse from Tignaris for a nominal amount.

Mainz

The high rack warehouse in Mainz is also situated on property that we own. At the end of 2007, we financed the renovation of this warehouse by contributing it to Nosean Grundstücksverwaltungs mbH & Co. Vermietungs KG, a special purpose vehicle controlled by an affiliate of Deutsche Anlagen-Leasing ("**Nosean**"). At the same time, we entered into a lease agreement with Nosean pursuant to which we agreed to lease-back the newly renovated warehouse for a term of 13.5 years, beginning on December 31, 2007. Rental payments under the lease are fixed at approximately €0.6 million per year and were calculated based on Nosean's total cost of renovating the warehouse plus a return on its investment. At the end of the lease in June 2021, we will have the right to acquire all rights to the warehouse from Nosean for a nominal amount.

We are currently in discussions with Nosean about a planned investment into certain modifications to the high rack warehouse in Mainz. These modifications would optimize the existing warehouse space and thereby increase the overall capacity of the warehouse. We expect that the total investment required for these modifications will be approximately €3.4 million, and we are in advanced discussions with certain financial institutions that would fund the investment. If completed, we would expect the proposed transaction to result in an increase in the financial lease obligation represented by the lease agreement (and therefore the amount of our total debt) up to the amount of the proposed investment. In addition, we would expect the annual rental payments under the lease to increase to approximately €0.5 million.

Lille

In 2005, we entered into a financing and lease agreement (*Crédit-Bail Immobilier*) as amended with lessors Fortis Lease S.A. and Natixis Bail S.A. in relation to our production site in Lille, primarily consisting of a block warehouse but also including converting facilities, office space and ground. Rental payments under the lease are currently €2.3 million per year, subject to adjustment. The agreement expires in December 2017, at which time we will have the right to purchase the property and the underlying real estate for a nominal amount.

REGULATORY ENVIRONMENT

Our business, and in particular the operation of our production sites, is subject to various regulatory requirements. Applicable laws and regulations may differ from site to site due to different national and local laws. The regulatory requirements relate in particular to our production processes and include, inter alia, laws and regulations relating to health and safety measures for employees, the technical safety requirements for operating machines, the use and handling of chemicals, air and water emissions, soil contamination and the management and disposal of waste, harzardous and toxic substances and other materials. For our sites and operations, we are required to obtain and hold various permits and to comply with the requirements specified therein. In addition, we are subject to rules that govern the safety of our products and the information we include on the packaging of our products. We are further subject to foreign trade laws and may be required to pay export duties or customs duties on materials and products that we export and import. We are subject to further regulations in the various jurisdictions in which we operate, including antitrust laws and zoning and occupancy laws that generally apply to manufacturing businesses and/or govern the promotion and sale of certain products we offer, the operation of our facilities and our relationships with customers, suppliers and competitors. The following is an overview of the main laws and regulations that are relevant to our activities in Germany. Local laws and regulations that deal with similar aspects apply in other jurisdictions in which we operate production sites or sell our products.

Environmental Laws

We are required to comply with various environmental laws and regulations. In particular, our operations are subject to laws and regulations designed to limit emissions. This is particularly relevant for our sites that are located, mostly for historic reasons, in mixed-use areas with nearby residential properties, such as our site in Arnsberg. In Germany, the construction and operation of paper production and converting facilities such as ours requires a permit under the Federal Emissions Protection Act

(*Bundesimmisionsschutzgesetz*), which encompasses various approvals necessary for the construction and operation of facilities pursuant to other laws, including public-law approvals, registrations and consents. The operation of the relevant facility can generally not be challenged or contested by third parties as long as the respective facility operates in compliance with its permit. In such cases, third parties can only require certain measures to mitigate any negative impact of a facility on the environment. To the extent such measures are impossible or uneconomical to implement based on state-of-the-art technology, the relevant third parties may only claim damages. Permits and additional administrative orders under the Federal Emissions Protection Act may impose certain limitations (e.g. stricter requirements with regard to permissible emissions or the use of the relevant facilities), with which we have to comply. A violation of the operator's duties as determined in the respective permit (or an additional administrative order) or a modification of the relevant legal standards may also lead to a restriction or, in severe cases, a prohibition of the further operation of the facility and/or the revocation of its permit under certain circumstances. The competent authority may even ask for removal of the facility.

Moreover, the operation of our production sites is subject to the various duties of the Federal Water Management Act (*Wasserhaushaltsgesetz*), the State Water Acts in each of the German states (*Landeswassergesetze*) and the respective federal and/or state regulations (*Rechtsverordnungen*). These regulations govern our use of water during production, particularly the production of de-inked pulp from recovered paper and in preparing the liquid base stock (consisting primarily of water and pulp) for use in our paper machines. According to the Federal Water Management Act, as well as the corresponding state (*Länder*) laws, the use of water generally requires the approval by the competent authority. In particular, the extraction of above-ground water, the discharge of waste water and the pouring and discharge of materials are all aspects of production that require regulatory approval. In cases of violations of the relevant provisions, we may be required to pay damages or become subject to penalties. Depending on the type of permit, it may either be revoked any time or only under certain circumstances.

Several of our sites are subject to the Radiation Protection Ordinance (*Strahlenschutzverordnung*) or similar local laws or regulations due to the fact that some of our paper machines use the slightly radioactive Isotopes Krypton 85 or Promethium 147 for basis weight measurement of the tissue paper we produce. The use of these materials is common in the paper industry as well as in other industries. They are applied in enclosed form, i.e. isotopes are enclosed by a protective cover to avoid any release of radiation. When the isotopes are not in use, they are further shielded with steel plates. According to Sec. 7 of the Radiation Protection Ordinance, the handling of materials such as Isotope Krypton 85 requires a permit, which we have obtained. Even if this permit would be revoked, however, we would still be able to measure the basis weight of the tissue paper by switching to a different technology. We also maintain insurance coverage for liability resulting from radiation.

Chemicals Legislation and Regulations

We are subject to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**"). We use certain chemicals, primarily in connection with the production of de-inked pulp from recovered paper. The aim of REACH is to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. REACH places greater responsibility on industry participants to manage the risks from chemicals and to provide safety information on the substances. As a "downstream user" pursuant to REACH, we are primarily required to adhere to the recommended risk reduction measures, to forward our customers and suppliers the relevant information and, if necessary, to arrange for a chemical safety report to be prepared.

In addition, we are subject to the provisions of the (federal) Chemicals Act (*Gesetz zum Schutz vor gefährlichen Stoffen—Chemikaliengesetz*) and related regulations (*Rechtsverordnungen*). The Chemicals Act is intended to minimize the risks from chemicals for humans and the environment. Based on the Chemicals Act and related regulations, the competent authorities have the power to—among others—require that certain materials or chemicals (i) may either not be produced, marketed or used at all, (ii) may only be produced, marketed or used in a certain manner or for specific purposes, (iii) may only be used under certain circumstances or (iv) may only be distributed to certain persons. We are not aware of any such orders having been issued by the German government authorities that would have an impact on our business.

Soil Contamination

Pursuant to the German Federal Soil Protection Act *(Bundesbodenschutzgesetz,* "**BBodSchG**"*)*, the responsibility for residual pollution and harmful changes to the soil lies with the party who caused a harmful soil change or a contaminated site, its universal successor, the relevant property owner, the occupant of the relevant real property and, if the title was transferred after March 1, 1999, the previous owner of the property, if they knew or must have known about the contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the relevant local authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, the other responsible parties are required to indemnify the party that carried out the remediation work, regardless of which party is held liable by the relevant local authority. Where no other arrangements are agreed upon, the obligation to provide compensation and the extent of the compensation to be provided depend on the extent to which the hazard or damage was caused primarily by one party or the other. Liability is not based on fault. Thus the BBodSchG does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

According to the BBodSchG the competent authority may require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

EMPLOYEES

In the nine-month period ended September 30, 2013, we employed an average of 2,565 employees in four countries, excluding the 90 employees of GC & WEPA, our joint venture in Spain, and the 4 employees of WEPA Industrieholding SE, our parent company, which provides certain central services to other WEPA entities pursuant to intercompany service agreements. The number of employees does neither include inactive employees currently in early retirement nor employees receiving a company pension.

Approximately half of our employees are employed in Germany. Our two largest production sites in Germany employ 439 employees (Arnsberg) and 385 employees (Giershagen) respectively. As at September 30, 2013, we had 1,206 employees outside of Germany, including 537 employees in Italy, 333 employees in France and 336 employees in Poland. This number does not include the 90 employees of GC & WEPA in Spain.

Our workforce is characterized by very low fluctuation levels and the average job tenure of our employees throughout all our sites of approximately 14 years. As a result of our continuous hiring strategy and long-standing training programs, we believe our workforce currently has a well-balanced age structure. As at September 30, 2013, we had approximately 60 trainees. In addition, we enjoy a constructive working relationship with the relevant labor representatives, including with the labor union IG BCE ("*Industriegewerkschaft Bergbau, Energie, Chemie*") in Germany, which we believe has contributed to the absence of any significant union action or disputes to date despite the significant workforce reductions implemented in 2012. In Italy, we experienced some minor labor disputes and industrial action in connection with the restructuring of our Italian activities in 2012 and 2013.

INSURANCE

We maintain various insurance policies for different aspects of our business. These policies are centrally managed by our insurance department in Arnsberg, with the support of our insurance broker SüdVers. Our insurance coverage includes all-risk policies insuring against property destruction, damage and loss, as well as against any business interruption directly resulting from any property damage. In addition, we maintain liability insurance coverage with regard to general operating liability, radiation liability and environmental liability, as well as transport and accident insurance. We obtain insurance coverage for particular risks based on an internal risk analysis. We believe that we maintain adequate insurance coverage commensurate to our business and production volumes and in line with industry practice, with deductibles and coverage limits that we believe to be reasonable and appropriate. We continuously re-evaluate the appropriateness of our insurance coverage in the ordinary course. There can be no assurance, however, that we will not suffer losses that may either not be covered by insurance or that may exceed the coverage amount under the relevant insurance policies.

At the end of 2012, a fire broke out at our high rack warehouse in Arnsberg. The fire was quickly extinguished by the local fire department, but resulted in significant smoke and water damage to the tissue products stored at the site. We estimate that the total losses as a result of the fire will amount to approximately €3 million, which we expect to be covered by our existing insurance policies, subject to a deductible of €500,000.

LEGAL PROCEEDINGS

From time to time, we are involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business. Neither we nor any of our subsidiaries are currently involved in any litigation, administrative proceedings or arbitration relating to claims or amounts that are material to our business and to our knowledge no such litigation, administrative proceeding or arbitration is pending or threatened. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty and we can offer no assurances in this regard.

For example, in 2012 Eco-Emballages (a French organization responsible for collecting an environmental levy on packaging materials) initiated legal proceedings for amounts allegedly owed to it by various toilet paper producers and other French manufacturers (including WEPA Lille S.A.S), arguing (among other things) that the cardboard cores included in toilet paper roles constitute packaging materials that are subject to the environmental levy. According to Eco-Emballages, WEPA Lille S.A.S. owes €3.0 million to Eco-Emballages for the cardboard cores included in toilet paper roles we sold in the years 2008-2012.

We strongly disagree with Eco-Emballages' interpretation of the relevant rules and regulations and we are challenging Eco-Ballages' interpretation both individually and through an industry association. As of September 30, 2013, we had not made any provisions related to the claims made by Eco-Emballages.

In addition, in July 2013 we received a letter from the administrator (*Insolvenzverwalter*) of Fährbrücke Papier GmbH ("**Fährbrücke**"), a former customer that entered into insolvency in February 2013. In this letter, the administrator challenged certain payments in an aggregate total amount of approximately €1.0 million, which we received from Fährbrücke in 2011 as consideration for deliveries of pulp. The administrator lists total payments made to us in 2011 of approximately €1.34 million, so the disputed total amount may be increased. In response to late payments by Fährbrücke in late 2010, we had entered into an agreement with Fährbrücke that allowed Fährbrücke to pay the amounts due to us in instalments. In return, Fährbrücke granted us a writ of execution (*Vollstreckungstitel*) and entered into a payment and enforcement agreement (*Zahlungs- und Vollstreckungsabkommen*) to protect our claims in case Fährbrücke did not make the agreed instalment payments. Fährbrücke paid the final instalment in December 2011.

The administrator of Fährbrücke has now challenged certain payments received in 2011 under applicable German insolvency laws, alleging that we were aware of Fährbrücke's financial condition and that the payments were made with an intent to disadvantage other creditors of Fährbrücke. In July 2013, we rejected the challenge to the payments and. after receiving another payment demand from the administrator's legal counsel in September 2013, our legal counsel has reiterated our rejection of the challenge and has denied the allegations of the administrator in writing. We expect to enter into settlement discussions with the administrator shortly and have made certain provisions in our financial statements based on our current evaluation of the merits of the matter. The relevant provisions are reflected in our results of operations for the nine-month period ended September 30, 2013 included in this offering memorandum and were recorded under "Other Operating Expenses."

Finally, Georgia Pacific S.à r.l. ("**Georgia Pacific**") has initiated proceedings for the deletion (*Widerspruchs- und Löschungsverfahren*) of our "Wepa Prestige" trademark with the German Patent and Trademark Office (the "**PTO**"), claiming that it is similar to its own (older) "Prestige" trademark. We strongly disagree with Georgia Pacific's position and believe that the term 'Prestige' is a mere marketing statement that is not eligible for trademark protection. Instead, we believe that only the "Wepa" part of the trademark is relevant in evaluating likelihood of confusion.

After attempts at settling this dispute had failed, we filed our objections in the proceedings initiated to Georgia Pacific's objections with the PTO, most recently in November 2013. In addition, we initiated our own proceedings for the deletion of the German part of Georgia Pacific's own "Prestige" trademark", to which Georgia Pacific, in turn, has objected. Both proceedings are pending and no resolution can currently be predicted.

INFORMATION TECHNOLOGY

We maintain a central IT department in Arnsberg which coordinates the IT resources of our Group. Our data centers are currently located in Arnsberg and in Lucca. We plan to merge them into a single centralized data center in Arnsberg in the near future.

We are in the process of implementing a harmonized Enterprise-Resource-Planning ("**ERP**") software throughout our Group. The current system is being replaced and/or updated by Oracle's JD Edwards software. We expect that the introduction of a unified ERP system will improve the management of information across our Group, particular in the areas of finance, accounting, supply chain management, sales, manufacturing and stock management. The introduction of the new ERP system commenced in 2011, with the implementation temporarily suspended for some of our production sites pending the implementation of the Continuing Improvement Program and the Restructuring and our aim to reduce capital expenditures in 2011 and 2012. We expect to finalize the implementation of the new ERP system by December 31, 2013.

SUSTAINABILITY FOCUS

We have established and implemented various environmental, health & safety and sustainability policies. We continuously work on our sustainable development program, driven by a sustainability committee meeting every two months and reporting on an annual basis to the Management Board. All our sites are ISO 1400-certified. In addition, we use "MessDas", an integrated production monitoring and control system, in order to ensure a resource-efficient operation of our production processes.

Our sustainability program aims to reduce our environmental footprint. For example, we have developed a life cycle assessment and CO_2-evaluation for our "New Start" products, which were approved and continue to be monitored by an independent expert on an ongoing basis. Our "New Start" products include toilet paper made from recovered paper, where the production process uses at least 10% less CO_2 compared to the production of standard toilet paper made from pulp. Additional objectives include using certified fiber, gaining Forest Stewardship Council ("**FSC**") chain of custody certification and increasing our offering of third party-certified products. Increasing demands from retail and commercial customers and consumers, increased focus and communication on sustainability and internal cost-savings opportunities are our main drivers for deploying this strategic initiative. Through our efforts in this program, we were able to achieve a 15% reduction in CO_2 emission for certain of our products.

We are also the market leader for recycled toilet paper in Germany, Austria and Switzerland as well as one of Europe's leading recycled tissue paper producers. We can produce tissue paper from recovered paper at four of our production sites. Compared to tissue paper made from pulp, producing de-inked pulp from recovered paper requires less energy and leads to less water and air pollution. We have obtained various eco-labels and certifications for our products, such as the EU Ecolabel, the so-called "Blauer Engel" (*Blue Angel*) for Germany and the FSC certification for promoting responsible management of the world's forests.

We have taken various steps to reduce our energy consumption, such as (i) implementing an alarm signal in case our energy consumption is about to exceed certain thresholds, (ii) using "MessDas" to monitor annual hours of use compared to target use duration (e.g., 7,000 hours), (iii) avoiding simultaneous start-ups and synchronized operation of processes and large instigations (e.g., by interlocks in the process control system), (iv) starting of the pulping machine with a certain time lag after the start-up of the paper machines, (v) using screens with real-time measurements of electric energy demand and monitoring of the electricity performance of the machine controls, and (vi) identifying "switch-off potential" or opportunities for workload reductions.

QUALITY CONTROL

We focus extensively on operational excellence with the objective of achieving a consistent and positive overall consumer and customer experience. Our quality control standards are given a high level of importance and are generally in line with the standards set by other reputable multinational competitors.

Our internal quality controls include:

- Auditing of supplier qualifications;
- Consistent testing of production, sampling of finished products for workmanship and physical testing for compliance to pre-approved specifications;

- Generating key performance indicators along with detailed test reports on all semi-finished and finished products;
- Holding bi-monthly executive meetings to review results, track progress on major issues/opportunities and set goals as needed;
- Establishing a Rapid Response and Retrieval system (or RRR) across our Group, including mock recall exercises to promote preparedness; and
- Tracking all major start-ups by quality assurance and providing detailed reports to management throughout the new product development process. All products receive annual specification reviews with product development and marketing stakeholders.

Our third party controls include:

- Auditing of all plants according to ISO 9001 and ISO 14001;
- Routine customer-initiated third-party audits of our sites; and
- Ranking of performance along key important customer metrics by independent surveys.

RESEARCH AND DEVELOPMENT

We consider research and development to be an important factor in staying competitive and strengthening our customer relationships. In order to ensure a constant flow of know-how and close technological cooperation between our various Group companies, we centrally coordinate our research and development activities through small research department in our facility in Mainz. Due to our product portfolio, which consists primarily of standardized, commodity-like tissue paper products, our budget for research and development measures is, compared to other industries with higher innovation pressure, relatively low.

Our research and development activities are primarily focused on the constant improvement of our products and production processes. In close cooperation with our customers, we constantly work on increasing the quality of our products, such as softness and strength. We also regularly discuss and evaluate with our customers their tissue paper product portfolio, the further development of our existing products as well as special promotions by our customers. We believe that continuous contact with customers across almost all of our product families, coupled with the scale of our operations, gives us a specific advantage in product and process development. In the past, we have also focused on the development of new product categories without the involvement of our customers. For example, we developed "Kitkins", which serves as a kitchen towel on the one side and a napkin on the other side. However, due to our strong focus on the private label sector and the optimization of our production costs, we have decided to focus less on such in-house developments.

In addition, both our research and production departments have a strong focus on constantly improving and optimizing our manufacturing process, aiming to reduce manufacturing, raw material and transportation costs. In 2012, we worked with one of our major customers to modify certain product specifications, which allowed us to increase pallet load by 43% leading to approximately €1 million in expected annual freight cost reductions.

SALES AND MARKETING

Our sales and marketing team primarily develops and strengthens new and existing customer relationships and acquires new orders and business. To ensure optimal service levels we integrated the planning/supply chain functions with the sales & marketing function. This team consists of 102 people. The majority of team members are located at our headquarters in Arnsberg, which is also responsible for coordinating and developing our sales and marketing strategies and activities. Our local Group companies in Italy, France and Poland are also given certain regional responsibilities. Our Consumer division accounts for approximately 83% of our marketing and sales team, while the remaining 17% of team members focus on the AfH business and the sale of jumbo reels. With the support of our technical and supply chain functions, our sales team is also responsible for product specifications and pricing.

Our marketing team is tasked with market research and supporting the sales team with marketing tools to optimize our customer portfolios and to build brand equity for our smaller brand business. It plays a strategic advisory role with retailers, assisting with category management and efficient promotional and shelf assortment initiatives. Compared to branded-label tissue producers, our marketing expense is low.

SHAREHOLDERS

WEPA Industrieholding SE, Arnsberg, registered in the Commercial Register of the Local Court of Arnsberg under HRB 8504, with business address Rönkhauser Straße 26, 59757 Arnsberg, holds all shares of the Issuer. The registered share capital of the Issuer amounts to €8,100,000 and is fully paid up. WEPA Industrieholding SE became the holding company of the WEPA Group in 2009 as part of a reorganization of the WEPA Group to streamline the organizational structure and operations of the WEPA Group following its expansion in prior years.

The shares of WEPA Industrieholding SE, which has a share capital of €201,037.00, are held by Martin Krengel Beteiligungs-GmbH, Wolfgang Krengel Beteiligungs-GmbH and Jochen Krengel Beteiligungs-GmbH, each holding a 22.67% stake, as well as by Marsberger Kraftwerk GmbH, which holds a 32.00% stake. With the exception of a 22.3% share in Marsberger Kraftwerk GmbH held by the Issuer, all shares in these entities, in turn, are held by members of the Krengel family.

MANAGEMENT

OVERVIEW

Our group is managed by a management team consisting of the managing directors (*Geschäftsführer*) and the senior management of the Issuer. The managing directors of the Issuer are Martin Krengel, Johann Wolbert and Walter Hirner (the "**Managing Directors**"). Martin Krengel serves as Chief Executive Officer, Johann Wolbert as Chief Financial Officer and Walter Hirner as Chief Technical Officer of our Group. They are supported by an experienced senior management team consisting of the divisional heads for Marketing & Planning, AfH, Human Resources, Procurement, Engineering & Production, Legal, Risk Management & Compliance and IT as well as the Chief Coordinator for Italy.

Both Mr. Krengel, Mr. Wolbert and Mr. Hirner also serve as members of the management board of WEPA Industrieholding SE (the "**Parent**"). The Parent, incorporated as a European Company (*Societas Europaea—SE*), is the sole shareholder of the Issuer. Because it holds 100% of the shares of the Issuer, its management board (the "**Management Board**") and supervisory board (the "**Supervisory Board**") control, either directly or indirectly, the business of our Group.

MANAGEMENT BOARD OF THE ISSUER

The Issuer is organized as a German limited liability company (*Gesellschaft mit beschränkter Haftung/GmbH*) under the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung/GmbHG*) and is managed by Martin Krengel, Johann Wolbert and Walter Hirner as managing directors. The Managing Directors, which form the management board (*Geschäftsführung*) of the Issuer, are elected by the Parent as the sole shareholder. The current bylaws of the Issuer require that one or more managing directors need to be appointed. The Issuer is represented by two managing directors or one managing director together with an authorized proxy (*Prokurist*) acting jointly.

The Managing Directors are responsible for managing the day-to-day business of the company. Each Managing Director is under a duty to act in accordance with applicable laws, the bylaws and the rules of procedure for the Managing Directors as well as in accordance with his or her respective service agreements. The Managing Directors must not, without the approval of the shareholder's meeting of the Issuer (the "**Shareholder's Meeting**"), take any action or enter into any transaction outside the ordinary course of the company's business. According to the rules of procedure of the management board of the Issuer, transactions and dealings which exceed certain thresholds also require the consent of the Shareholder's Meeting. Ultimately, such transactions and dealings will therefore require the approval of the Supervisory Board of the Parent.

The Shareholder's Meeting may issue instructions which are binding upon the Managing Directors. However, as the corporate governance of the Issuer generally provides for the same persons to serve as Managing Directors as on the Management Board, the Shareholder's Meeting ability to give instructions has little relevance. Instructions that would result in violations of mandatory provisions of German corporate law and in particular, capital maintenance rules, are in any event prohibited.

The Managing Directors of the Issuer are:

Name (Age)	Member Since	Term Expiry (Parent)	Position
Martin Krengel (55)	1990	2014	Chief Executive Officer
Johann Wolbert (62)	2012	2014	Chief Financial Officer
Walter Hirner (54)	2013	2018	Chief Technical Officer

The Managing Directors may be contacted at the offices of the Issuer at Rönkhauser Straße 26, 59757 Arnsberg.

Martin Krengel (age 56). After completing his studies in law in 1985, Mr. Krengel has held various management positions within the WEPA Group and became a managing director of the legal predecessor of the Issuer (WEPA Papierfabrik P. Krengel GmbH & Co) in 1990. Mr. Krengel currently serves as our Chief Executive Officer and as a member of the Management Board of the Parent. In addition to his roles within the WEPA Group, Mr. Krengel currently serves as chairman of a trade association of the regional paper industry (*Wirtschaftsverbandes der rheinisch-westfälischen papiererzeugenden Industrie e.V.*), as chairman of the employers' association of the regional paper industry (*Arbeitgeberverband der rheinisch-westf. papiererzeugenden Industrie e.V.*) and as vice chairman of the Federation of the Employers'

Associations of the German Paper Industry (*Verband der Arbeitgeberverbände der deutschen Papierindustrie*). Mr. Krengel is also the sole managing director of Martin Krengel-Beteiligungs GmbH, which holds 22.67% of the shares in the Parent.

Johann Wolbert (age 62). After completing his studies in business administration, Mr. Wolbert held various senior positions at the Amsterdam Rotterdam-Bank, Citibank and Dresdner Bank, with a focus on corporate and investment banking. Mr. Wolbert also worked as a senior advisor for Goldman Sachs, Fortress and the Cerberus group. In addition, he has served as an external advisor and chief executive officer of a number of other companies. Before becoming a Managing Director, Mr. Wolbert served, among other positions, as chief executive officer of Albis Finance AG and Hypo-Alpe-Adria Leasing GmbH. Mr. Wolbert serves also a member of the Management Board of the Parent and also acts as our Chief Commercial Officer. Mr. Wolbert has extensive experience in corporate and financing matters and was appointed as Chief Financial Officer of our Group in 2012.

Walter Hirner (age 54). After completing his studies in papermaking at the University of Applied Sciences in Munich, Mr. Hirner worked for more than 30 years for our main competitor SCA. Prior to joining us, Mr. Hirner served as Vice President Technology for SCA Tissue Europe and as technical director as member of the board of SCA in Germany. In these functions, he focused primarily on areas of manufacturing excellence, supply chain strategy and investments (Acquisitions and Greenfield-Projects). Mr. Hirner was appointed as Chief Technical Officer of our Group in 2013. Inter alia, he is the responsible board member for the Continuous Improvement Process.

Following the successful completion of the Refinancing in May 2013, we commenced a process for the recruitment of a permanent successor of Mr. Wolbert as Chief Financial Officer. We have recently completed this process. We expect that a permanent successor of Mr. Wolbert will join us as Chief Financial Officer in the second quarter of 2014. In addition, Dr. Hendrik Otto, currently a partner at law firm Mayer Brown LLP and a long-term trusted advisor to the Issuer, agreed to join us full-time as an additional member of our Management Board as of February 1, 2014. In his new role, Dr. Otto will be responsible, among other things, for human resources, legal and business development within the WEPA Group.

Compensation

The Managing Directors do not receive any separate remuneration other than their respective remuneration as members of the Management Board of the Parent. The remuneration of the members of the Management Board consists of a fixed component and variable compensation elements. The fixed component comprises a base salary and payments in kind. The variable components include annually recurring components tied to business performance, as well as components that offer long-range incentives and that are tied to risk taking. The base salary is paid in twelve equal monthly instalments. The payments in kind to the members of the Management Board consist mainly of the use of company vehicles. The variable component is granted primarily in accordance with the WEPA Group business performance indicators (e.g. EBIT, EBITDA and free cash flow). The details are established annually by mutual agreement. The variable components can include a cap. The compensation of Johann Wolbert as member of the Management Board is paid through the consulting firm Treblow GmbH. Treblow GmbH has concluded a service agreement with the Parent, providing for Johann Wolbert to render services as a member of the Management Board of the Parent and as Chief Financial Officer of the management board of the Issuer.

The total compensation of the members of the Management Board (excluding the former Chief Restructuring Officer Dr. Rättig from AlixPartners) as well as to the members of our Senior Management amounted to approximately €7.0 million in 2012, including total compensation and severance payments of approximately €4.4 million on aggregate to three former members who left the Management Board on August 31, 2012 (Stephan Schilling) and September 30, 2012 (Jochen Krengel and Wolfgang Krengel), respectively. These amounts included fixed salaries, payments in kind and variable performance-related compensation. Payments in kind included the use of company cars, payment of hotel expenses, travel expenses and premiums for accident insurance.

The Parent and the Issuer have obtained D&O insurance, covering the Managing Directors.

SENIOR MANAGEMENT OF THE ISSUER

Together with the Managing Directors, our senior management forms the management team of our Group. It currently consists of the divisional heads for Marketing & Planning, AfH, Human Resources, Procurement, Engineering & Production, Legal, Risk Management & Compliance as well as IT (together the "**Senior Management** "). The duties of the divisional heads within the management team include providing support to the Managing Directors. The members of our Senior Management include:

Name	Age	Joined the Group	Responsibility
Dr. Wolfram Hauff . .	47	2010	Head of Sales, Marketing and Planning
Dr. Benno Hundgeburt	48	2005	Head of Away-from-Home / Head of Human Resources
Burkhard Krücke	40	2008	Head of Procurement
Dr. Wolfgang Lied . . .	52	2009	Head of Production and Engineering
Leopold Kissmer	53	2006	Head of Information Technology
Carsten Deichmann . .	41	2010	Head of Legal, Risk Management and Compliance

SUPERVISORY BOARD OF THE PARENT

The Supervisory Board advises and monitors the Management Board, and thereby indirectly the Managing Directors. It is not authorized to exercise management functions. However, pursuant to the Articles of Association of the Parent, the rules of procedure of the Managing Directors and of the Management Board and, as the case may be, resolutions of the Supervisory Board, certain types of transactions and dealings exceeding certain thresholds or being outside the ordinary course of business may only be entered into with the approval of the Supervisory Board. Approval is generally required before a transaction is executed. The Management Board must also regularly report to the Supervisory Board (at least quarterly) on the course of business, with particular reference to revenue and the status of the Parent and its subsidiaries, including the Issuer. Same as the members of the Management Board, also the members of the Supervisory Board have duties of loyalty and due diligence towards the Parent.

Pursuant to the current Articles of Association, the Supervisory Board currently consists of six members, all of whom have been elected at the annual general meeting (*ordentliche Hauptversammlung*) ("**Annual General Meeting**") of the Parent. On December 9, 2013, the general meeting of the Parent is expected to resolve the reduction of the number of its supervisory board members from six to three, primarily in order to streamline the Supervisory Board, focusing on external and reputable Supervisory Board members. The reduction will become effective once it has been registered with the commercial register. We expect the registration to take place early next year. Jochen Krengel, Markus von Blomberg and Walter Zickenrott have agreed to resign as members of the Supervisory Board with effect as of the registration of the reduction in the commercial register. The remaining Supervisory Board members—Friedrich Merz, Dr. Hans-Joachim Körber and Fritz Schur—have already indicated their willingness to accept a re-election on the existing terms for another five year term upon expiry of their respective current terms.

The Supervisory Board currently consists of:

Name (Principal Occupation)	Position	Term Expiry*	Other memberships in administrative, management or supervisory bodies or as partner in partnerships
Friedrich Merz (Lawyer)	Chairman	2013	Deutsche Börse AG, member of the supervisory board Axa Konzern AG, member of the supervisory board
			BASF Antwerpen N.V., member of the board of directors
			Borussia Dortmund Geschäftsführungs-GmbH, member of the advisory board
			HSBC Trinkaus AG, member of the supervisory board, member of the advisory board
			Mayer Brown LLP, Partner
Dr. Hans-Joachim Körber (former CEO of Metro AG)	Deputy Chairman	2013	Air Berlin PLC, Chairman of the Board of Directors Bertelsmann AG, member of the supervisory board
			Kaufhof Warenhaus AG, member of the supervisory board
			Real Holding GmbH, member of the supervisory board
			Loyalty Partner Holding GmbH, member of the supervisory board
			Skandinaviska Enskilda Banken AB, member of the Board of Directors
Markus von Blomberg (CEO of Beteiligungsgesellschaft Mello GmbH)	Member	2013*	Beteiligungsgesellschaft Mello GmbH, shareholder and member of board of directors DruMeta Metall GmbH & Co. KG, Chairman of advisory board
			Erfurt & Sohn KG, member of advisory board
			NovoTech GmbH & Co KG, chairman of supervisory board
			TFI GmbH, chairman of supervisory board
			Wavescape Technologies GmbH, Wuppertal, chairman of supervisory board
Fritz Schur (Chairman of various companies)	Member	2014	DONG Energy, Chairman of the management board Uhrenholdt Holding, Chairman of the management board Fritz Schur Gruppen, Chairman of the management board
			Relation-Lab, SAS Group, Chairman of the management board
			Posten Norden AB, Chairman of the management board
Jochen Krengel (former member of Management Board)	Member	2014*	Jochen Krengel Beteiligungs-GmbH, managing director
Walter Zickenrott (Financial Consultant)	Member	2014*	KreFam GmbH, managing director

* Term to expire on day of Annual General Meeting resolving on financial statements of year stated in chart. Jochen Krengel, Markus von Blomberg and Walter Zickenrott have agreed to resign as members of the Supervisory Board with effect as of the registration of the reduction of the number of Supervisory Board members in the commercial register which we expect to take place early next year.

With respect to member of the Supervisory Board Fritz Schur, please also refer to the description of a longstanding business relationship between us and Fritz Schur Consumer Products A/S, a company owned indirectly by Fritz Schur, at "Certain Relationships and Related Party Transactions—Other Agreements with Affiliated Parties."

Committees

The Supervisory Board does not have any active committees.

Compensation of Supervisory Board Members

Pursuant to the Articles of Association, the members of the Supervisory Board receive a fixed compensation, payable after the end of the fiscal year in the amount of €50,000 per annum. The chairman of the Supervisory Board receives €100,000 and the deputy chairman €75,000. In addition, the company reimburses the members of the Supervisory Board for their out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members.

The Parent has obtained D&O insurance in its name, covering the members of the Supervisory Board.

Further Information about the Managing Directors and members of the Management Board and the Supervisory Board

Neither the Parent nor the Issuer has granted loans to Managing Directors, to members of the Management Board or the Supervisory Board or to any member of Senior Management.

None of the Managing Directors or any member of the Management Board, the Supervisory Board or Senior Management has employment agreements, service contracts or other agreements with the Parent, the Issuer or any company belonging to the WEPA Group which provides for any severance payments or other special remuneration upon the termination of their employment. Martin Krengel and Jochen Krengel are brothers. Besides that, no other family relationships exist between or among any of the Managing Directors or any of the members of the Supervisory Board, the Management Board or Senior Management.

In 2012, members of the Management Board Stephan Schilling (effective August 31, 2012) and Jochen Krengel and Wolfgang Krengel (in each case effective September 30, 2012) left the Management Board which formerly consisted of six members. Their severance and compensation package included payments of approximately €1.89 million in the aggregate. Furthermore, Jochen Krengel, Wolfgang Krengel and Stephan Schilling were reimbursed for certain expenses, such as company cars, mobile phones and laptops, until December 31, 2012. On May 31, 2013, Dr. Klaus Rättig resigned as Chief Restructuring Officer of the Parent following the completion of the offering of the Original Notes and the Refinancing.

GENERAL INFORMATION ON THE ISSUER AND THE GUARANTORS

WEPA Hygieneprodukte GmbH

The Issuer is registered in the commercial register of the Local Court of Arnsberg under the number HRB 9280 under its current name WEPA Hygieneprodukte GmbH. The Issuer was established under the name WEPA Papierfabrik P. Krengel KG as a limited partnership (*Kommanditgesellschaft*) on January 4, 1960 and was converted into a limited liability company (*Gesellschaft mit beschränkter Haftung/GmbH*) with an indefinite duration on August 27, 2010. Its registered share capital amounts to €8,100,000.

The Issuer's main offices are located at Rönkhauser Str. 26, 59757 Arnsberg, Germany. The main telephone number of the Issuer is +49 (0) 2932-3070 and its corporate website is www.wepa.de.

According to article 2 of the Issuer's articles of association, the corporate purpose of the Issuer is the production, converting and/or distribution of paper of any kind. It is authorized to produce, convert, purchase and/or distribute other products and offer services of any kind and is entitled to set up branches in Germany or abroad and to establish subsidiaries. It may also acquire or take a stake in entities with similar or other corporate purposes and is authorized to conduct any business and take any actions which may promote its corporate purpose.

WEPA International GmbH

WEPA International GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 6896 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA International GmbH's registered share capital amounts to € 26,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the acting as an intermediate holding company for some of our international production sites.

WEPA Papierfabrik Sachsen GmbH

WEPA Papierfabrik Sachsen GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Chemnitz, Germany, under registration number HRB 3901 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Papierfabrik Sachsen GmbH's registered share capital amounts to €5,556,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution of tissue paper and related products.

WEPA Leuna GmbH

WEPA Leuna is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 8385 and its registered office is An der B91 Alter Maienweg, 06237 Spergau, Germany.

WEPA Leuna GmbH's registered share capital amounts to €25,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution of tissue paper and related products.

WEPA Lucca S.r.l.

WEPA Lucca S.r.l. is a limited liability company (*Società a responsabilità limitata con un unico socio)* incorporated under the laws of Italy. It is registered with the commercial register Lucca, Italy, under tax (*codice fiscale*) and registration number 02595500212 and its registered office is Capannori (LU) zona industriale Porcari Nord SN, fraction: Lunata, Italy.

WEPA Lucca S.r.l.'s registered share capital amounts to €5,000,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution of tissue paper and related products.

WEPA Lille S.A.S.

WEPA Lille S.A.S. is a simplified joint stock company (*Société par actions simplifiée)* incorporated under the laws of France. It is registered with the commercial register RCS Lille-Métropole, France, under registration number 507500635 and its registered office is Avenue de l'Europe, 59166 Bousbecque, France.

WEPA Lille S.A.S. registered share capital amounts to €1,000,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production, converting and distribution and sale of tissue paper and related products.

WEPA Professional GmbH

WEPA Professional GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRB 9243 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Professional GmbH's registered share capital amounts to € 25,500.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the distribution of tissue paper and related products, with a focus on the AfH segment.

WEPA Grundbesitz GmbH & Co. KG

WEPA Grundbesitz GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6976 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Grundbesitz GmbH & Co. KG's registered liability contribution amounts to €1,100.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the letting of owned real properties to other members of the WEPA Group. The real properties owned by WEPA Grundbesitz GmbH & Co. KG are located in Arnsberg, Giershagen and Mainz.

WEPA Sachsen Grundbesitz GmbH & Co. KG

WEPA Sachsen Grundbesitz GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6977 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Sachsen Grundbesitz GmbH & Co KG's registered liability contribution amounts to €1,100.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the letting of owned real property to other members of the WEPA Group. The real property owned by WEPA Sachsen Grundbesitz GmbH & Co. KG is located in Kriebstein.

WEPA Leuna Grundbesitz GmbH & Co. KG

WEPA Leuna Grundbesitz GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6975 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Leuna Grundbesitz GmbH & Co. KG's registered liability contribution amounts to €1,100.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the letting of owned real property to other members of the WEPA Group. The real property owned by WEPA Leuna Grundbesitz GmbH & Co. KG is located in Leuna.

WEPA Professional Piechowice S.A.

WEPA Professional Piechowice S.A. is a joint stock corporation (*Spólka Akcyjna)* incorporated under the laws of Poland. It is registered with the commercial register of the district Court in Wrocław—Fabryczna in

Wrocław, Poland under register number KRS 0000137657 and under tax identification number (NIP) 6111003358 and its registered office is ul. Pakoszowska 1B , 58-573 Piechowice, Poland.

WEPA Professional Piechowice S.A.'s registered share capital amounts to PLN19,100,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the production of tissue paper and related products.

WEPA Produktion GmbH & Co. KG

WEPA Produktion GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft)* incorporated under the laws of Germany. It is registered with the commercial register of the local court of Arnsberg, Germany, under registration number HRA 6966 and its registered office is Rönkhauser Str. 26, 59757 Arnsberg, Germany.

WEPA Produktion GmbH & Co KG's registered liability contribution amounts to €1,000.

The activities (*Geschäftstätigkeit*) of the company comprise, among others, the management of operations (*Betriebsführung*) of our production sites in Arnsberg, Giershagen and Mainz.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

MARSBERGER KRAFTWERK GMBH

Overview

Marsberger Kraftwerk GmbH (**"MKG"**) was originally established as a joint venture between the Issuer and VEW Energie AG (now RWE Power Aktiengesellschaft) for the purpose of constructing and operating a dedicated industrial power plant in Giershagen which uses the accumulated fiber residue (*Faserabfallstoffe*) and waste materials included in the recovered paper we purchase (mostly plastics and other materials contained in the waste acquired by us for the production of recovered paper, such as binders, etc.) for our sites in Arnsberg and Giershagen to generate production steam and electricity for our site in Giershagen. Since 2012, MKG holds also a 32% stake in WEPA Industrieholding SE. Today, approximately 22.3% of MKG's share capital is owned by us, while the remaining shares are held by our indirect shareholders Martin Krengel (our Chief Executive Officer), Jochen Krengel and Wolfgang Krengel.

The power plant operated by MKG consists of a combined gas and steam turbine facility. In 2012, the plant produced 55,700 MWh of electricity and 154,400 tons of steam and incinerated 89,000 tons of fiber residue and 29,700 tons of waste paper. The annual operating time is up to 8,250 hours. In addition to supplying production steam and electricity to our site in Giershagen, the plant also allows us to incinerate the waste materials in the recovered paper we purchase for our sites in Arnsberg and Giershagen in a cost-efficient and environmentally friendly manner.

The commercial relationship between MKG and us is governed by an energy supply and waste disposal agreement (*Energieliefer- und Reststoffentsorgungsvertrag*) dated December 19, 2012 which has a fixed term of 10 years. Under this agreement, we are required to deliver certain specified volumes of fiber residue and rejects to MKG, while MKG agreed to incinerate these waste products. In addition, MKG agreed to supply production steam and electricity to our site in Giershagen. The prices for the services provided by MKG under this agreement reflect arm's length terms, i.e. are substantially similar to those a third party would charge for comparable services.

Potential Acquisition of Power Plant Business of MKG

In order to streamline the group structure and to achieve higher operating flexibility for the WEPA Group, we and MKG are currently considering a potential purchase of certain assets and liabilities of MKG from the proceeds of the offering comprising its operational power plant business by Westfälische Sportmarketing GmbH (then to be renamed Wepa Kraftwerk GmbH), a subsidiary of the Issuer, in the near future (the "**MKG Acquisition**"). MKG's shares in WEPA Industrieholding SE, including the cash generated with such shares, will not be transferred. The possible cash consideration for such transaction is currently being determined based on a third party valuation and we expect it to fall within the range between €12 million and €16 million. The assets expected to be transferred include, inter alia, fixed assets, inventory and all limited partner's interests ("**Limited Partner's Interests**") of MKG in Malachit Grundstücksverwaltungs mbH & Co. Vermietungs KG ("**Malachit KG**") which owns the power plant building based on a hereditary building right. Subject to the contracting parties' approval, certain contracts entered into by MKG, such as a leasing agreement as well as financing and security agreements, would also be transferred.

The transfer of the Limited Partner's Interests would result in a taxable profit at the level of MKG. In addition, trade income tax at the level of Malachit KG would arise, which would be reimbursed by Westfälische Sportmarketing GmbH. Furthermore, real estate transfer tax triggered at the level of Malachit KG would be reimbursed by Westfälische Sportmarketing GmbH. Following the potential acquisition, MKG's remaining assets will mainly consist of its 32% share in WEPA Industrieholding SE. There can be no assurance that the MKG Acquisition will occur within these parameters or at all.

GC & WEPA S.L.

In 2004, we established GC & WEPA S.L ("**GC & WEPA**") in Ejea de los Caballeros (Zaragoza, Spain) as a joint venture with Goma-Camps that operates a paper converting plant and serves the Spanish and Portuguese "retail & discount" tissue markets. We own a 49% minority stake in GC & WEPA with the remaining 51% stake held by Goma Camps. Our relationship with Goma-Camps is governed by the terms of a Framework & Shareholder Agreement dated December 21, 2004, which has an indefinite term provided that it will expire upon one of the joint venture partners acquiring at least two thirds of the capital of GC & WEPA.

The principal corporate purpose of GC & WEPA consists of the manufacture, conversion, handling, commercialization and sale of tissue paper and similar products of any type. Our joint venture with Goma-Camps is limited to the Spanish and Portuguese markets, and the "retail & discount" market that falls within the scope of the joint venture essentially covers the activities of our Consumer division. Activities in the so-called "cash & carry" market, i.e. the activities of our AfH division, do not fall within the scope of the joint venture.

GC & WEPA has its own annual tissue converting capacity of 40,000 tons. It purchases jumbo reels and finished products from third parties, including the WEPA Group. GC & WEPA sells approximately 55% of the finished products produced by it to smaller retail and discount markets in Spain and Portugal. The remaining volume of finished products, i.e. approximately 45%, is sold to the WEPA Group on the basis of a framework agreement on goods deliveries between GC & WEPA, the Issuer and other members of the WEPA Group. The agreement specifies a pricing methodology based on the "cost plus" formula, the conditions of delivery and the conditions of payment in the case of the delivery of goods within the group of signatories. The goods sold to us are then directly distributed to our customers in Southern France, Spain and Portugal.

As we own a minority stake in GC & WEPA, its results are only reflected in our consolidated financial statements as "earnings from associated companies" and GC & WEPA will not be a Restricted Subsidiary (as defined below) and will therefore not be subject to the limitations imposed by the Conditions of Issue governing the Notes. The board of directors of GC & WEPA consists of four members, with two members appointed by each joint venture partner. The chairman of the board is alternately designated for a three-year-period by Goma-Camps and us.

CENTRAL SERVICES AND COST ALLOCATION AGREEMENT WITH WEPA INDUSTRIEHOLDING SE

On July 1, 2009, the Issuer and other members of the WEPA Group entered into an agreement on central services and cost allocation with WEPA Industrieholding SE, the ultimate parent holding company of the WEPA Group (the "**Central Services and Cost Allocation Agreement**"). Under the Central Services and Cost Allocation Agreement, WEPA Industrieholding SE provides certain central services to various entities of the WEPA Group. These services include support in the following areas: coordination and general management, legal, tax and management consultancy, funding, human resources (including recruiting, remuneration advice, policy advice and the preparation and implementation of vocational training programs), finance and accounting, production planning, raw material procurement and marketing and sales. Under the terms of the Central Services and Cost Allocation Agreement, WEPA Group companies are entitled, but not required, to make use of the services offered by WEPA Industrieholding SE.

Any costs incurred by WEPA Industrieholding SE in providing services pursuant to the Central Services and Cost Allocation Agreement are allocated among the different WEPA Group companies in accordance with a cost allocation mechanism set forth in the Central Services and Cost Allocation Agreement. The prices WEPA Industrieholding SE charges within the WEPA Group are intended to represent arm's length terms, i.e. prices we believe are broadly similar to those a third party would charge for comparable services.

NORTHWOOD & WEPA LTD.

Overview

On May 1, 2013, Northwood & WEPA Ltd. ("**NW**"), a 50:50 joint venture established by members of the Krengel family—through a company named Winfried Limited ("**Winfried Limited**")—and members of the Fecher family in the United Kingdom, acquired all of the assets of the private label portion of the former Georgia-Pacific tissue business in the Consumer segment in the United Kingdom and Ireland (the "**UK Private Label Business**") from Svenska Cellulosa Aktiebolaget ("**SCA**"). To obtain the necessary competition approval by the EU Commission for its acquisition of most of the European tissue assets of Georgia-Pacific in July 2012, SCA had to agree to sell the former Georgia-Pacific tissue business in the Consumer segment in the United Kingdom, the Benelux countries and Scandinavia, including the UK Private Label Business.

To fund the equity for the financing of a portion of the purchase price for the UK Private Label Business, Winfried Limited obtained a £3.5 million loan from GC & WEPA. A further loan of €500,000 was provided by GC& WEPA to this entity for the financing of its interest payment obligations vis-à-vis GC&WEPA.

The paper machine at Bridgend, United Kingdom, which is part of the UK Private Label Business, uses a special, patent-protected manufacturing process for the production of high-end tissue paper (the so-called "eTAD" process (Through-Air-Dried)) pursuant to a license from Georgia-Pacific. The WEPA Group does not currently produce this type of high-end tissue paper. The manufacturing capacity of the paper machine in Bridgend amounts to approximately 52,000 tons a year.

The WEPA Group cooperates with NW for jointly pursuing potential opportunities in the private label tissue market in the United Kingdom and Ireland and to explore opportunities to leverage the combined purchasing power of the WEPA Group and NW with our raw materials suppliers. In addition, if required by the UK Private Label Business and if economically reasonable, we will sell, from time to time, jumbo reels and finished tissue products and/or equipment no longer used in our business to NW on an arm's length basis and at prices that we reasonably determine are no less favourable than those we might reasonably be able to obtain at the relevant time from an unaffiliated party.

Potential Acquisition of Shares in Northwood & WEPA Ltd.

In order to permit closer cooperation with NW and to give us a direct foothold in the important and strategically attractive UK private label market, we are currently considering a potential purchase of Winfried Limited which holds the 50% stake in NW currently held by members of the Krengel family (the "**NW Acquisition**") with the proceeds of the offering. The possible cash consideration for such transaction is currently being determined based on a third party valuation and we expect it to fall within the range between €15 million and €19.5 million. There can be no assurance that the NW Acquisition will occur within these parameters or at all.

OTHER AGREEMENTS WITH AFFILIATED PARTIES

Consulting Agreements with Jochen Krengel and Wolfgang Krengel

WEPA Industrieholding SE has entered into consulting agreements with its indirect shareholders and former members of the Management Board, Jochen Krengel and Wolfgang Krengel. Jochen Krengel, who still serves as a member of the Supervisory Board today, serves as an advisor to our Group in the fields of real estate, procurement and trading, in particular with respect to de-inked pulp. Wolfgang Krengel provides consulting services to our Group on technology and energy supply issues, with a particular focus on our production site in Lille, France.

As remuneration for their services, both Jochen Krengel and Wolfgang Krengel receive an annual base compensation in the amount €120,000. In addition, they receive a monthly compensation for office expenses in the amount of €2,500 and are indemnified for certain other necessary expenses. In the event that either Jochen Krengel or Wolfgang Krengel provide consulting services that do not fall within the scope of these consulting agreements, each is paid an amount of €1,000 per day while he provides such services. The consulting agreements with Jochen Krengel and Wolfgang Krengel became effective on October 1, 2012 and have no expiration date. Each agreement can be terminated with effect as of June 30 of each year, but not before June 30, 2014, with at least six months' prior notice. The consulting agreement and any amendments thereto have been approved by the Supervisory Board of WEPA Industrieholding SE. Pursuant to the Central Services and Cost Allocation Agreement between the Issuer and WEPA Industrieholding SE we are required to reimburse WEPA Industrieholding SE for the expenses linked to the consulting agreements to the extent the respective expenses are incurred in connection with consulting services within the scope of the Central Services and Cost Allocation Agreement.

Consulting Agreement with Walter Zickenrott

Walter Zickenrott, a member of the Supervisory Board of WEPA Industrieholding SE, has entered into a consulting agreement with WEPA Industrieholding SE. Under the terms of the consulting agreement, Mr. Zickenrott receives monthly consulting fees in the amount of €16,500 and is reimbursed for certain expenses. In addition, Mr. Zickenrott is entitled to a finder's fee calculated as a percentage of the purchase price paid by WEPA Industrieholding SE for any acquisition target identified by Mr. Zickenrott, to the extent a purchase agreement with regard to the target is entered into within 18 months of the termination of the consulting agreement. WEPA Industrieholding SE can terminate the consulting agreement upon three months' notice to the end of a calendar month, however, not effective prior to March 31, 2015.

Framework Agreement with Fritz Schur Consumer Products A/S

We have a longstanding business relationship with Fritz Schur Consumer Products A/S ("**Fritz Schur A/S**"), a company owned by Fritz Schur, another member of our Supervisory Board. Fritz Schur A/S is a leading Nordic trading and supply chain company that, inter alia, sells and delivers paper products. Fritz Schur A/S is to a large extent accountable for our activities in the Nordic countries (Denmark, Faroe Islands, Greenland, Finland, Iceland, Norway and Sweden), since it has been the longstanding exclusive Nordic importer of all of our paper products, including toilet paper, napkins, kitchen rolls, paper handkerchiefs, cosmetic wipes and paper towels. The current basis of our business relationship with Fritz Schur A/S is a framework agreement entered into on March 30, 2011, as amended from time to time. Under this agreement, we appoint Fritz Schur A/S as the sole importer of our products to the Nordic countries and confer the exclusive right to purchase our products with a view to resell to wholesalers, retailers and end customers within the territory. At the same time, Fritz Schur A/S appoints us as its sole supplier of tissue paper products to the Nordic countries and confers to us the exclusive right to deliver these products to Fritz Schur A/S for the purpose of reselling to wholesalers, retailers and end customers within the Nordic countries. Exceptions are granted for our sales to LIDL and Aldi in the Nordic countries, as we may sell our products to both of LIDL and Aldi and Fritz Schur A/S will refer all inquiries and requests regarding products from LIDL and Aldi to us. Further, we undertake not to market, offer or sell our products to wholesalers, retailers or end users outside the Nordic countries if such companies are owned or controlled by a customer of Fritz Schur A/S and are established in the Nordic countries. This provision currently applies to Netto Poland, Netto Germany and Netto UK. Conversely, Fritz Schur A/S undertakes not to deliver paper products to Netto Poland, Netto Germany and Netto UK, unless we are unwilling or incapable of delivering the requested product as specified by the respective customer. Any products we sell pursuant to the framework agreement are being sold at terms that are no less favorable to us than those that could be obtained in a comparable action with an unaffiliated party.

Legal services rendered by Mayer Brown LLP

Law firm Mayer Brown LLP has been providing legal advice to WEPA Industrieholding SE and different companies of the WEPA Group on various matters for a number of years. Friedrich Merz, who serves as member and chairman of the Supervisory Board of WEPA Industrieholding SE, is also a partner of Mayer Brown LLP. Friedrich Merz personally does not receive any remuneration directly related to the services provided to us by Mayer Brown LLP. The retention of Mayer Brown LLP as our legal counsel has been approved by the Supervisory Board of WEPA Industrieholding SE. In addition, Dr. Hendrik Otto, currently a partner at Mayer Brown LLP and a long-term trusted advisor to the Issuer, agreed to join us full-time as an additional member of our Management Board as of February 1, 2014. In his new role, Dr. Otto will be responsible, among other things, for human resources, legal and business development within the WEPA Group.

DESCRIPTION OF OTHER INDEBTEDNESS

The following includes a summary of the terms of the Senior Revolving Credit Facility entered into on April 29, 2013 and the Intercreditor Agreement entered into on May 8, 2013.

SENIOR REVOLVING CREDIT FACILITY

On April 29, 2013, we entered into the Senior Revolving Credit Facility agreement. The Senior Revolving Credit Facility provides for €90 million of committed financing (the "**Total Commitments**"), which is available for utilization by way of the drawing of cash revolving loans, and by way of ancillary facilities, from and including the date on which all conditions precedent under the Senior Revolving Credit Facility are satisfied, until the date falling one month prior to the Termination Date (as defined below).

Borrowings under the Senior Revolving Credit Facility may be used to finance or refinance the general corporate and working capital purposes of the Group, but not for certain other matters, including (without limitation) any capital expenditure, the acquisition of companies, businesses or undertakings, any payment of principal on the Notes or any payment of dividends.

The original borrowers under the Senior Revolving Credit Facility are the Issuer and WEPA Lucca S.R.L. The Senior Revolving Credit Facility is guaranteed by the Guarantors (as defined below under "—Security and Guarantees") and the Issuer. The facility agent (the "**Agent**") under the Senior Revolving Credit Facility is Commerzbank Aktingesellschaft.

Ancillary Facilities

Subject to a limit of €50 million for the use of ancillary facilities under the Senior Revolving Credit Facility, a lender (or its affiliates) may make available to a borrower under the Senior Revolving Credit Facility all or part of that lender's undrawn commitment in the Senior Revolving Credit Facility by way of ancillary facilities such as overdraft facilities, guarantees, bonding, documentary or stand-by letter of credit facilities, short-term loan facilities, foreign exchange facilities or any other facility or accommodation required in connection with the business of the Group and which is agreed between the Issuer and the relevant lender (or its affiliate), subject to the satisfaction of certain conditions precedent.

Clean Down

The Senior Revolving Credit Facility contains an annual minimum two business day net clean down from January 2015 of all utilizations under the Senior Revolving Credit Facility (including any cash loan elements under any ancillary facility and any loans covered by a guarantee or letter of credit issued under an ancillary facility, but deducting any available cash). At least six months must elapse between two such clean down periods.

Repayments and prepayments

The Senior Revolving Credit Facility terminates on the fifth anniversary of the date of the Senior Revolving Credit Facility (the "**Termination Date**") and any amounts still outstanding at such date will be immediately due and payable.

Subject to certain conditions, we may voluntarily prepay our utilisations and/or permanently cancel all or part of the available commitments under the Senior Revolving Credit Facility by giving five business days' prior notice to the Agent (provided that such prepayment or cancellation must be, if in part, in a minimum amount of €1 million) or (in case of a cancellation only) the remainder if the remaining commitments are less than €1 million.

Amounts repaid may (subject to the terms of the Senior Revolving Credit Facility) be reborrowed.

In addition to voluntary prepayments, the Senior Revolving Credit Facility requires mandatory cancellation and, if applicable, prepayment in full or in part in certain circumstances, including:

- with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Senior Revolving Credit Facility;
- subject to certain criteria, from any net insurance proceeds;

- upon the occurrence of a Change of Control, where "**Change of Control**" means that:
  i. Martin Krengel, Wolfgang Krengel and Jochen Krengel and any of their respective heirs and any person controlled (directly or indirectly) by any of them (the "**Permitted Holders**") cease directly or indirectly to hold 50% or more of the issued shares in the Issuer (measured by voting power rather than number of shares); or
  ii. all or substantially all of the assets of the Group are sold; and
- upon the occurrence of a Listing, where "**Listing**" means the listing or the admission to trading of all or any part of the share capital of any member of the Group or any Holding Company (as defined in the Senior Revolving Credit Facility) of a member of the Group on any recognized stock exchange, 50% of such Listing proceeds.

Upon any optional or mandatory redemption or acquisition of any of the Notes, if such redemption or acquisition would result in an aggregate amount greater than 50% of the original principal amount of the Notes being so redeemed or acquired, then an amount of the Senior Revolving Credit Facility equal to such aggregate amount must be cancelled and, to the extent necessary, prepaid (see also "—The Note Purchase Condition" below).

Interest and Fees

The Senior Revolving Credit Facility initially bears interest at a rate per annum equal to EURIBOR plus certain mandatory costs and a margin of 3.50% per annum, subject to a margin ratchet based on the "**Net Leverage Ratio**" at each quarter end commencing from January 1, 2014.

"**Net Leverage Ratio**" means, in respect of any relevant period, the ratio of total net debt on the last day of that relevant period to EBITDA in respect of that relevant period. A relevant period is a period of 12 months ending on 31 March, 30 June, 30 September, 31 December in any year.

We are also required to pay a commitment fee in arrears on the last day of each successive period of three months starting from the date of signing the Senior Revolving Credit Facility during the availability period, on available but unused commitments under the Senior Revolving Credit Facility at a rate of 40% of the applicable margin under the Senior Revolving Credit Facility.

We are also required to pay fees related to the issuance of ancillary facilities and certain fees to the Agent and the Security Agent in connection with the Senior Revolving Credit Facility.

Security and Guarantees

The Senior Revolving Credit Facility is guaranteed irrevocably and unconditionally, subject to certain customary limitations and agreed security principles, on a joint and several basis, by the Issuer, Wepa Leuna GmbH, Wepa Papierfabrik Sachsen GmbH, Wepa Grundbesitz GmbH & Co. KG, Wepa Leuna Grundbesitz GmbH & Co. KG, Wepa Sachsen Grundbesitz GmbH & Co. KG, Wepa Produktion GmbH & Co. KG, Wepa International GmbH, Wepa Professional GmbH, Wepa Professional Piechowice SA, Wepa Lucca S.R.L. and Wepa Lille S.A.S. (the "**Guarantors**").

The Senior Revolving Credit Facility also provides that (subject to certain customary limitations and the agreed security principles):

- on the Issue Date and at all times after that date, the aggregate turnover, aggregate gross assets and earnings before interest, tax, depreciation and amortization of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the Group) must represent not less than 85% of the Group's revenue, gross assets and Consolidated EBITDA (as defined in the Senior Revolving Credit Facility); and
- a member of the Group (other than the Parent and the Issuer) that has earnings before interest, tax, depreciation and amortization calculated on the same basis as Consolidated EBITDA (but on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the Group) representing 5% or more of EBITDA of the Group or has gross assets or turnover representing 5% or more of the gross assets or turnover of the Group calculated on a consolidated basis must become a guarantor under the Senior Revolving Credit Facility and grant security as the Agent may require, within 30 days.

Covenants

The Senior Revolving Credit Facility contains customary information and affirmative loan style covenants and also includes restrictive covenants that replicate those contained in the documentation required to implement the issue of the Notes (the "**Senior Notes Documents**"). The Senior Revolving Credit Facility also requires the Issuer to monitor each member of the Group's financial and operating performance and to ensure that the Issuer is in compliance with the "Leverage Ratio" financial covenant.

The financial covenant requires us to ensure that the "Leverage Ratio" does not exceed certain thresholds on quarterly test dates.

The Senior Revolving Credit Facility restricts the Issuer and any other member of the Group from making or entering into any factoring arrangements (whether on a recourse or non-recourse basis), Qualified Securitization Financing or further utilizations under the Senior Revolving Credit Facility if, as a result of those actions, the aggregate amount of loans or ancillary facilities outstanding under or in connection with the Senior Revolving Credit Facility and any liquidity made available under any such factoring arrangements or Qualified Securitization Financing would at any time exceed €180 million.

Debt Cover

The ratio of Total Net Debt as at the last day of a relevant measurement period ending on or before the dates set out in Column 1 below to EBITDA of the Group for that relevant measurement period shall not exceed the ratio set out in Column 2 opposite such date.

Relevant period expiring on or about:	Ratio
June 30, 2015	4.75:1
June 30, 2016	4.50:1
From June 30, 2016 and onwards	4.25:1

The financial covenant may also be amended or waived in whole or in part in accordance with the terms of the Senior Revolving Credit Facility. If the Issuer has notified the Agent that a possible breach of the financial covenant may occur, then the lenders and the Issuer shall enter into good faith negotiations with a view to finding a resolution to the event or circumstance that has given rise to such possible breach, provided, however, that any such negotiations shall not in any way whatsoever restrict the finance parties in exercising any of their rights under the finance documents as they, in their sole discretion, consider appropriate and the entry into of any such negotiations shall not constitute a waiver or allow for a delay or postponement of any testing dates or the delivery of any compliance certificates in relation to the financial covenant.

The Note Purchase Condition

The Senior Revolving Credit Facility only allows members of the Group to repay, purchase, defease or redeem (or otherwise retire for value) or acquire any of the Notes, subject to:

- the aggregate principal amount of all Notes prepaid, purchased, defeased, redeemed (or otherwise retired for value) or acquired since the Issue Date not exceeding 50% of the aggregate principal amount of the Notes issued on the Issue Date (the ***Original Notes***);
- no default continuing or resulting from the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition;
- the Issuer has demonstrated it would have been in compliance with the financial covenant as at the most recent testing date (on a pro forma basis assuming the relevant prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition had been made on the first day of the testing period); and
- in the event the prepayment, purchase, defeasement, redemption (or otherwise retirement for value) or acquisition follows a Change of Control, the Issuer has fully complied with its obligations set out in the Senior Revolving Credit Facility in relation to such Change of Control.

In the event that members of the Group make prepayments, purchases, defeasances, redemptions (or other retirements for value) or acquisitions that in aggregate exceed 50% of the aggregate principal amount of the Original Notes, the Issuer is obligated to match the prepayment, purchase, defeasance, redemption (or other retirement for value) or acquisition by a simultaneous cancellation and, if necessary, repayment of an equal amount under the Senior Revolving Credit Facility.

Events of Default

The Senior Revolving Credit Facility contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, a cross-default with respect to an event of default under, and as defined in, the Senior Notes Documents, non-payment, misrepresentation, breach of covenant, insolvency and insolvency proceedings, unlawfulness, litigation, expropriation and material adverse change the occurrence of which would allow the Agent (who shall do so if directed by the required majority of the lenders) to accelerate all or part of the outstanding utilisations and/or terminate the commitments and/or declare all or part of the utilizations payable on demand and/or declare that cash cover in respect of ancillary facilities is immediately due and payable and/or exercise any of its rights and remedies under the Senior Revolving Credit Facility and other related finance documents.

Governing law

The Senior Revolving Credit Facility and any non-contractual obligations arising out of or in connection with it are governed by and construed and enforced in accordance with German law.

INTERCREDITOR AGREEMENT

In connection with their entering into the Senior Revolving Credit Facility and the Senior Notes Documents, the Issuer, the Senior Holders' Representative, the Security Agent, the lenders under the Senior Revolving Credit Facility and others entered into an intercreditor agreement (the "**Intercreditor Agreement**") to govern the relationships and relative priorities among (i) the creditors of the Senior Revolving Credit Facility (the "**Lenders**"); (ii) the Senior Holders' Representative on behalf of itself and the holders of the Senior Notes; (iii) future hedge counterparties under certain hedging agreements (the "**Hedge Counterparties**"); (iv) certain future creditors of the Group; (v) certain intragroup creditors and debtors; (vi) various creditor representatives; and (vii) Commerzbank Aktingesellschaft as the Security Agent.

The Issuer and each of its affiliates that incurs any liability or provides any guarantee under the Senior Revolving Credit Facility or the Senior Notes Documents or the pari passu debt documentation are together referred to in this description as "**Debtors**".

The Intercreditor Agreement sets out, among other things, :

- the relative ranking of certain indebtedness of the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- when enforcement actions can be taken in respect of the transaction security;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the transaction security.

The Intercreditor Agreement contains provisions relating to indebtedness incurred by the Debtors that is permitted by the terms of the Senior Revolving Credit Facility and the Senior Notes Documents, which ranks *pari passu* to the Notes and is secured by the transaction security (the "**Pari Passu Debt**"), subject to the terms of the Intercreditor Agreement.

The following description is a summary of certain provisions that are contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the holders of the Notes.

Ranking and Priority

The Intercreditor Agreement provides, subject to the provisions regarding permitted payments and application of proceeds following an enforcement event as set out below, that the right and priority of payment of all present and future liabilities and obligations under the Senior Revolving Credit Facility (the "**Credit Facility Liabilities**"), the hedging agreements entered into by the Hedge Counterparties (the "**Hedging Liabilities**"), the Notes (the "**Senior Notes Liabilities**") and the Pari Passu Debt will rank *pari passu* in right and priority of payment without any preference between them. These liabilities rank ahead of any liabilities of the Debtors to the Issuer and its subsidiaries (the "**Intra-Group Liabilities**") or any debt to a holding company or a member of the Group that is not a Restricted Subsidiary (the "**Structural Liabilities**" and, together with the Intra-Group Liabilities, the "**Subordinated Liabilities**"). The Intercreditor Agreement does not purport to rank the Subordinated Liabilities among themselves.

Transaction Security

The Lenders, the Hedge Counterparties, the holders of the Notes, the Pari Passu Creditors, the creditor representatives and the Security Agent (together, the "**Secured Parties**") benefit from a guarantee and security package. Subject to the order of application of proceeds (see "—Application of Proceeds" below), the guarantee and security package shall rank and secure the Credit Facility Liabilities, the Hedging Liabilities, the Senior Notes Liabilities, the Pari Passu Debt, the creditor representative liabilities and the liabilities owed to the Security Agent *pari passu* and without preference between them. No Secured Party may take the benefit of any guarantee or security from the Guarantors unless such guarantee or security is also offered (to the extent legally possible) for the benefit of the other Secured Parties.

In addition, the Intercreditor Agreement provides that the guarantees and transaction security will be released in certain circumstances described further below in "—Release of Security and Guarantees—Non-distressed Disposals" and "—Release of Security and Guarantees—Distressed Disposals."

Permitted Payments

The Intercreditor Agreement permits payments to be made by the Debtors under the Senior Revolving Credit Facility, the Senior Notes Documents and any Pari Passu Debt documentation (provided such payments are permitted under those documents). The Intercreditor Agreement does also not prohibit payments to creditors of Intra-Group Liabilities, provided that there has been no acceleration event under any of the Senior Revolving Credit Facility, the Notes or the Pari Passu Debt (subject to exceptions). No payments may be made in respect of Structural Liabilities except as permitted by the Senior Revolving Credit Facility, the Senior Notes Documents and the Pari Passu Debt documentation or if after an acceleration under any of the Senior Revolving Credit Facility, the Notes or the Pari Passu Debt or enforcement of the Transaction Security unless the required majority of each class of debt has consented. In order to assist enforcement in certain jurisdictions, the Security Agent holds a parallel claim, in an amount equal to the Secured Liabilities at any time, against the Debtors. Any payment of the Secured Liabilities reduces the Security Agent's claim by an equal amount.

There are also restrictions on payments to Hedge Counterparties except certain specified permitted payments.

An acceleration event includes a non-payment event of default under the Senior Revolving Credit Facility or the relevant creditor representative making demand for or accelerating payment of amounts outstanding under the Senior Revolving Credit Facility, or any other equivalent acceleration provisions under the Senior Notes Documents and/or the Pari Passu Debt documentation.

Limitations on Enforcement

For the purposes of enforcement, the Lenders and their creditor representatives and any Hedge Counterparty to the extent of their priority Hedging Liabilities are referred to as the "**Super Senior Creditors**". Up to €25 million in aggregate of Hedging Liabilities may be designated as priority Hedging Liabilities.

If the transaction security has become enforceable and any of the Super Senior Creditors, the holders of the Senior Notes (acting through the Senior Holders' Representative) or the Pari Passu Creditors wish to enforce the transaction security, either (a) the majority Super Senior Creditors or (b) the majority Senior Creditors must give notice of the proposed instructions as to enforcement (the "**Shared Security Notice**") to the creditor representatives for the other creditor classes and the Security Agent. The giving of this notice triggers a 30 day consultation period during which time the creditor representatives for each of the creditor classes must discuss the proposals in good faith with a view to co-ordinating the proposed instructions. During the consultation period, but subject to certain exceptions, the Secured Parties may not accelerate their respective Liabilities owed to them under the Debt Documents nor close-out any hedging transactions.

The "**Majority Senior Creditors**" means a simple majority of the aggregate outstanding principal amount (plus capitalised interest) of a combined class of holders of the Senior Notes and Pari Passu Creditors and of the termination or close out amounts of Hedging Counterparties (to the extent priority Hedging Liabilities).

A creditor representative is not obliged to consult as described above (or shall only be obliged to consult for a shorter period) if:

- a insolvency event has occurred and is continuing in relation to a Debtor;
- an event of default is continuing in relation to liabilities owed to the relevant creditor group and that creditor group (acting reasonably and in good faith) determines, and notifies the creditor representatives, that to do so and thereby delay enforcement could reasonably be expected to have a material adverse effect on (A) the Security Agent's ability to enforce any of the transaction security; or (B) the realization proceeds available to that creditor group of any enforcement of the Transaction Security in any material respect; or
- the creditor representatives so agree.

Conflicting Enforcement Instructions

At the end of the consultation period, the Security Agent shall act on the instructions of the Instructing Group. If the Security Agent does not receive any instructions from the Instructing Group as to enforcement following the consultation period, the Security Agent shall take no action. The Instructing Group consists of (i) the Majority Super Senior Creditors and (ii) the Majority Senior Creditors, in each case acting through their creditor representatives.

If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who can constitute the Instructing Group (or if a creditor representative of a class of creditors fails to give instructions), then provided that the Majority Senior Creditors have complied with the consultation obligations in the Intercreditor Agreement and, those instructions are consistent with the security enforcement principles (see further below), the instructions as to enforcement from the Majority Senior Creditors will prevail over those of the Super Senior Creditors and the Majority Senior Creditors will constitute the Instructing Group. If the Majority Senior Creditors fail to give any enforcement instructions during the consultation period or instruct that there is no enforcement, the Security Agent will take no enforcement action.

If (a) the Security Agent has not taken any enforcement action within 3 months of the date of the first shared security notice was issued; (b) the Super Senior Creditors have not been repaid in full in cash within 6 months of the date the first Shared Security Notice was issued; or (c) an insolvency event occurs in respect of a Debtor and the Security Agent has not commenced enforcement, any enforcement instructions given by the majority Super Senior Creditors will then prevail, provided that they are consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles which include:

- achieving the security enforcement objective, which is to maximise, so far as is consistent with the prompt and expeditious realization of value from enforcement of the transaction security, the recoveries of all Secured Parties;
- all enforcement proceeds will be received in cash by the Security Agent or sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that after distribution in accordance with the Intercreditor Agreement, the Credit Facility Liabilities and priority Hedging Liabilities will be repaid and discharged in full;
- all enforcement action must be prompt and expeditious and reasonably expected to realise proceeds from enforcement within six months of receipt by the Security Agent of initial enforcement instructions;

- to the extent that the enforcement is over transaction security with an aggregate book value exceeding €5,000,000 (or its equivalent) or over all of the shares in a member of the restricted group which are secured, the Security Agent shall obtain an opinion from a "big four" accounting firm, a recognised independent investment bank or other reputable independent third party professional firm that is regularly engaged in providing valuations of the relevant type and size of assets, as to whether the amount received in connection with such enforcement is fair from a financial point of view taking into account all relevant circumstances (the ***Financial Advisor Opinion***);
- the Financial Advisor Opinion will be conclusive evidence that the security enforcement objective and the security enforcement principles have been met; and
- if the enforcement is by way of public auction, no Financial Advisor Opinion is required.

Turnover

Subject to certain exclusions, if any Lender, Pari Passu Creditor (other than a Holder), Hedge Counterparty (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any transaction security or the proceeds of any demand made in respect of any guarantee liability of any Debtor, except in accordance with "—Application of Proceeds" below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount (net of third party costs and taxes) on trust for the Security Agent and promptly pay an amount equal to that amount (net of third party costs and taxes) to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery (net of third party costs and taxes) to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

There is also a general turnover obligation on the subordinated creditors to turnover to the Security Agent all amounts which are not permitted payments made in accordance with the Intercreditor Agreement.

Application of Proceeds

All amounts from time to time received pursuant to the provisions described under "—Turnover" above or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the transaction security or Guarantee or otherwise paid to the Security Agent under the Intercreditor Agreement or any Debt Document shall be held on trust by the Security Agent and applied at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by law, in the following order:

- first, in discharging any sums owing to the Security Agent, any receiver or any delegate;
- second, *pari passu* and *pro rata*, to each creditor representative, including all costs and expenses incurred in connection with any enforcement;
- third, *pari passu* and *pro rata*, in payment to the creditor representative of the Lenders for application towards the discharge of the Credit Facility Liabilities, to the arrangers of the Credit Facility Agreement and the Hedge Counterparties in respect of their priority Hedging Liabilities;
- fourth, *pari passu* and *pro rata*, in payment to (i) the respective paying agent on behalf of the holders of the Notes for application towards the discharge of the Senior Notes Liabilities in accordance with the Senior Notes Documents; (ii) the creditor representatives of the Pair Passu Creditors for application towards the discharge of the Pari Passu Debt; and (iii) the Hedge Counterparties for application towards the discharge of the remaining Hedging Liabilities;
- fifth, in payment to any person the Security Agent is obliged to pay in priority to any Debtor; and
- sixth, in payment of the surplus (if any) to the relevant Debtor.

Option to Purchase

Any holders of the Notes and Pari Passu Creditors may, after an Acceleration Event or an enforcement, and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the Lenders and the Pari Passu Loan Creditors), exercise an option to purchase in full and in cash the Credit Facility Liability, any Pari Passu Liabilities incurred to refinance the Creditor Facility Liability in full and any priority Hedging Liabilities, at par.

Release of Security and Guarantees—Non-Distressed Disposals

In circumstances where a disposal (i.e. a disposal of an asset by a Debtor which is subject to the Transaction Security or a disposal of the shares in the capital of any holding company of a Debtor which is not otherwise prohibited by the terms of the Senior Revolving Credit Facility, the Senior Notes Documents and the Pari Passu Debt documentation) is not a distressed disposal, the Intercreditor Agreement provides that the Security Agent is irrevocably authorised and instructed to deliver:

- any release of the transaction security and any other claim over that asset;
- where that asset consists of shares in the capital of a Debtor, any release of the transaction security and any other claim over that Debtor's property and/or the shares in, and property of, any of its subsidiaries;
- any release of any transaction security and any other claim granted by any subsidiary of that holding company over any of its assets;
- where that asset consists of shares in the capital of a holding company of a Debtor, any release of the transaction security and any other claims granted by or over that holding company or any subsidiary of that holding company over any of its or their assets; and
- any release of the transaction security or any claim described above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may be reasonably requested by the relevant Debtor,

provided that in the case of a disposal to another member of the Group, the release of the security interests over the transaction security is not prohibited under the terms of the Senior Revolving Credit Facility, the Senior Notes Documents or any Pari Passu Debt documentation and any required replacement security is granted by the transferee before or at the same time as the release if required by the terms of the Senior Revolving Credit Facility, the Senior Notes Documents or Pari Passu Debt documentation, any proceeds from the disposal are to be applied in mandatory prepayment of the relevant debt.

Release of Security and Guarantees—Distressed Disposals

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement provides that the Security Agent is irrevocably authorised and instructed:

- to release the transaction security or any other claim over the relevant asset and execute and deliver or enter into any release of that transaction security, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- if the asset that is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Senior Notes) and certain other liabilities; (ii) any transaction security granted over that Debtor's assets and the assets of any of its subsidiaries; and (iii) any other claim of a Debtor or intra-Group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- if the asset that is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any transaction security granted over the assets of any subsidiary of that holding company; and (iii) any other claim of a Debtor or intra-Group lender over the assets of any subsidiary of that holding company;
- provided always that the disposal is in accordance with the security enforcement principles, if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities (other than the Super Senior Liabilities), guaranteeing liabilities (including in relation to the Senior Notes), certain other liabilities, and other intra-Group receivables; and
- if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described under "—Application of Proceeds."

Amendment

The Intercreditor Agreement may only be amended with the consent of the majority Super Senior Creditors, the required percentage of holders of the Notes (acting through the Senior Holders' Representative) (as set out in the Senior Notes Documents) or the written consent of the Senior Holders' Representative (acting in accordance with the terms of the Senior Notes Documents), the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation) or the written consent of the creditor representative of the Pari Passu Creditors (acting in accordance with the terms of the relevant Pari Passu Debt documentation), the Issuer and the Security Agent unless it relates to certain specified matters such as ranking, priority, turnover, redistribution, enforcement, disposal proceeds, application of enforcement proceeds and security enforcement priniciples. Such amendments require consent from all Super Senior Lenders, holders of the Notes (acting through the Senior Holders' Representative and in accordance with the Conditions of Issue of the Notes), the Pari Passu Debt representative (acting in accordance with the terms of the Pari Passu Debt documentation) and each Hedge Counterparty (to the extent such amendments adversely affect it), the Issuer (except for amendments to the security enforcement principles) and the Security Agent, provided that where an amendment or waiver only relates to the ranking order of priority or subordination or, or application of proceeds of enforcement to creditors ranking after another group of creditors, the consent of such group of creditors shall not be required.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party.

The Intercreditor Agreement may be amended without the consent of the holders of the Senior Notes in certain circumstances.

To the extent the Debtors wish to enter into Pari Passu Debt or other additional or replacement indebtedness ("**Additional Debtedness**") which is permitted to share in the transaction security pursuant to the Senior Revolving Credit Facility, Senior Notes Documents and other Pari Passu Debt documentation, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement on substantially the same terms as the Intercreditor Agreement.

The Intercreditor Agreement also permits the Security Agent (subject to the terms of the Senior Revolving Credit Facility) to enter into new or supplemental security and/or release and retake Transaction Security if certain conditions are met.

ABS PROGRAM/FACTORING ARRANGEMENTS

We currently have the ABS Program and the Factoring Arrangements in place as further described below. However, we intend to restructure and possibly replace the ABS Program and the Factoring Arrangements with a focus on increasing the overall maximum capacity and an extension of the current terms after the offering of the Notes.

ABS Program

We optimize our liquidity by selling a portion of our trade receivables as part of an off-balance asset-backed securities (ABS) program (the "**ABS Program**"). Based on an agreement we originally entered into with, *inter alia*, WestLB (now: Portigon AG) in 2004 and renewed in 2009 for an additional 5-year term, we sell our trade receivables to a special purpose vehicle (named Compass ABSproM Ltd.) on a non-recourse basis in return for an immediate cash payment. In order to cover the credit risk, we are paid the nominal amount of the sold receivables minus pre-agreed reserve amounts, a purchase price discount and transaction costs, which are booked to the income statement. Trade receivables are sold on a revolving basis with a maximum aggregate transaction volume of currently €45 million. The ABS Program contains representations, warranties and covenants typical to asset-backed security financing programs, including representations and warranties as to the eligibility of receivables sold under the ABS Program. As of September 30, 2013, we had €42.0 million outstanding under our ABS Program. In early 2014, we expect to replace our current ABS Program and the factoring programs with a new ABS structure in the amount of €110 million. This line of credit will be provided to the Issuer, WEPA Professional GmbH, WEPA

Lille S.A.S. and WEPA Lucca. Once this new structure is in place, the use of the remaining unutilized capacity under the new ABS structure may be subject to limitations pursuant to the Senior Revolving Credit Facility, since under the new ABS structure and the Senior Revolving Credit Facility only an aggregate amount of €180 million may be drawn.

Factoring Arrangements

We finance some of our trade receivables through off-balance sheet factoring programs in Germany and France. We have entered into off-balance sheet factoring agreements with GE Capital Factoring, which expire in March 2014 (France) and December 2015 (Germany), respectively. We sell our trade receivables to GE Capital Factoring on a non-recourse basis in return for an immediate cash payment. The factoring transactions occur on a rolling basis with a maximum aggregate transaction volume of currently €20 million in Germany and €20 million in France. As of September 30, 2013, we had €12.6 million outstanding under our factoring program in France and €18.2 million under our factoring program in Germany. As a result of our decision to enter into a new ABS structure in the amount of €110 beginning of 2014, we declined the offer made by GE Capital to increase the Factoring program of WEPA Lille S.A.S. in France to €25 million and extend the term until December 2015. Both factoring programs will now end upon replacement by the ABS structure or on March 31, 2014 (France) and December 31, 2015 (Germany), respectively, at the latest.

WAREHOUSE LEASE ARRANGEMENTS

We have financed the construction and/or improvement of certain of our warehouses through financial lease agreements. For more details, see "Business—Warehouse Lease Agreements."

DESCRIPTION OF THE NOTES

WEPA Hygieneprodukte GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under German law (the "**Issuer**") will issue €52,000,000 aggregate principal amount of senior secured notes due 2020 (the "**Additional Notes**"). The Additional Notes are being offered as additional notes under the conditions of issue (the "**Conditions of Issue**") dated May 13, 2013, pursuant to which the Issuer issued, on May 13, 2013 (the "**Issue Date**") €275,000,000 aggregate principal amount of 6.500% senior secured notes due 2010 (the "**Original Notes**" and together with the Additional Notes, the "**Notes**"). The Additional Notes offered hereby constitute an increase (*Aufstockung*) of the Original Notes and have the same terms as the Original Notes in all respects, and will be consolidated with and form a single series (*Gesamtemission*) with the Original Notes. In this "*Description of the Notes*", the term "**Issuer**" refers to Wepa Hygieneprodukte GmbH only and not to any of its subsidiaries and the term "**Parent**" refers to Wepa Industrieholding SE and not any of its subsidiaries.

The following describes the material provisions of the Notes, the Conditions of Issue, the Note Guarantees, the Security Documents and refers to the Intercreditor Agreement and is subject, and is qualified in its entirety by reference, to all of the provisions of the Notes, the Conditions of Issue, the Security Documents and the Intercreditor Agreement. We urge you to read the Conditions of Issue, the Notes, the Note Guarantees, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Conditions of Issue, the Notes, the Note Guarantees, the Security Documents and the Intercreditor Agreement are available as set forth under "*Listing and General Information*". You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*".

General

The Notes

The Notes will be governed by German law and will:

(a) constitute senior obligations of the Issuer;

(b) be secured by first-ranking Liens over the Collateral although any liabilities in respect of obligations under the Senior Revolving Credit Facility and Priority Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral;

(c) rank *pari passu* among themselves and *pari passu* in right of payment without any preference with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes including the senior guarantee given by the Issuer under the Senior Revolving Credit Facility (except to the extent described in clause (b) above), unless such obligations are accorded priority under mandatory provisions of statutory law;

(d) be effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;

(e) rank senior in right of payment to any existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes; and

(f) be structurally subordinated to any and all existing and future liabilities of the Subsidiaries of the Issuer that are not Guarantors.

The Additional Notes are intended to benefit from the same liens over the Collateral as the Notes issued on May 13, 2013. In order to address any potential legal uncertainty on this point with regard to the liens governed by German law, however, we will enter into separate confirmation agreements with regard to such liens on or before the issue date of the Additional Notes. In addition, we will create additional, junior ranking liens over the shares of or the partnership interests in the German members of the WEPA Group as well as over the bank accounts that form part of the Collateral. Such additional liens will secure all the Notes. Similarly, we will also create an additional, junior ranking lien over the shares in WEPA Lille S.A.S. and enter into a separate confirmation agreement with regard to the lien over the shares in WEPA Lucca S.r.l.

Guarantees

The Notes will initially be guaranteed by each Restricted Subsidiary of the Issuer which guarantees the Senior Revolving Credit Facility. The Guarantors are WEPA International GmbH, WEPA Papierfabrik

Sachsen GmbH, WEPA Leuna GmbH, WEPA Lucca S.r.l., WEPA Lille S.A.S., WEPA Professional GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Professional Piechowice SA and WEPA Produktion GmbH & Co. KG.

The Guarantors, jointly and severally, will guarantee as primary obligors and not merely as surety unconditionally and irrevocably, on (subject to the limitations set out below) a senior basis, the full and punctual payment of all amounts payable under the Notes when due. The Note Guarantees are agreed in separate agreements among Commerzbank Aktiengesellschaft, as Security Agent, and each Guarantor (the **"Guarantee Agreements"**). The Note Guarantees do not constitute contracts for the benefit of the holders of the Notes or the Holders' Representative (as defined below) from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) and do not give rise to the right of each holder of any Notes or the Holders' Representative to require performance of the Note Guarantees directly from the Guarantors and to enforce the Note Guarantees directly against the Guarantors. Copies of the Guarantee Agreements may be obtained free of charge at the principal office of the Paying Agent during normal business hours.

The Issuer may from time to time be required to procure from certain of its Subsidiaries (each, an "**Additional Guarantor**") the issuance of additional guarantees pursuant to the provisions set forth under "*—Covenants—Future Guarantors*" below. Any such guarantee (an "**Additional Note Guarantee**") shall be issued on substantially the same terms as the Initial Guarantees and be subject to legally advisable appropriate limitations reflecting the laws applicable to the relevant Additional Guarantor. The term "**Note Guarantees**" shall also include any such Additional Note Guarantees and the term "**Guarantors**" shall also include any such Additional Guarantors.

The obligations under the Note Guarantees issued by Guarantors will be limited as necessary under the terms of such Note Guarantees to prevent the Note Guarantees from constituting a fraudulent conveyance under applicable laws, or otherwise to reflect limitations under applicable laws, including with respect to maintenance of share capital and other applicable mandatory rules. The Note Guarantees may be subject to claims that they should be subordinated or voided in favor of our existing and future creditors under German or other applicable capital maintenance laws.

The Note Guarantee of each Guarantor will:

(a) constitute direct, unconditional and irrevocable senior obligations of such Guarantor;

(b) be secured by first-ranking Liens over the Collateral although any liabilities in respect of obligations under the Senior Revolving Credit Facility and Priority Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral;

(c) be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness;

(d) be *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Note Guarantee including the obligations of such Guarantor under the Senior Revolving Credit Facility (except to the extent described in clause (b) above), unless such obligations are accorded priority under mandatory provisions of statutory law;

(e) rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Note Guarantee; and

(f) be effectively senior to all of such Guarantor's existing and future unsecured Indebtedness to the extent of the assets securing such Note Guarantee.

Not all of the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or any Guarantor. During the 12 month period ended September 30, 2013, on a *pro forma* basis after giving effect to the issuance of the Notes and the application of proceeds therefrom, the Issuer and the Guarantors represented 100.0% of our consolidated revenue (effects of intragroup transactions eliminated) and 96.2% of our consolidated EBITDA (effects of intragroup transactions eliminated) and, as of September 30, 2013, held 94.3% of our consolidated total assets (effects of intragroup transactions eliminated).

The operations of the Issuer are conducted through its Subsidiaries and, therefore the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's non-Guarantor Subsidiaries, if any.

Additional Notes

The Issuer may, without the consent of the Holders, issue additional Notes under the Conditions of Issue from time to time after this offering having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or issue price). Any issuance of additional Notes is subject to all of the covenants in the Conditions of Issue including the covenant described below under "*—Covenants—Limitation on Indebtedness*". The Notes and any additional Notes subsequently issued under the Conditions of Issue will be consolidated with, form a single series (*Gesamtemission*) with and increase the aggregate principal amount of the Notes; provided, however, that further Notes will not be issued under the Conditions of Issue unless such further Notes are fungible with the Notes for U.S. federal income tax purposes. Unless the context requires otherwise, references in this "Description of the Notes" to the Notes include the Notes and any additional Notes that are issued.

Principal, Maturity and Interest

The Issuer will issue €52,000,000 aggregate principal amount of Additional Notes in this offering in denominations of €1,000, which will be transferable only in minimum aggregate principal amounts of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on May 15, 2020 (the "**Maturity Date**") at their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the Maturity Date.

Interest on the Additional Notes will accrue on their outstanding aggregate principal amount at the rate of 6.500% per annum from and including November 15, 2013 to but excluding the Maturity Date and will be payable semi-annually in arrears on May 15 and November 15 of each year commencing on May 15, 2014.

The Notes shall cease to bear interest at the end of the day immediately preceding the relevant due date for repayment.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

A Default shall occur, irrespective of any notice, if any amounts payable under the Notes are not paid when due. Any due and unpaid amount of principal shall, irrespective of any notice and for so long as such Default remains outstanding, bear additional default interest at a rate equal to one percent per annum from and including the relevant due date to but excluding the date of payment.

Payments of principal, premium and Additional Amounts, if any, and interest on the Notes will be made to the Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders of the Clearing System and, in case of principal, upon presentation and surrender of the Global Note. See "*Book-Entry; Delivery and Form*". Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes. No service charge will be payable for any registration of transfer or redemption of Notes, but the Issuer may require payment in certain circumstances of a sum sufficient to cover any transfer tax or other similar governmental charge that may be imposed in connection therewith.

Book-entry; Delivery and Form

The Additional Notes will be represented by two global notes in bearer form without interest coupons, one of which shall represent Additional Notes sold to qualified institutional buyers (as defined in, and in reliance on, Rule 144A under the Securities Act) and such global note shall initially be a temporary 144A global note which after the expiration of certain U.S. selling restrictions on December 16, 2014, will be replaced by a permanent 144A global note (each such global note, a "**144A Global Note**") and the other of which shall represent Additional Notes sold outside the United States to persons other than U.S. persons as defined in, and in reliance on, Regulation S under the Securities Act (such global note, a "**Reg S Global Note**" and, together with the 144A Global Note, the "**Global Notes**"). Definitive notes representing individual Notes and interest coupons shall not be issued. The Global Notes will be deposited with

Clearstream Banking AG, Frankfurt am Main ("**Clearstream**"). Ownership of interests in the Global Notes, referred to as "*book-entry interests*," will be limited to persons that have accounts with Clearstream (such persons, "**participants**") 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 Clearstream and its participants.

Security; Release of Collateral

The payment obligations of the Issuer under the Notes and the Guarantors under the Note Guarantees will be secured by first-ranking Liens over the collateral set out below (collectively, the "**Collateral**"):

(a) all the shares of or the partnership interests in the Issuer, each Guarantor and WEPA Produktion Verwaltung GmbH, as applicable;

(b) certain machinery and equipment of the Issuer, WEPA Professional GmbH, WEPA Leuna GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Grundbesitz GmbH & Co. KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG and WEPA Produktion GmbH & Co. KG;

(c) intercompany loans and insurance receivables held by the Issuer, WEPA International GmbH, WEPA Professional GmbH, WEPA Leuna GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Grundbesitz GmbH & Co KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG and WEPA Produktion GmbH & Co. KG;

(d) certain bank accounts with banks in Germany of the Issuer, WEPA International GmbH, WEPA Professional GmbH, WEPA Leuna GmbH, WEPA Papierfabrik Sachsen GmbH, WEPA Grundbesitz GmbH & Co KG, WEPA Leuna Grundbesitz GmbH & Co. KG, WEPA Sachsen Grundbesitz GmbH & Co. KG and WEPA Produktion GmbH & Co. KG; and

(e) charges over certain real property of WEPA Grundbesitz GmbH & Co KG, WEPA Leuna Grundbesitz GmbH & Co. KG and WEPA Sachsen Grundbesitz GmbH & Co. KG.

Security to be provided will be given in accordance with the Agreed Security Principles as set forth in the Intercreditor Agreement including the following:

(i) all Security granted may have to be limited to the extent advised by local counsel and tax advisors as being necessary to comply with local legal requirements and recommended tax structuring;

(ii) general statutory limitations, capital maintenance rules, financial assistance, corporate benefit, fraudulent preference, thin capitalisation rules (or analogous restrictions), retention of title claims and similar principles may limit the ability of a Guarantor to provide security;

(iii) the security and extent of its perfection will be agreed taking into account the cost to the group of providing security and the proportionate benefit accruing to the Holders;

(iv) any assets subject to third party arrangements and which prevent those assets from being charged will be excluded from the taking of security in any relevant security document provided that best endeavours to obtain consent to charging any such assets shall be used by the relevant Guarantor if the relevant asset is material;

(v) Guarantors will not be required to enter into security documents if that would conflict with the fiduciary duties of their directors or contravene any legal prohibition or result in a risk of personal or criminal liability on the part of any officer provided that the relevant company shall use best endeavours to overcome any such obstacle;

(vi) the maximum granted or secured amount may be limited to minimise stamp duty, notarisation, registration or other applicable fees, taxes and duties where the benefit of increasing the granted or secured amount is disproportionate to the level of such fee, taxes and duties;

(vii) where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit of such security, security will be granted over the material assets only; and

(viii) local law restrictions may mean that the Secured Creditors may not be able to benefit from the same security.

The share pledges, the interest pledges and the account pledges indicated above will be established pursuant to the Security Documents with the Security Agent acting for the benefit of the Holders and with the creditors under the Senior Revolving Credit Facility. The other Collateral will be established pursuant to the Security Documents with the Security Agent acting for the benefit of the Holders and the creditors under the Senior Revolving Credit Facility being the legal holder of the security interests in the Collateral. The Notes will also be guaranteed by the Guarantors, subject to limitations under applicable law.

Subject to the Agreed Security Principles, if assets or property are acquired by the Issuer or any Guarantor that is not automatically subject to a perfected security interest under the Security Documents and (a) which will be subject to a security interest in favor of the lenders under the Senior Revolving Credit Facility or (b) is machinery, equipment or real property located in Germany, which individually is worth €5 million or more, then (to the extent the security interest is not already granted in favor of the Security Agent for the holders of the Notes) the Issuer or such Guarantor will within 30 days provide security over such assets or property in favor of the Security Agent. Pursuant to the Agreed Security Principles, (i) no security shall be granted in favor of the Security Agent or the Holders over after-acquired machinery, equipment or real property which (in accordance with the Conditions of Issue, Senior Revolving Credit Facility and Intercreditor Agreement) are subject to a Permitted Lien which secures Indebtedness Incurred in connection with the acquisition or development of such machinery, equipment or real property and (ii) the costs of granting real property security must not be excessive and the amount secured by each security over real estate may be restricted to an agreed level.

The Security Agent will (i) release the Liens over the property and other assets constituting Collateral in accordance with the terms provided therefor in the Conditions of Issue and the Intercreditor Agreement and (ii) at the request of the Issuer or a Guarantor upon having received an Officers' Request Certificate and Opinion of Counsel certifying compliance with this paragraph, release the relevant Collateral or execute such other appropriate instrument evidencing such release (in the form provided by and at the expense of the Issuer) under one or more of the following circumstances (without any such release requiring the consent of the Holder's Representative or the Holders):

(a) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) the Issuer, any of its Restricted Subsidiaries or an Affiliate of the Issuer or any of its Restricted Subsidiaries, if the sale, assignment, transfer, conveyance or other disposition does not violate the provisions described under "*—Covenants—Limitations on Sales of Assets*" below and is otherwise in compliance with the Conditions of Issue;

(b) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Conditions of Issue, the release of the property, assets and Capital Stock, of such Guarantor which was part of the Collateral;

(c) if the Issuer designates any of its Restricted Subsidiaries to be an Unrestricted Subsidiary as permitted under and in compliance with the Conditions of Issue, the release of the property, assets and Capital Stock of such Restricted Subsidiary;

(d) upon redemption of all the Notes as provided below under "—Redemption";

(e) in connection with an enforcement action taken by certain secured creditors of the Issuer and its Restricted Subsidiaries in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(f) as provided for under "—Amendments and Waivers";

(g) in connection with the granting or creation of any Liens on assets or property in accordance with clause (22) of the definition of "Permitted Lien", the release of any real property or portion of real property constituting Collateral on which any such assets or property are being installed or constructed or proposed to be installed or constructed; *provided* that (a) the relevant real property or portion of real property constitutes un-built land without any building constructed thereon; (b) the Security Agent shall only be required to release the Liens on a portion of the real property as reasonably required (as determined in good faith by the Issuer's Board of Directors) for the financing, refinancing, construction, installation or operation of the paper machine(s); and (c) any division of real property, if applicable, shall not materially impair the value of the portion of the remaining real property; *provided* further that the Security Agent shall take any other actions reasonably requested by the Issuer or a Guarantor to permit the creation of first-ranking Liens over such real property in accordance with clause (22) of the definition of "Permitted Lien", including by facilitating the division of the relevant real property into separate parcels;

(h) with respect to any property or assets that become Collateral securing the Notes and/or any Note Guarantee pursuant to clause (1)(b) of the covenant "*Limitation on Liens*", upon the release and discharge (other than as a result of an enforcement action) of the Initial Lien, to the extent that such Lien does not secure any Indebtedness incurred under clause (i) of the second paragraph of the covenant "—Limitation on Indebtedness"; or

(i) as provided for in the Security Documents, Intercreditor Agreement or Additional Intercreditor Agreement.

The Security Agent and the Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of compliance with this paragraph, in which event it shall be conclusive and binding on the Holders.

The creditors under the Senior Revolving Credit Facility and the Holders' Representative, in its own name and for the benefit of the Holders, appointed Commerzbank Aktiengesellschaft, as Security Agent, to act as their agent and security trustee under the Intercreditor Agreement and the Security Documents and irrevocably authorised the Security Agent to:

(a) perform the duties and exercise the rights, powers and discretions that are specifically given to them under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions;

(b) execute each Security Document on their behalf and any waiver, modification, amendment, renewal or replacement permitted by the Conditions of Issue and the Intercreditor Agreement; and

(c) administer and enforce any security interest with respect to any Collateral, subject to the terms and conditions and limitations contained in the Intercreditor Agreement and the Security Documents.

Intercreditor Agreement

To establish the relative rights of certain creditors of the Issuer under its financing arrangements, including without limitation, the Senior Revolving Credit Facility, the Notes and the Note Guarantees and certain Hedging Obligations, the Issuer, the Guarantors, the Senior Revolving Credit Facility Lenders, the Security Agent and the Holders' Representative have entered into an Intercreditor Agreement with effect as of the Issue Date, as described under "*Description of Other Indebtedness—Intercreditor Agreement*". Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Senior Revolving Credit Facility and Priority Hedging Obligations that are secured by assets that also secure the Issuer's obligations under the Notes and the Guarantors' obligations under Note Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any proceeds received upon any enforcement action over any Collateral, after all obligations under the Senior Revolving Credit Facility and Priority Hedging Obligations, as well as all obligations owing to the Security Agent, any receiver or delegate have been repaid from such recoveries, will be applied pro rata in repayment of all obligations under the Conditions of Issue and the Notes and any other Pari Passu Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Conditions of Issue and the Intercreditor Agreement.

Release of Note Guarantees

A Note Guarantee shall be released and discharged, automatically, unconditionally and without further action on the part of the Security Agent:

(a) in the case of a Note Guarantee of a Guarantor, in the event of any sale, exchange or transfer (by merger or otherwise) (i) of the Capital Stock of a Guarantor, after which the applicable Guarantor is no longer a Restricted Subsidiary, or (ii) of all or substantially all the assets of such Guarantor to a Person that is not the Issuer or a Restricted Subsidiary, in each of sub-clauses (i) and (ii) of this clause (a), which sale, exchange or transfer is permitted under, and made in compliance with, the Conditions of Issue;

(b) upon the release of the Guarantee of Indebtedness that resulted in the creation of the relevant Note Guarantee under the covenant described below under "*—Covenants—Future Guarantors*" so long as no Event of Default would arise as a result and no other Indebtedness of the Issuer or any Guarantor at that time is Guaranteed by the relevant Guarantor;

(c) upon redemption of all the Notes as provided below under "—*Redemption*";

(d) if the Issuer designates a Guarantor as an Unrestricted Subsidiary as permitted under and in compliance with the Conditions of Issue;

(e) in accordance with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreement or Security Document;

(f) as a result of a transaction permitted by the covenant described below under "—*Covenants—Merger and Consolidation*";

(g) as provided for under "—Amendments and Waivers"; or

(h) as provided for in the Notes Guarantees.

No release and discharge of a Note Guarantee pursuant to clauses (b) and (d) above shall be effective (i) if a Default or an Event of Default shall have occurred and be continuing under the Conditions of Issue as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) until the Issuer shall have delivered to the Holders' Representative and the Security Agent (x) an Officers' Request Certificate and (y) Opinion of Counsel, each stating that all conditions precedent set forth in the Conditions of Issue have been fulfilled and that such release and discharge is authorized and permitted under the Conditions of Issue. The Security Agent and the Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of the satisfaction of such conditions precedent, in which event it shall be conclusive and binding on the Holders.

Restricted Subsidiaries

As of the Issue Date, all of the Subsidiaries of the Issuer are "Restricted Subsidiaries". However, under the circumstances described below under "*Covenants—Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Conditions of Issue and will not guarantee the Notes.

Paying Agent, Transfer Agent and Holders' Representative

The Issuer will maintain for the Notes a Paying Agent (the "**Paying Agent**"), a Transfer Agent (the "**Transfer Agent**") and a Notification Agent ("**Notification Agent**") for communication by the Holders' Representative. The initial Paying Agent, Transfer Agent and Notification Agent will be Deutsche Bank AG.

The Issuer may appoint additional paying agents and transfer agents and revoke the appointment of any paying agent or transfer agent; provided, however, that (i) for as long as the Notes are listed on a stock exchange, the Issuer shall at all times ensure that a paying agent is appointed in the jurisdiction in which such stock exchange is located, if so required by the rules of such stock exchange and (ii) in no event may the Issuer act as Paying Agent or appoint a Paying Agent in any member state of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other member states. Any such appointment or revocation shall be published without undue delay in accordance with the provisions set forth under "—*Notices*".

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Conditions of Issue by the Paying Agent and the Transfer Agent shall (in the absence of manifest error) be binding on the Issuer and the Holders.

The Paying Agent and the Transfer Agent reserve the right at any time to change their specified offices. Any such change shall be published without undue delay in accordance with procedures set forth under "—*Notices*".

The common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of the Holders as provided for in the Conditions of Issue will be Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany The Holders' Representative has the duties and powers provided for in the Conditions of Issue, the Intercreditor Agreement, by law or granted by resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant resolution or the Conditions of Issue. The Holders' Representative shall provide reports to the Holders on its activities. The provisions of the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* (*Schuldverschreibungsgesetz-SchVG*)) apply with regard to the removal of the Holders' Representative and its rights and obligations. If the Holders choose to remove the Holders' Representative or if the Holders' Representative resigns and the Holders fail to appoint a successor Holders' Representative, the exercise of certain rights under the Conditions of Issue may require a meeting of the Holders and may be significantly more difficult to exercise.

The Holders' Representative may be removed from office at any time by majority resolution of the Holders without specifying any reasons. The Holders' Representative may resign at any time by notifying the Issuer (in which case the Issuer shall notify the Holders in accordance with the notice provisions). If the Holders' Representative resigns, he shall call a vote without undue delay to elect a successor Holders' Representative. Any successor Holders' Representative shall also succeed the retiring Holders' Representative as a party to the Intercreditor Agreement.

The Holders' Representative will be liable for the proper performance of its duties towards the Holders who will be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager. The total liability of the Holders' Representative to all Holders will be limited to €5,000,000 (or, if higher, an amount equal to ten times the Holders' Representative's aggregate annual compensation for its services as common representative of the Holders) in the aggregate, unless the Holders' Representative's liability has been caused by its gross negligence (*grobe Fahrlässigkeit*) or wilful misconduct (*Vorsatz*) (in which case its liability shall be unlimited). The responsibilities and liability of the Holders' Representative is further limited as specified in the Conditions of Issue and may be further limited by a resolution passed by Holders.

The Holders' Representative shall not under any circumstances be liable for any consequential loss. The Holders' Representative shall be entitled to retain third party advisors if such appointment is, in its sole reasonable discretion, required in, or for the performance of, its duties. The Holders' Representative shall only be responsible for the proper selection of such third party advisor (*Auswahlverschulden*), but shall otherwise be entitled to rely fully on the advice rendered by such third party advisor. In particular, the Holders' Representative is not responsible for the selection of the Security Agent and will have no responsibility towards the Holders or any other party for the validity, perfection, sufficiency, adequacy, insuring of, priority or enforceability of any Note Guarantee or Collateral, regardless of whether entered in before or after the Issue Date.

The Holders' Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it.

Payment of Additional Amounts

All payments by the Issuer or, pursuant to the terms of the relevant Note Guarantee, any present or future Guarantor or any successor of any of the foregoing (each a "**Payor**") under the Notes or any Note Guarantee shall be made free and clear of and without withholding or deduction for or on account of any Taxes imposed by or on behalf of or levied within (i) Federal Republic of Germany, (ii) any jurisdiction from or through which payment on the Notes or a Note Guarantee is made, or (iii) any other jurisdiction in which a Payor is organized or otherwise considered to be resident or conducts business for tax purposes or any province, municipality or other political subdivision or taxing authority in or of any such jurisdiction under foregoing (i) through (iii) (any such jurisdiction under foregoing (i) through (iii) a "**Relevant Tax Jurisdiction**"), unless the deduction or withholding of such Taxes is required by law. In such event, the relevant Payor shall pay (together with such payment) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction (including any deduction or withholding from such Additional Amounts), shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Notes, in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable with respect to:

(a) any Taxes withheld, deducted or imposed by reason of the Holder having, or having had, some personal or business connection with the Relevant Tax Jurisdiction (other than the mere acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Note Guarantee, or the receipt of any payments in respect of such Note or Note Guarantee) and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Relevant Tax Jurisdiction;

(b) any Taxes withheld, deducted or imposed on a payment to or for an individual which is required to be made pursuant to the European Union Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to such directive;

(c) any Taxes withheld, deducted or imposed by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the procedures set forth in "—*Notices*", whichever occurs later;

(d) any Taxes that are payable otherwise than by withholding from a payment of the principal, premium, if any, or interest, if any, on the Notes;

(e) any Note presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(f) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;

(g) any Taxes to the extent such Taxes are withheld, deducted or imposed by reason of the failure of the Holder, following the Issuer's written request addressed to the Holder (and made at a time that would enable the Holder acting reasonably to comply with that request, and in all events, at least 60 days before any such withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the Holder is not resident in the Relevant Tax Jurisdiction, but in each case, only to the extent the Holder is legally entitled to provide such certification or documentation;

(h) any Taxes to the extent such Taxes would not be withheld, deducted or imposed but for the application of section 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended, as of the date of this offering memorandum, including any current or future Treasury regulations or other official interpretations thereunder;

(i) any Taxes withheld, deducted or imposed on or with respect to any payments under, or with respect to, the Notes or with respect to any Note Guarantee by reason of the Holder being, or having been a fiduciary or partnership or any person other than the sole beneficial owner of any such payments to the extent that such Taxes would not have been imposed or required to be withheld or deducted on such payments had such Holder been the sole beneficial owner of such Notes; or

(j) any combination of items (a) through (i) above.

In cases where the deduction or withholding of Taxes on or with respect to any payments under or with respect to the Notes or with respect to any Note Guarantee is required by law to be made by a Payor, the Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Tax Jurisdiction imposing such Taxes and will furnish to a Holder upon written request within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of tax receipts evidencing payment by the Payor, or if, notwithstanding the Payor's efforts to obtain receipts, receipts are not obtained, other reasonably satisfactory evidence of payments by the Payor.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any Note Guarantee is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to such date, in which case it must be promptly thereafter), if the Payor becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Paying Agent an Officers' Request Certificate stating the fact that Additional Amounts will be payable, the amounts estimated to be payable and such other information necessary to enable the Paying Agent to inform the relevant Holders of the payment of such Additional Amounts in accordance with the procedures set forth in "—*Notices*" on the payment date.

The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies imposed by a Relevant Tax Jurisdiction (including penalties, interest and other liabilities related thereto) which arise from the execution, delivery, issuance or registration of the Notes or any Note Guarantee or any other document or instrument referred to therein (other than a transfer of the Notes), or the receipt of any payments with respect to, or enforcement of, the Notes or any Note Guarantee.

Whenever in the Conditions of Issue or in this "*Description of the Notes*" there is mentioned, in any context, the payment or non-payment of principal, premium or interest, if any, or any other amount payable under or with respect to any Note or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantors under or in connection with the Notes. Any amount received or recovered in a currency other than euro (the "**Required Currency**"), which is made to or for the account of any Holder in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Conditions of Issue and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such Holder, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder, as the case may be, the Issuer shall indemnify and hold harmless the Holder, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Conditions of Issue and shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Optional Redemption

At any time prior to May 15, 2016, the Issuer may on any one or more occasions redeem up to 35% of the original principal amount of the Notes (calculated after giving effect to any issuance of further Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 106.500% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date); provided, however, that

(i) at least 65% of the original principal amount of the Notes (calculated after giving effect to any issuance of further Notes) remains outstanding after each such redemption; and

(ii) the redemption occurs within 90 days after the closing of such Equity Offering upon not less than 30 nor more than 60 days' prior notice.

At any time prior to May 15, 2016, the Issuer may redeem all or a part of the Notes upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date).

Except pursuant to the preceding two paragraphs and except pursuant to "—Early Redemption for Taxation Reasons", the Notes will not be redeemable at the Issuer's option prior to May 15, 2016.

At any time on or after May 15, 2016, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as a percentage of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable redemption date, if redeemed during the twelve-month period beginning on May 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

2016	104.875%
2017	103.250%
2018	101.625%
2019 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Early Redemption for Taxation Reasons

If (i) the Issuer becomes obligated to pay Additional Amounts as set forth under "—*Payment of Additional Amounts*" above, (ii) such obligation cannot be avoided by the taking of reasonable measures available to the Issuer and (iii) the requirement arises as a result of:

(a) any change in or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the Relevant Tax Jurisdiction which change or amendment has not been publicly announced as formally proposed before, and which becomes effective on or after, the Issue Date or, if the Relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Relevant Tax Jurisdiction became the applicable Relevant Tax Jurisdiction pursuant to the Conditions of Issue (the "**Relevant Tax Jurisdiction Date**"); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before, and becomes effective on or after, the Relevant Tax Jurisdiction Date,

the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not less than 30 days' nor more than 60 days' prior notice of redemption at the principal amount together with accrued and unpaid interest, if any, to but excluding the date fixed for redemption and Additional Amounts, if any.

Prior to giving any notice of redemption pursuant to this provision, the Issuer shall deliver to the Holders' Representative for delivery to the Holders in accordance with "—*Notices*" (i) an Officers' Request Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an Opinion of Counsel qualified under the laws of the Relevant Tax Jurisdiction to the effect that the conditions precedent to the right of the Issuer to redeem have occurred. Such Opinion of Counsel shall constitute sufficient evidence of the satisfaction of such conditions precedent and shall be conclusive and binding on the Holders.

No notice of redemption pursuant to this provision may be given (i) earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Procedures of Redemption

Any notice of redemption shall be given in accordance with the procedures set forth in "—*Notices*". It shall be irrevocable, must specify the amount of redemption, the terms and date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem the Notes.

In the case of a partial redemption of the Notes, the Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System. Such partial redemption shall be reflected in the records of Clearstream as either a pool factor or a reduction in aggregate principal amount, at the discretion of Clearstream.

The Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchase, negotiated transactions or otherwise, in accordance with applicable laws, as long as such transaction does not otherwise violate the Conditions of Issue.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders upon a Change of Control

If a Change of Control occurs, each Holder shall have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the applicable purchase date (the "**Change of Control Purchase Price**"), subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date.

No later than 30 days following any Change of Control, the Issuer shall give notice in accordance with the procedures set forth in "*—Notices*" below, with a copy to the Holders' Representative, stating:

(a) that a Change of Control has occurred or may occur and that each Holder has the right to require the Issuer to purchase such Holder's Notes at the Change of Control Purchase Price (the "**Change of Control Payment**");

(b) the repurchase date (the repurchase date so stated the "**Change of Control Payment Date**"), which date shall be no earlier than 30 days nor later than 60 days from the date such notice is given;

(c) the procedures determined by the Issuer, consistent with the Conditions of Issue, that a Holder must follow in order to have its Notes repurchased;

(d) that, if such notice is given prior to the occurrence of a Change of Control, the Change of Control Offer is conditional on the occurrence of such Change of Control;

(e) the circumstances and relevant facts regarding such Change of Control;

(f) that any Note accepted for Change of Control Payment will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Purchase Price is not paid; and

(g) that any Note (or part thereof) not tendered will continue to accrue interest (the offer so being made the "**Change of Control Offer**").

The Issuer shall not be required to make the Change of Control Offer upon a Change of Control if (i) a third party makes an offer in a manner, at the times and otherwise in compliance with the requirements set forth in the Conditions of Issue 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 or (ii) a notice of redemption has been given pursuant to the Conditions of Issue as described above under "*—Optional Redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer shall publicly announce the results of the Change of Control Offer or any offer made in lieu thereof in accordance with the procedures set forth in "*—Notices*" on or as soon as practicable after the Change of Control Payment Date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Conditions of Issue are applicable. Except as otherwise set forth under this heading "*Repurchase at the Option of Holders upon a Change of Control*", the Conditions of Issue do 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 that may adversely affect the Holders if such transaction does not constitute a Change of Control. The Change of Control provisions described under this heading "*Repurchase at the Option of Holders upon a Change of Control*" may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions.

The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Conditions of Issue, 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 Conditions of Issue by virtue of the conflict.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "*all or substantially all*" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "*substantially all*", primarily using a combination of quantitative and qualitative criteria, there is no precise established definition of the phrase under applicable German law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

If a Change of Control Offer is made, there can be no assurance that the Issuer will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by Holders thereof seeking to accept the Change of Control Offer, see "*Risk Factors—Risks Relating to the Notes—We may not have the ability to repurchase the Notes upon the occurrence of a change of control, and the change of control provisions may not protect the Noteholders against certain events or transactions*."

Covenants

Limitation on Indebtedness

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); provided, however, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if (i) on the date thereof and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof) (x) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.00 to 1.00, and (y) to the extent such Indebtedness is purported to be secured by a Lien, the Consolidated Secured Debt Ratio of the Issuer and its Restricted Subsidiaries would be no greater than 3.75 to 1.00 and (ii) no Event of Default shall have occurred and be continuing or would occur as a consequence of Incurring the Indebtedness.

The foregoing paragraph shall not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness of the Issuer or any Guarantor Incurred pursuant to and in compliance with a Credit Facility (including under ancillary facilities made available under such Credit Facility) in an aggregate principal amount not to exceed €90 million, less all principal repayments with the proceeds from Asset Dispositions utilized in accordance with clause (iii) of the covenant "*—Limitation on Sales of Assets*" described below that permanently reduce the commitments thereunder;

(ii) Indebtedness of the Issuer or any Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; provided, however, that

  (A) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and to the extent legally permitted (the Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors 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 then due with respect to the Notes, in the case of the Issuer, or the relevant Note Guarantee, in the case of a Guarantor; and

  (B) (x) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary; and (y) any sale or other transfer of any such Indebtedness to a Person that is neither the Issuer nor a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (ii);

(iii) any Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred pursuant to the first paragraph of this covenant "*Limitation on Indebtedness*" or clause (iv), (v), or (x) or this clause (iii);

(iv) Indebtedness outstanding on the Issue Date after giving effect to the use of proceeds of the Notes (other than any Indebtedness Incurred under any Credit Facility permitted under clause (i) above or any Indebtedness incurred pursuant to clause (ii), (vi) or (vii));

(v) Indebtedness Incurred by the Issuer and the Guarantors represented by the Notes to be issued on the Issue Date and the Note Guarantees in respect of these Notes;

(vi) Indebtedness under Hedging Obligations of the Issuer or any of its Restricted Subsidiaries that is Incurred in the ordinary course of business and not for speculative purposes;

(vii) Indebtedness Incurred under a Guarantee by any Guarantor of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant "*Limitation on Indebtedness*"; provided, however, that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(viii) Indebtedness Incurred after the Issue Date in respect of workers' compensation claims, early retirement obligations, or social security or wage taxes in the ordinary course of business;

(ix) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capitalized Lease Obligations, Purchase Money Obligations, Attributable Indebtedness or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under GAAP) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary in an aggregate principal amount pursuant to this clause (ix), including any Refinancing Indebtedness that refinances such Indebtedness, not to exceed €20 million at any time outstanding; provided that the principal amount of any Indebtedness permitted under this clause (ix) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(x) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by, or merged into, the Issuer or any Restricted Subsidiary (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 Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer or (b) otherwise in connection with, or in contemplation of, such acquisition); provided, however, that at the time such Restricted Subsidiary is acquired by the Issuer or another Restricted Subsidiary, the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant "*Limitation on Indebtedness*" after giving *pro forma* effect to the Incurrence of such Indebtedness pursuant to this clause (x);

(xi) Indebtedness of the Issuer or its Restricted Subsidiaries in respect of (a) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, (b) the financing of insurance premiums in the ordinary course of business, (c) 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 and (d) inventory financing or any guarantees thereof; provided, however, that upon the drawing (*Inanspruchnahme*) of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing (*Inanspruchnahme*);

(xii) Indebtedness incurred in any Qualified Securitization Financing;

(xiii) Indebtedness in respect of Guarantees of the Indebtedness of joint ventures in which the Company or any Restricted Subsidiary has an equity interest, not exceeding €10 million outstanding at any one time; and

(xiv) in addition to the items referred to in clauses (i) through (xiii) above, Indebtedness of the Issuer and any Restricted Subsidiary in an aggregate amount not exceeding €30 million at any time outstanding; provided that the aggregate amount of such Indebtedness that may be incurred pursuant to this clause (xiv) by Restricted Subsidiaries that are not Guarantors shall not exceed €10 million at any time outstanding.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Indebtedness described in the foregoing first paragraph of this covenant "*Limitation on Indebtedness*" and clauses (i) through (xiv) above) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such

Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *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, 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 under Credit Facilities.

For purposes of determining compliance with this "*Limitation on Indebtedness*" covenant:

(i) in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the foregoing first paragraph of this covenant "*Limitation on Indebtedness*" and clauses (i) through (xiv) of the second paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify and may from time to time reclassify such item of Indebtedness in any manner that complies with this covenant and include the amount and type of such Indebtedness in one or more of the foregoing clauses (i) through (xiv) of the second paragraph of this covenant or pursuant to the first paragraph of this covenant; provided that all Indebtedness outstanding on the Issue Date under any Credit Facility shall be deemed incurred under clause (i) of the second paragraph of this covenant and not under the first paragraph of this covenant or clause (iv) of the second paragraph of this covenant and may not later be reclassified;

(ii) in the event Indebtedness relates to Guarantees of Indebtedness permitted by this covenant, such Guarantees shall not be treated as an additional Incurrence of Indebtedness;

(iii) the principal amount of any Disqualified Stock of the Issuer or a Guarantor, or preferred stock of a Restricted Subsidiary that is not a Guarantor, 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;

(iv) the amount of any Indebtedness outstanding as of any date will be:

(A) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(B) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(C) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(x) the Fair Market Value of such assets at the date of determination; and

(y) the amount of the Indebtedness of the other Person;

(v) 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 will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving Credit Facility; provided that:

(A) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date: and

(B) if for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement; and

(vi) the principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being refinanced will be the Euro-Equivalent of the Indebtedness refinanced determined as of the date such Indebtedness was originally Incurred, except that to the extent that:

(A) such Euro-Equivalent was determined based on an agreement intended to protect against fluctuations in currency exchange rates, in which case the refinancing Indebtedness will be determined in accordance with sub-clause (B) of clause (v) above; and

(B) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Euro-Equivalent of such excess will be determined on the date such refinancing Indebtedness is being Incurred.

Limitation on Restricted Payments

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make a Restricted Payment if at the time of such Restricted Payment:

(i) a Default or Event of Default shall have occurred and be continuing (or would result from such Restricted Payment);

(ii) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph described under "*—Limitation on Indebtedness*", after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments (for the avoidance of doubt, other than pursuant to (ii), (iv), (v), (vi), (vii), (viii), (ix), (x) and (xii)) described under the second paragraph of this "*—Limitation on Restricted Payments*" covenant made subsequent to the Issue Date, would exceed the sum of:

(A) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer) excluding in any event Net Cash Proceeds received by the Issuer from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem Notes in compliance with the provisions set forth under "*—Optional Redemption*"; plus

(C) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid (whether through repurchases, redemptions, repayments of principal, interest payments, dividends, distributions, returns of capital or other transfer of assets), 100% of the aggregate amount received in cash and the Fair Market Value of the property, assets or marketable securities received by the Issuer or any Restricted Subsidiary, (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary, or (c) in the case of a Guarantee made by the Issuer or any Restricted Subsidiary, fully and unconditionally released, an amount equal to the amount of such Guarantee to the extent such Guarantee reduced the capacity to make Restricted Payment pursuant to this clause (iii); plus

(D) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property and assets received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (iii) and were not previously repaid or otherwise reduced; plus

(E) 100% of any cash dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period; plus

(F) 100% of the Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than issuance or sale to the Issuer or any Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Debt pursuant to provisions of such Indebtedness which existed at the time of its issuance (plus the amount of any cash, and the Fair Market Value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary less the amount of any cash, and the Fair Market Value of property or assets or marketable securities, distributed by the Issuer or any Restricted Subsidiary, in each case upon such conversion or exchange).

The provisions of the preceding paragraph shall not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of the preceding paragraph and such payment shall have been deemed to have been paid on such date of declaration;

(ii) the purchase or other acquisition of Capital Stock made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale is financed with loans or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), Subordinated Shareholder Debt or a substantially concurrent contribution to the equity of the Issuer (other than by a Subsidiary of the Issuer);

(iii) the purchase, redemption or other acquisition for value of Capital Stock in connection with the obligations under employee or management stock option agreements or other agreements to compensate management or employees; provided that such redemptions or repurchases pursuant to this clause will not exceed €1 million in the aggregate during any calendar year with any unused amounts in any calendar year being carried over to the immediately following calendar year but not any subsequent calendar years;

(iv) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Indebtedness for, or out of the Net Cash Proceeds of, the substantially concurrent sale of Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale is financed with loans or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or for, or out of the Net Cash Proceeds of, a substantially concurrent Incurrence (other than to a Subsidiary) of Refinancing Indebtedness or Subordinated Shareholder Debt;

(v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;

(vi) the making of any Restricted Payment in exchange for, or out of or with the Net Cash 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), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (iii)(B) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "*Optional Redemption*" provisions of the Conditions of Issue;

(vii) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the "*—Incurrence of Indebtedness*" covenant;

(viii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(ix) payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Restricted Subsidiaries and other Persons with which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; provided, however, that such payments will not exceed the lesser of (i) the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (ii) the related tax liabilities of the Issuer and its Restricted Subsidiaries that are relieved thereby;

(x) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(xi) so long as no Default has occurred or is continuing, other Restricted Payments in an amount not to exceed €15 million from the Issue Date;

(xii) dividends, loans, advances or distributions to any Holding Company or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

   (A) the amounts required for any Holding Company to pay any Holding Company Expenses or any Related Taxes; or

   (B) amounts constituting or to be used for purposes of making payments (x) of fees and expenses incurred, or payments made, in connection with the Transaction or disclosed in this offering memorandum or (y) to the extent specified in clauses (i) and (v) of the second paragraph under "*—Limitation on Affiliate Transactions*;" and

(xiii) the repayment of the shareholder loans and the capital contribution to Marsberger Kraftwerk GmbH with the proceeds of this offering as described in "Use of Proceeds".

Limitation on Liens

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, assume, or permit to subsist any Lien or other security interest upon any of its or any of its Restricted Subsidiaries' present or future property or assets, or assign or otherwise convey any right to receive income or profits therefrom, to secure any Indebtedness (including any guarantees or indemnities in respect thereof)(such Lien, the "**Initial Lien**") except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens and (b) Liens that are not Permitted Liens if, contemporaneously with the incurrence of such Initial Lien, the Notes and the Conditions of Issue (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or in the case of Liens with respect to Subordinated Indebtedness, prior to, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (2) in the case of any property or asset constituting Collateral, Permitted Collateral Liens.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer shall not, and shall 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:

(i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(ii) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(iii) sell, transfer or lease any of its property or assets to the Issuer or any Restricted Subsidiary.

The foregoing paragraph shall not prohibit:

(i) any encumbrance or restriction pursuant to the Notes, the Conditions of Issue, the Senior Revolving Credit Facility, the Security Documents or the Intercreditor Agreement or any other agreement in effect or entered into on the Issue Date;

(ii) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Capital Stock or Indebtedness Incurred by such Subsidiary on or prior to the date on which such Subsidiary was acquired by the Issuer (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary of the Issuer or was acquired by the Issuer or in contemplation of the transaction) and outstanding on such date;

(iii) any encumbrance or restriction pursuant to an agreement effecting Refinancing Indebtedness; provided, however, that the encumbrances and restrictions contained in any such agreement that taken as a whole, in the good faith determination of the Board of Directors or an Officer of the Issuer, are not materially less favorable to the Holders than the encumbrances and restrictions contained in the agreements governing the Indebtedness being refinanced;

(iv) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(v) in the case of clause (iii) of the first paragraph of this "*Limitation on Restrictions on Distributions from Restricted Subsidiaries*" covenant, any encumbrance or restriction:

    (A) that restricts in a customary manner the assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment of transfer of any such lease, license or other contract entered into in the ordinary course of business;

    (B) contained in mortgages, pledges or other security agreements permitted under and in compliance with the Conditions of Issue to the extent such encumbrances or restrictions restrict the transfer of the property subject so such mortgages, pledges or other security agreements; or

    (C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(vi) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order or governmental license, permit or concession;

(vii) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts (not evidencing or relating to Indebtedness) entered into in the ordinary course of business;

(viii) Liens or other security interests permitted to be created, to be assumed or to subsist under the provisions of the "*Limitation on Liens*" covenant that limit the right of the debtor to dispose of the assets subject to such Lien or other security interest;

(ix) encumbrances or restrictions contained in any agreement relating to, or pertaining to, Hedging Obligations;

(x) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), entered into with the approval of the Issuer's Board of Directors which limitation is applicable only to the assets or property that are the subject of such agreements;

(xi) encumbrance or restriction effected in connection with a Qualified Securitization Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary to effect such Qualified Securitization Financing;

(xii) encumbrances or restrictions on the assets of or ownership interests in a joint venture, in each case contained in the terms of the agreement or agreements governing such joint venture; provided, however, that any such encumbrance or restriction (i) is customary in joint venture agreements, (ii) is not less favorable to the Issuer or any Restricted Subsidiary than to any other joint venturer and (iii) will not materially affect the Issuer's ability to make principal or interest payments on the Notes, as determined in good faith by the Board of Directors of the Issuer, at the time of entering into such agreement or agreements (and at the time of any modification of the terms of any such encumbrance or restriction); and

(xiii) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness Incurred by the Issuer or any Restricted Subsidiary permitted to be Incurred subsequent to the Issue Date pursuant to the "—Limitation on Indebtedness" covenant if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (a) the encumbrances and restrictions contained in the Senior Revolving Credit Facility, the Intercreditor Agreement and the Security Documents, in each case, as in effect on the Issue Date or (b) as is customary in comparable financings (as determined in good faith by the Board of Directors of the Issuer) and where, in the case of this clause (b), the Issuer determines when such Indebtedness is Incurred 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.

Limitation on Sales of Assets

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(i) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(ii) in any such Asset Disposition, at least 75% of the consideration is in the form of cash or Cash Equivalents. For purposes of this "*Limitation on Sales of Assets*" covenant, each of the following shall be deemed cash:

  (A) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities, Disqualified Stock and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to any agreement that releases the Issuer or the relevant Restricted Subsidiary from or indemnifies against further liability;

  (B) any securities, notes or other obligations received by the Issuer or a Restricted Subsidiary from such transferee that are converted by the Issuer or the relevant Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Disposition, to the extent of the cash or Cash Equivalents received in that conversion;

  (C) any Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Disposition; and

  (D) consideration consisting of *Pari Passu Indebtedness* of the Issuer or any Restricted Subsidiary received from Persons who are not the Issuer or any Restricted Subsidiary; and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or the relevant Restricted Subsidiary, as the case may be:

(A) to the extent the Issuer elects, to prepay, repay or purchase (x) Indebtedness that is secured by a Permitted Collateral Lien that ranks equal to or in priority to any Lien on such assets securing the Notes or the Note Guarantees and is *pari passu* in right of payment with the Notes or the Note Guarantees (including, for the avoidance of doubt, under the Senior Revolving Credit Facility), (y) Indebtedness which is secured by a Lien (other than a Permitted Collateral Lien) on the asset which is the subject of the Asset Sale or (z) Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer), in each case, within 365 days from the date of the receipt of such Net Available Cash, provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this sub-clause (A), the Issuer or such Restricted Subsidiary will cause the related commitment (if any) to be permanently reduced in an equal amount to the principal amount so prepaid, repaid or purchased;

(B) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clause (A), to the extent the Issuer elects, to invest in Additional Assets within 365 days from the date of receipt of such Net Available Cash or pursuant to binding arrangements in place within such 365 day period; *provided* that such binding arrangement is completed within 180 days of such 365 day period; or

(C) to the extent of the balance of such Net Available Cash after application in accordance with the foregoing sub-clauses (A) and (B) (the "**Excess Proceeds**"), to make an offer to the Holders and any other *Pari Passu Indebtedness* (to the extent the terms of such Pari Passu Indebtedness so require) on a pro rata basis to purchase the Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase and such Pari Passu Indebtedness pursuant to and subject to the Conditions of Issue (an "**Asset Disposition Offer**"); provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to the foregoing sub-clause (A), the Issuer or the relevant Restricted Subsidiary shall retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchase.

Notwithstanding the foregoing provisions of this "*Limitation on Sales of Assets*" covenant, the Issuer or the relevant Restricted Subsidiary shall not be required to apply any Excess Proceeds in accordance with sub-clause (C) above unless the aggregate Excess Proceeds from all Asset Dispositions which is not applied in accordance with the foregoing sub-clauses (A) and (B) exceeds €10 million. To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Conditions of Issue. If the aggregate principal amount of Notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall accept the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness in accordance with the terms of the Asset Disposition Offer. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (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 Pari Passu Indebtedness required to be purchased 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. If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Holder of record at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant 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, in each case with a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase. In addition, the Issuer will take any and all other actions required by the agreements governing the *Pari Passu Indebtedness*. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

Limitation on Affiliate Transactions

The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including the rendering of services) with any Affiliate of the Issuer (any such transaction or series of related transactions, an "**Affiliate Transaction**") involving aggregate consideration in excess of €2 million unless:

(i) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction with a Person who is not an Affiliate;

(ii) in the event such Affiliate Transaction involves aggregate consideration in excess of €5 million, the terms of such transaction have been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer (and such majority determines that such Affiliate Transaction satisfies the criteria in clause (i)); and

(iii) in the event (a) such Affiliate Transaction involves aggregate consideration in excess of €20 million or (b) such Affiliate Transaction involves aggregate consideration in excess of €5 million and there are no Disinterested Directors, the Issuer shall have received a written opinion from an independent investment bank or an accounting or appraisal firm of internationally recognized standing or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that such Affiliate Transaction is not materially less favorable than those that might 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 foregoing paragraph shall not apply to:

(i) transactions pursuant to any employee or director compensation arrangements or benefit plans entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business of the Issuer or such Restricted Subsidiary;

(ii) any transaction effected as part of a Qualified Securitization Financing;

(iii) any Affiliate Transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries;

(iv) any Restricted Payment (other than a Restricted Investment) permitted to be made pursuant to the provisions set forth under "*—Limitation on Restricted Payments*" above;

(v) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, officers, directors or employees of the Issuer or any Restricted Subsidiary of the Issuer;

(vi) the incurrence of Subordinated Shareholder Debt;

(vii) transactions pursuant to, or contemplated, by any agreement in effect on the Issue Date and transactions pursuant to any amendment (including to change any party to the agreement), modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous to the Holders than the original agreement as in effect on the Issue Date;

(viii) any issuance of Capital Stock (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(ix) transactions with the Parent and its Subsidiaries in the ordinary course of business, consistent with past practice and as otherwise permitted hereunder;

(x) (x) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of trading, or (y) any transaction in the ordinary course of business between the Issuer or any of its Restricted Subsidiaries and any Person that is an Affiliate of the Issuer solely because a director of such Person is also a director of the Issuer, the Parent or any direct or indirect parent of the Parent, in each case, provided (a) such transaction is otherwise in compliance with the terms of the Conditions of Issue and (b) is on terms at least as favorable as could have been obtained at such time from an unaffiliated Person, in the reasonable determination of the members of the Board of Directors or an Officer of the Issuer provided such Officer has been delegated such power by the Board of Directors in the prior 12 months (provided no member of the Board of Directors or Officer of the Issuer with an interest in such transaction may participate in such determination); and

(xi) any payments or other transactions pursuant to a tax sharing agreement between or among the Parent, the Issuer and any Restricted Subsidiary and any other Person with which the Parent, the Issuer or any of its Restricted Subsidiaries files a consolidated tax return or with which the Parent, the Issuer or any of its Restricted Subsidiaries is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; provided, however, that such payments or transactions will not exceed the lesser of (i) the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a stand alone basis if the Issuer were filing a separate tax return (or a separate consolidated or combined tax return with its Restricted Subsidiaries that are part of that consolidated or combined group) and (ii) the related tax liabilities of the Issuer and its Restricted Subsidiaries that are relieved thereby.

Reports

So long as any Notes are outstanding, the Issuer will furnish in English to Holders in accordance with clause (ii) of "—Notices":

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2013, annual reports containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) 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 (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 to the extent available without unreasonable expense)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment to the extent segment reporting is required under GAAP), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies with a level of detail that is substantially comparable to this offering memorandum; (d) a description of the business, management and shareholders of the Issuer, material affiliate transactions and material debt instruments; and (e) material risk factors and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2013 (but within 90 days in the case of the quarter ending June 30, 2013), quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and, the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) 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 quarter as to which such quarterly report relates (*provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials (to the

extent available without unreasonable expense)); (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment to the extent segment reporting is required under GAAP), including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any changes of the chief executive officer, chief financial officer or managing director of the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event,

provided, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or IFRS or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Issuer.

In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, 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.

All financial statements shall be prepared in accordance with GAAP. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

In addition, for so long as any Notes remain outstanding, the Issuer has agreed that it will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (a) file a press release with an appropriate internationally recognized wire service in connection with such report and (b) post such report on the Issuer's website. 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 market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

Merger and Consolidation

The Issuer

The Issuer shall not, directly or indirectly, consolidate with or merge with or into another Person, or convey, transfer or lease all or substantially all the properties and assets of the Issuer and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) 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 as of December 31, 2003, Switzerland, the United States of America or the District of Columbia, and the Successor Company (if not the Issuer) will expressly assume in appropriate documentation delivered to the Holders' Representative all the obligations of the Issuer under the Notes, the Security Documents, the Intercreditor Agreement, the Agency Agreement and the Conditions of Issue;

(ii) 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;

(iii) immediately after giving effect to such transaction and any related financings the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the "—Limitation on Indebtedness" covenant above;

(iv) each Guarantor shall have delivered to the Holders' Representative a confirmation that its Note Guarantee shall apply to such Person's obligations in respect of the Notes and the Agency Agreement;

(v) if any such transaction results in the Issuer or Successor Company being incorporated in a jurisdiction other than Germany, the Board of Directors of the Issuer and the Successor Company will have adopted a resolution stating that the transaction effecting such a change in jurisdiction was not being entered into for a purpose which included subjecting the Issuer or the Successor Company, as the case may be, to more favorable bankruptcy, insolvency, laws relating to creditors rights or similar laws; and

(vi) the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and such assumption by the Successor Company comply with this covenant and the Opinion of Counsel shall state in addition that each of the Note Guarantees shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of compliance with this paragraph and shall not be obligated to independently investigate whether the requirements of this paragraph are otherwise met.

Guarantors

In addition, the Issuer shall not permit any Guarantor, directly or indirectly, to consolidate with or merge with or into another Person, or convey, transfer or lease all or substantially all the properties and assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) either:

    (A) the resulting, surviving or transferee Person will be a Person organized and existing under the laws of any member state of the European Union on 31 December 2003, Switzerland, the United States of America, the District of Columbia or the jurisdiction in which it was originally organized, and such Person (if not a Guarantor) will expressly assume in an appropriate documentation and delivered to the Holders' Representative, all the obligations of such Guarantor under its Note Guarantee; or

    (B) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the conveyance, transfer or lease of all or substantially all the properties and assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Conditions of Issue;

(ii) immediately after giving effect to, and as a result of, such transaction no Default or Event of Default shall have occurred and be continuing;

(iii) in the case of clause (i)(A) above, if any such transaction results in the Guarantor or Successor Company being incorporated in a jurisdiction other than the jurisdiction in which it was organized as of the Issue Date, the Board of Directors of the Guarantor and the Successor Company will have adopted a resolution stating that the transaction effecting such a change in jurisdiction was not being entered into for a purpose which included subjecting the Guarantor or the Successor Company, as the case may be, to more favorable bankruptcy, insolvency, laws relating to creditors rights or similar laws; and

(iv) the Issuer and such Guarantor shall deliver to the Holders' Representative in accordance with "—Notices" an Officers' Request Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger, conveyance, transfer or lease and, in the case of clause (i)(A) only, such assumption by the resulting, surviving or transferee Person comply with this covenant and the Opinion of Counsel shall state in addition that the Note Guarantee by the resulting, surviving or transferee Person shall apply to such Person's obligations in respect of the Notes and the Agency Agreement to the same or greater extent than they applied to the Notes and Agency Agreement immediately prior to such transaction. The Holders' Representative shall be entitled to accept such Opinion of Counsel as sufficient evidence of compliance with this paragraph and shall not be obligated to independently investigate whether the requirements of this paragraph are otherwise met.

The successor to any Guarantor will succeed to, and be substituted for, such Guarantor under the applicable Note Guarantee.

This "Merger and Consolidation" covenant will not apply to (a) any consolidation, merger or transfer of assets of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor, (b) any consolidation, merger or transfer of assets among Guarantors, or (c) any consolidation, merger or transfer of assets among the Issuer and any Guarantor; provided that, clauses (i) and (vi) of the first paragraph of this covenant will be complied with. Clauses (ii) and (iii) of the first paragraph and clause (ii) of the second paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of the occurrence of any of the events described in this "*Merger and Consolidation*" covenant in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post it on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Future Guarantors

The Issuer shall cause each Restricted Subsidiary that is not a Guarantor and that, (a) after the Issue Date, Guarantees any Indebtedness of the Issuer or any Guarantor or (b) is a Significant Subsidiary, to execute and deliver concurrently to the Holders' Representative a Note Guarantee pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

Any such Restricted Subsidiary will, simultaneously with the execution of such Note Guarantee, pledge its existing and future assets to the extent such assets secure the obligations under the Senior Revolving Credit Facility to secure its Note Guarantee, and the Issuer will cause all of the Capital Stock in such Restricted Subsidiary owned by the Issuer and its Restricted Subsidiaries to be pledged to secure the Notes and the Note Guarantees.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Note Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary (including "whitewash" or similar procedures) or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Limitation on Lines of Business

The Issuer shall not, and shall not permit any Restricted Subsidiary to, engage in any business other than a Related Business, except as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Limitation on Parent Activities

With effect from and following the Issue Date, the Parent has undertaken, under a parent undertaking among the Parent and the Holders' Representative entered into for the benefit of the Holders and entered into on or about the Issue Date (the "**Parent Undertaking**") to comply with the covenant contained in this section "—Limitation on Parent Activities."

(i) The Parent will not carry on any business or own any assets other than:

    (A) the ownership of Capital Stock of the Issuer or any other Subsidiary;

    (B) the conduct of its business as a holding company, including entering into any employment contracts for its employees required for such conduct of its business as a holding company and, for the avoidance of doubt, activities related to its capacity as a holding company for Subsidiaries other than the Issuer;

    (C) issuing shares, and paying dividends and making other distributions on such shares;

(D) the provision of administrative services (excluding treasury services) and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;

(E) the payment of professional fees and administration costs in the ordinary course of business as a holding company;

(F) the payment of wages and the incurrence of obligations and liabilities arising by operation of law or that are typical of or incidental to the activities of a holding company;

(G) the offering, sale, issuance and servicing, purchase, redemption, refinancing or retirement of the Notes or the Senior Revolving Credit Facility, to the extent such activities are otherwise permissible under the Conditions of Issue;

(H) rights and obligations arising under the Conditions of Issue, the Intercreditor Agreement, an Additional Intercreditor Agreement, the Security Documents and the Senior Revolving Credit Facility;

(I) the ownership of cash and Cash Equivalents;

(J) making Investments in the Notes;

(K) contributing capital to its Subsidiaries;

(L) related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries corporate existence; or

(M) any other activities not specifically enumerated above that (i) are ancillary to or related to those listed above or (ii) are *de minimis* in nature;

provided, for the avoidance of doubt, that nothing in this clause (i) shall impose any limitation on any activity of a Subsidiary of the Parent.

(ii) The Parent will not, directly or indirectly, incur any Indebtedness (including Acquired Debt), or issue any Disqualified Stock and will not issue any shares of preferred stock; *provided*, however, that the Parent may incur Parent Subordinated Shareholder Debt.

(iii) The Parent will not, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of its property or assets, now owned or hereinafter acquired, except any Permitted Collateral Lien.

(iv) The Parent will not, directly or indirectly, guarantee the payment of, assume or in any manner become liable with respect to any Indebtedness.

(v) (A) The Parent will not take or knowingly or negligently omit to take any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition 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 Holders' Representative and the Holders, and the Parent will not grant to any Person other than the Security Agent, for the benefit of the Holders' Representative and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Conditions of Issue, the Security Documents and the Intercreditor Agreement and (b) the Parent may incur Permitted Collateral Liens; and *provided further, however*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced except as expressly contemplated herein.

(B) At the direction of the Parent and without the consent of the Holders, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not adversely affect the rights of the Holders in any material respect. In the event that Parent is in compliance with the Parent Undertaking and subject to delivery of an Officers' Request Certificate and an Opinion of Counsel confirming such compliance to the Holders' Representative and Security Agent, the

Holders' Representative and the Security Agent will (subject to customary protections and indemnifications) consent to such amendment with no need for instructions from Holders.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List and admission to trading on the Euro MTF market for so long as such Notes are outstanding; provided that if at any time the Issuer determines that it will not maintain such listing and admission to trading, it will obtain prior to the delisting of the Notes from the Euro MTF market, and thereafter use its best efforts to maintain, a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Payments for Consent

The Issuer shall not, and shall not cause or permit any Restricted Subsidiary to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent or vote with respect to any waiver or amendment of any of the terms or provisions of the Conditions of Issue, the Notes, the Agency Agreement, the Security Documents, the Intercreditor Agreement or any Note Guarantee unless (and to the extent such offer or payment is not prohibited by applicable law) such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Conditions of Issue, to exclude the Holders in any jurisdiction where (A) (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the U.S. federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Restricted and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries shall be Restricted Subsidiaries.

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:

(i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(ii) no Indebtedness of such Subsidiary or any of its Subsidiaries shall, at the date of designation, or at any time thereafter, constitute Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary;

(iii) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

  (A) subscribe for additional Capital Stock of such Person; or

  (B) maintain or preserve such Person's financial condition or cause such person to achieve any specified levels of operating results;

(iv) all outstanding Investments by the Issuer and the Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount which shall be the Restricted Payment's Fair Market Value at the time of such transfer and a Restricted Payment in such amount would be permitted at such time under the covenant set forth under the "Limitations on Restricted Payments" covenant or the definition of Permitted Investments and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary; and

(v) after giving effect to, and as a result of, such designation there will be no Default or Event of Default.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that such designation shall be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall be permitted only if (i) immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing and (ii) the Issuer could Incur at least €1.00 of additional Indebtedness as described in the first paragraph under "*—Limitation on Indebtedness*", on a *pro forma* basis taking into account such designation as if it had occurred at the beginning of the applicable reference period. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Holders' Representative by filing with the Holders' Representative a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Request Certificate certifying that such designation complies with the foregoing conditions. The Holders' Representative shall forward such resolution of the Board of Directors of the Issuer and the Officers' Request Certificate to the Holders in accordance with the procedures set forth in "—Notices."

Impairment of Security Interest

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition 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 Holders' Representative and the Holders, and the Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; provided that

(i) nothing in this provision shall restrict the discharge or release of the Collateral in accordance with the Conditions of Issue, the Intercreditor Agreement and the Security Documents; and

(ii) the Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens; and provided further, however, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Issuer delivers to the Holders' Representative either:

   (A) an Officers' Request Certificate signed by the Chief Executive Officer, Chief Financial Officer and Chairman of the Board of the Issuer 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, supplement, modification or replacement; or

   (B) an Opinion of Counsel, in form and substance reasonably satisfactory to the Holders' Representative (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

   In the event that the Issuer has delivered such Opinion of Counsel or Officers' Request Certificate (as applicable), the Holders' Representative and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from Holders.

At the direction of the Issuer and without the consent of any Holder, the Security Agent may from time to time enter into one or more amendments to the Security Documents and any other security agreements to:

(i) cure any ambiguity, omission, defect or inconsistency therein,

(ii) (but subject to compliance with the first paragraph of this covenant above) provide for Permitted Collateral Liens,

(iii) add to the Collateral, or

(iv) make any other change thereto that does not adversely affect the rights of the Holders in any material respect.

Security

The Issuer shall, and shall procure that each Guarantor shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require

(i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and

(ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Issuer shall, and shall procure that each Guarantor shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Additional Intercreditor Agreements

At the request of the Issuer, at the time of, or prior to, the Incurrence of any Indebtedness that is permitted to share the Collateral, the Issuer, the relevant Guarantors, the Holders' Representative, the Senior Revolving Credit Facility Lenders and the Security Agent shall enter into an additional intercreditor agreement (each an "**Additional Intercreditor Agreement**") on terms substantially similar to the Intercreditor Agreement or an amendment to the Intercreditor Agreement (which amendment has been confirmed by Opinion of Counsel addressed to the Holders' Representative to not adversely affect the rights of the Holders); provided that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Holders' Representative or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Holders' Representative under the Conditions of Issue or the Intercreditor Agreement. Save as may be required by mandatory provisions of law, the Holders' Representative or the Security Agent shall not be required to seek the consent of any Holders to perform its obligations under and in accordance with this covenant. The Issuer shall notify the Holders of the entry of an Additional Intercreditor Agreement to any amendment to the Intercreditor Agreement effected pursuant to this covenant without undue delay in accordance with procedures set forth in the Condition of Issue.

Suspension of Covenants

If on any date following the date of the Conditions of Issue:

(i) the Notes are rated with an Investment Grade Rating by both Rating Agencies; and

(ii) no Default has occurred and is continuing under the Conditions of Issue (the foregoing conditions being referred to collectively as the "**Suspension Condition**");

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this "Description of the Notes" (collectively, the "**Suspended Covenants**") of the Conditions of Issue will be suspended as to the Notes:

- *"—Limitation on Indebtedness"*;
- *"—Limitation on Restricted Payments";*
- *"—Limitation on Restrictions on Distributions from Restricted Subsidiaries";*
- *"—Limitation on Sales of Assets";*

- *"—Limitation on Affiliate Transactions";*
- *"—Limitation on Lines of Business";*
- *"—Future Guarantors"; and*
- clauses (iii) of the first paragraph and (ii) of the second paragraph, respectively, of *"—Merger and Consolidation".*

During any period that the foregoing sections have been suspended, the Issuer's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to "*—Restricted and Unrestricted Subsidiaries*" unless the designation would have complied with the covenant described under "*—Limitations on Restricted Payments*".

Notwithstanding the foregoing, if the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to the Notes for any period of time as a result of the Suspension Condition having been met and, subsequently, one or both Rating Agencies withdraw their Investment Grade Rating or downgrade the Investment Grade Rating assigned to the Notes such that the Notes no longer have an Investment Grade Rating by both Rating Agencies, then the Issuer and each of its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. (a) Compliance with the Suspended Covenants with respect to Restricted Payments made after the time of such withdrawal or downgrade (i) will be calculated in accordance with the terms of the reinstated "*—Limitations on Restricted Payments*" covenant as if the provisions had been in effect since the Issue Date (accordingly, Restricted Payments made during such period when the Suspended Covenants are suspended will reduce the amount available to be made as Restricted Payments described under the first paragraph of "*—Limitations on Restricted Payments*") and (ii) will be calculated in accordance with the terms of the reinstated "*—Limitation on Indebtedness*" covenant as if any Indebtedness incurred on or after the occurrence of the Suspension Condition will be deemed to have been incurred pursuant to the first paragraph described under "*—Limitation on Indebtedness*"; and (b) the Issuer will, and will cause each Restricted Subsidiary that would have been required to Guarantee the Notes pursuant to "Future Guarantors" during such period when the Suspended Covenants are suspended to take all actions it would have been required to take to comply with "Future Guarantors" if it had not been suspended including executing a Note Guarantee and pledging the Restricted Subsidiary's existing and future assets and pledging all of the Capital Stock in such Restricted Subsidiary to secure the Notes and the Guarantees; provided, further, that no Default, Event of Default or breach of any kind will be deemed to exist under the Conditions of Issue with respect to the Suspended Covenants based on, and none of the Issuer or any of its Subsidiaries will bear any liability for, any actions taken or events occurring after such Notes attain the required ratings and before any reinstatement of the Suspended Covenants as provided above, or any actions, taken at any time pursuant to any contractual obligations arising prior to the reinstatement of the Suspended Covenants, regardless of whether those actions or events would have been permitted if the applicable sections had remained in effect during such period.

Events of Default, Enforcement

Each of the following constitutes an "**Event of Default**" under the Conditions of Issue:

(a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;

(b) default in the payment of principal of or premium, if any, on any Note when due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon acceleration or otherwise;

(c) failure by the Issuer or any of the Guarantors to comply with any obligation under the covenant set forth under "*—Covenants—Merger and Consolidation*", "*—Repurchase at the Option of Holders upon a Change of Control*", or "*—Covenants—Limitation on Sales of Assets*", continued for 30 days, other than a failure to purchase Notes which shall constitute an Event of Default under the foregoing clause (b);

(d) failure by the Parent, Issuer or any of the Guarantors to comply for 60 days after notice from the Holders' Representative (upon instruction by holders of at least 25% in aggregate principal amount of the Notes then outstanding) with its other obligations contained in the Conditions of Issue or the Parent Undertaking;

(e) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for borrowed money 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 date of the Conditions of Issue, which default:

    (i) is caused by a failure to pay when due principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of any applicable grace period provided for under the terms of such Indebtedness ("**payment default**"); or

    (ii) results in the acceleration of such Indebtedness prior to its maturity;

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated aggregates €10 million or more;

(f) certain events of bankruptcy, insolvency or reorganization under bankruptcy laws of (i) the Issuer, (ii) a Guarantor or (iii) a group of Restricted Subsidiaries that taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary;

(g) failure by the Issuer or any Restricted Subsidiary to pay final judgments aggregating in excess of €10 million (net of any amounts that are covered by insurance policies issued by reputable and creditworthy insurance companies), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment exceeding such threshold becomes final;

(h) any Note Guarantee of any Guarantor that constitutes a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms of such Note Guarantee or the Conditions of Issue or as provided under applicable law) or is declared null and void in a judicial proceeding or the Issuer or any such Guarantor denies or disaffirms in writing or in any pleading in any court its obligations under the Conditions of Issue or its Note Guarantee and any such Default continues for 10 days; or

(i) with respect to any Collateral having a Fair Market Value in excess of €5 million, individually or in the aggregate, (i) (a) the security interest under the Conditions of Issue or the Security Documents, at any time, ceases to be in full force and effect for any reason other than in accordance with the terms of the Security Documents and other than the satisfaction in full of all obligations under the Notes or (b) any security interest created thereunder or under the Security Documents is declared invalid or unenforceable and such Default continues for 15 days after the Issuer becomes aware of the Default or (ii) the Issuer or any Guarantor asserts that any such security interest or Security Document is invalid or unenforceable prior to the time that the Collateral is to be released to the Issuer or the Guarantors.

If an Event of Default (other than an Event of Default pursuant to the foregoing clause (f)) occurs and is continuing, the Holders' Representative upon instruction of Holders of at least 25% in principal amount of all outstanding Notes by notice to the Issuer shall terminate the Notes and declare all payments under all outstanding Notes to be due and payable immediately. If an Event of Default with respect to the Issuer pursuant to the foregoing clause (f) occurs and is continuing, the Notes will automatically be terminated and all payments under the Notes will become due and payable immediately without any declaration or other act on the part of the Holders' Representative or any Holder. Certain enforcement actions, including acceleration, will be suspended during a consultation period under the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement."

In the event of a declaration of acceleration of the Notes because an Event of Default pursuant to foregoing clause (e) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the relevant default triggering such Event of Default pursuant to the foregoing clause (e) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 20 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders of a majority in principal amount of the outstanding Notes may rescind any acceleration with respect to the Notes and its consequences within three months of the acceleration if rescission would not conflict with any judgment or decree of a court of competent jurisdiction; provided, however, that the aggregate of such cast votes exceeds the number of votes having required the acceleration.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Conditions of Issue or the Notes unless:

(a) such Holder has previously given the Holders' Representative notice that an Event of Default is continuing;

(b) Holders of at least 25% in principal amount of the outstanding Notes have requested the Holders' Representative to pursue the remedy;

(c) the Holders' Representative has not complied with such request within 60 days following the receipt of the request; and

(d) the Holders of a majority in principal amount of the outstanding Notes have not within such 60 day period given the Holders' Representative a direction that, in the opinion of the Holders' Representative, is inconsistent with such request.

Subject to the Conditions of Issue and applicable law, 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 Holders' Representative or of exercising any trust or power conferred on the Holders' Representative.

The Issuer shall deliver to the Holders' Representative for delivery to the Holders in accordance with procedures set forth in the Condition of Issue, within 120 days after the end of each fiscal year (and within 20 Business Days upon request at any time after the 120 days), an Officers' Request Certificate stating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Holders' Representative, after becoming aware of the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

If an Event of Default occurs and is continuing, the Holders' Representative may or, subject to the provisions of the Intercreditor Agreement with respect to any Note Guarantee and the Collateral, the Security Agent may:

(a) in its discretion proceed to protect and enforce the rights of the Holders by such appropriate judicial proceedings as the Holders' Representative or the Security Agent, as applicable, shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Conditions of Issue or any Note Guarantee or in aid of the exercise of any power granted herein, or to enforce any other proper remedy, including making demand under one or more of the Note Guarantees on behalf of the Holders; and

(b) prosecute and enforce all rights of action and claims under the Conditions of Issue or any Note Guarantee without the possession of any of the Notes or the Global Notes or the production thereof in any proceeding relating thereto, and to bring any such proceeding on behalf of the Holders.

Amendments and Waivers

In accordance with the German Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz-SchVG)*) the Holders may, by resolution with the majority specified in the following paragraph below, (i) agree with the Issuer on amendments to the Conditions of Issue, with regard to matters permitted by the SchVG, (ii) consent to such amendments of the Intercreditor Agreement, the Guarantees, the Parent Undertaking and the Security Documents which require such consent by the Holders, (iii) alter the powers and duties of, and give instructions and consents to, the Holders' Representative to the extent the Holders' Representative has the right but not the obligation to accept such additional powers and duties and (iv) appoint, and revoke the appointment of any Holders' Representative. Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

Unless a higher majority is required under mandatory provisions of statutory law, resolutions shall be passed by a majority of not less than 50% plus one vote of the votes cast (including, votes obtained in connection with a tender offer or exchange offer for the Notes); provided, however, that resolutions regarding

(i) any reduction of the relevant premium to be paid upon repurchase of any Notes or any change in the time at which any Note is to be repurchased pursuant to the provision described under "*—Optional Redemption*" and under "*—Repurchase at the Option of Holders upon a Change of Control*;

(ii) any amendment of any of the Security Documents (other than amendments provided for in the Conditions of Issue, the Intercreditor Agreement and the Security Documents);

(iii) any change of the Stated Maturity of the principal of, or any instalment of interest on, or change to an earlier redemption date of, or waiver of a default in the payment of principal of, premium, if any, or interest on, any Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration) or reduce the principal amount thereof or the rate of interest thereon, or change the coin or currency in which the principal of any such Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);

(iv) any reduction in the principal amount of outstanding Notes whose holders must consent to an amendment, supplement or waiver;

(v) the modification of any of the provisions relating to amendments requiring the consent of holders or relating to the waiver of past defaults or the waiver of covenants, except to increase the percentage of outstanding Notes required for such actions;

(vi) the release of any Guarantor from its obligations under its Note Guarantee except in accordance with the Conditions of Issue, such Note Guarantee and the Intercreditor Agreement; and

(vii) any change to the preceding amendment and waiver provisions;

shall require the consent of not less than 90% of the votes cast (including, consents obtained in connection with a tender offer or exchange offer for the Notes); provided further that any amendments regarding the form, custody and clearing, and transferability of the Notes, the book-entry register, payment conditions and the enforcement of rights as set forth in the Conditions of Issue require approval of 100% of the Holders.

The Conditions of Issue or the Intercreditor Agreement may be amended or supplemented without the consent of any Holder:

(i) to cure any ambiguity, to correct any error which is of formal, minor or technical nature, or to correct or supplement any provision in the Conditions of Issue, the Intercreditor Agreement or the Procedural Rules that may be defective or inconsistent with any other provision in the Conditions of Issue, the Intercreditor Agreement or the Procedural Rules; provided that, in each case, such provisions shall not adversely affect the interests of the Holders;

(ii) to provide for the assumption of the Issuer's or a Guarantor's obligations under the Conditions of Issue, the Intercreditor Agreement or the Procedural Rules in the case of a merger or other amalgamation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as the case may be, provided that such merger, amalgamation or sale of all or substantially all assets is not prohibited by the Conditions of Issue or any Guarantee;

(iii) to make any change that would provide any additional rights or benefits to the Holders;

(iv) to add additional Guarantees, or to release Guarantors from Guarantees in accordance with and if permitted by the terms of the Conditions of Issue;

(v) to further secure the Notes, or to release all or any portion of the Collateral in accordance with and if permitted by the terms of the Conditions of Issue;

(vi) to enter into an Additional Intercreditor Agreement, or to amend the Intercreditor Agreement, in each case as contemplated under "*—Additional Intercreditor Agreements*"; or

(vii) to provide for the issuance of additional Notes as contemplated under "*Additional Notes*" and if permitted by the terms and limitations of the Conditions of Issue.

Holders shall pass resolutions by vote taken without a meeting in accordance with the Procedural Rules, unless the Holders' Representative or Holders representing in the aggregate at least 5% of the aggregate principal amount of Notes outstanding expressly request that a meeting of Holders takes place. The vote shall be chaired by a notary appointed by the Issuer or, if the Holders' Representative has convened the vote, by the Holders' Representative.

Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding aggregate principal amount of Notes.

Exercise of voting rights in a vote without meeting is subject to the Holders registration. Registration must be received at the address stated in the request for voting by no later than the third day preceding the voting period.

Attendance at a meeting and exercise of voting rights is subject to the Holders registration. Registration must be received at the address stated in the convening notice by no later than the third day preceding the meeting.

Along with the registration the person that convened the meeting or the person that solicited the vote must receive a proof of eligibility for exercising voting rights. Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the custodian in text form and by submission of a blocking instruction by the custodian stating that the respective Notes are not transferable from the day the registration has been sent (including) to the stated end of the meeting (including).

The notice for solicitation of votes shall give details as to the prerequisites which must be met for votes to qualify for being counted.

Additional Information

Anyone who has received this offering memorandum may, following the issue date of the Additional Notes, obtain a copy of the Conditions of Issue and the Notes, without charge, in each case, by writing to the Paying Agent. Copies of such documents are also available at the specified office of the Listing Agent (if different from the Paying Agent) and the registered office of the Issuer.

Governing Law

The Conditions of Issue provide that the Notes, both as to form and content, as well as the rights and duties of the Holders, the Issuer, the Holders' Representative and the Paying Agent shall in all respects be determined in accordance with German law. The Intercreditor Agreement is also governed by German law.

Place of Jurisdiction and Service of Process; Enforcement

Place of jurisdiction for all proceedings arising from matters provided for in the Conditions of Issue shall be, as far as permitted by law, Frankfurt am Main, Federal Republic of Germany. The Holders are entitled to assert their claims also before any other competent court and the Issuer submits to the jurisdiction of the courts which are competent.

Any Holder may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System and Book-Entry Register containing the information pursuant to (a) and (b) and bearing acknowledgements of the Clearing System and any other Custodian in the chain of ownership for such Holder as to the Notes held in their respective accounts and (ii) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System and Clearstream Banking, société anonyme.

Notices

All notices to the Holders shall be either

(i) delivered through the Paying Agent or the Notification Agent, as applicable, to Clearstream for communication by Clearstream to Holders; or

(ii) made available on a web site, the address of which has been notified to the Holders in the manner set out in (i) on or before the date on which the relevant notice is given in accordance with this (ii).

Any notice referred to under (i) of the preceding sentence shall be deemed to have been given to all Holders on the third calendar day after the day on which the said notice was delivered to Clearstream and any notice referred to under (ii) of the preceding sentence shall be deemed to have been given to all Holders on the day on which it is made available on the web site, provided that if so made available after 4:00 p.m. (Frankfurt time) it shall be deemed to have been given on the immediately following calendar day. Any obligation of the Holders' Representative to give notice to the Holders pursuant to the Conditions of Issue shall be limited to providing the Notification Agent with the respective notice for further communication to the Holders. To the extent required by German law, notices will be also published through the German Federal Gazette (*Bundesanzeiger*).

Notices to be given to the Holders' Representative under or in connection with the Conditions of Issue shall be made by means of a written declaration to be delivered by (i) fax or e-mail and (ii) hand or registered mail to the address of the Holders' Representative as set forth in the Conditions of Issue.

Presentation Period; Prescription

The presentation period provided for in § 801(1) first sentence of the German civil code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with any other Person or that is assumed in connection with the acquisition of assets from such Person and, in each case, not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such merger, consolidation or acquisition.

"**Additional Assets**" means:

(1) any property or assets (other than Indebtedness and Capital Stock) in a Related Business including newly acquired property or assets and improvements of existing property or assets (excluding, for the avoidance of doubt, working capital or current assets);

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Related Business.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For 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. The terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement to be dated on or prior the Issue Date made between, among others, the Paying Agent, the Issuer and any other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"**Agreed Security Principles**" means the agreed security principles as set out in an annex to the Intercreditor Agreement, as applied reasonably and in good faith by the Issuer.

"**Applicable Premium**" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess of (i) the present value on such redemption date of (A) the redemption price of such Note at May 15, 2016 (such redemption price being set forth in the table appearing above under "*—Optional Redemption*", exclusive of any accrued and unpaid interest), plus (B) all required remaining scheduled interest payments due on the Notes through May 15, 2016 (but excluding accrued and unpaid interest to the redemption date) in each case, computed using a discount rate equal to the Bund Rate plus 50 basis points, over (ii) the principal amount of such Note on such redemption date.

The calculation of the Applicable Premium shall be made by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate and shall be conclusive in the absence of manifest error.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of any shares of Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or any of its Subsidiaries) or any other assets of the Issuer or any of its Restricted Subsidiaries, other than:

(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 or Cash Equivalents;

(3) for purposes of the covenant set forth under "*—Covenants—Limitation on Sales of Assets*" only, a disposition that constitutes a Restricted Payment permitted by the covenant set forth under "*—Covenants—Limitation on Restricted Payments*" or a Permitted Investment;

(4) transactions permitted by the covenant set forth under "*—Covenants—Merger and Consolidation-The Issuer*" or transactions constituting a Change of Control;

(5) dispositions in connection with Permitted Liens, foreclosures on assets and any release of claims which have been written down or written off;

(6) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and which is disposed of in the ordinary course of business;

(7) any sale, transfer or other disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing;

(8) dispositions of inventory and goods of sale in the ordinary course of business;

(9) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(10) dispositions of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(11) the granting of Liens not prohibited by the covenant described above under "*—Covenants—Limitation on Liens*";

(12) dispositions of receivables in connection with the compromise, settlement or collection thereof or surrender or waiver of contract rights or settlement, release of contract, tort or other claim, in each case, in the ordinary course of business;

(13) dispositions required by law or any governmental authority or agency;

(14) any exchange of assets for assets related to a Related Business of comparable or greater market value, as determined in good faith by the principal financial officer and the principal executive officer of the Issuer;

(15) 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 agreements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the covenant described under "—Limitation on Sale of Assets";

(16) taking by eminent domain, condemnation or any similar action with respect to any property or other assets;

(17) the disposition of (i) the production site at Pian della Rocca in accordance with the asset purchase agreement with Roto-cart dated March 29, 2013 and (ii) the production site or parts of the production site at Fabbriche Di Vallico, *provided,* in each case, that an amount equal to 100% of the Net Available Cash from such disposition is applied in the manner set forth in clause (iii) of the first paragraph under "—Limitation on Sale of Assets";

(18) any enforcement action taken in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(19) dispositions of assets the Fair Market Value of which does not exceed €3 million in any transaction or series of related transactions.

"**Attributable Indebtedness**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded semi-annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); provided, however, that if such sale and leaseback transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligation."

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (ii) the sum of all such payments.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board of Directors**" means, with respect to the Issuer or a Subsidiary, as the case may be, the management board (or other body or individual (including a managing director) performing functions similar to any of those performed by a management board or any committee thereof duly authorized to act on behalf of such board (or other body)).

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bund 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 by the Issuer in good faith)) most nearly equal to the period from the redemption date to May 15, 2016; provided, however that if the period from the redemption date to May 15, 2016 is not equal to the constant maturity of the direct obligations 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 May 15, 2016 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which (i) banks are open for general business in Frankfurt, London and Luxembourg, and (ii) the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to forward payments in euro.

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person (but excluding any debt securities convertible into such equity).

"**Capitalized Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, 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 Government or any agency or instrumentality of the United States or a member state of the European Union on December 31, 2003 (other than Italy, Portugal, Greece, Ireland or Spain) or any agency or instrumentality thereof (provided, however, that the full faith and credit of the United States or such member state of the European Union is pledged in support thereof); having maturities of not more than one year 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 commercial bank or trust company, provided that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) 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;

(3) repurchase obligations with a term of not more than seven 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) of this definition;

(4) commercial paper rated at the time of acquisition thereof at least "A-2"or the equivalent thereof by Standard & Poor's Ratings Services or "P-2"or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(5) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (4) of this definition.

"**Change of Control**" means the occurrence of any of the following:

(1) prior to the first Equity Offering that results in a Public Market, the Permitted Holders cease to be the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares, whether as a result of issuance of securities of a Parent, any merger, amalgamation, consolidation, liquidation or dissolution of any Parent or the Issuer, or any direct or indirect transfer of securities by the Permitted Holders or otherwise;

(2) on and at any time after the first Equity Offering that results in a Public Market, either (a) the Permitted Holders cease to be the Beneficial Owner, directly or indirectly, of more than 30% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares or (b) any Person, other than the Permitted Holders, Beneficially Owns, directly or indirectly, a higher percentage of the total voting power of the Voting Stock of the Issuer than the Permitted Holders, in either case, whether as a result of issuance of securities of the Issuer, any merger, amalgamation, consolidation, liquidation or dissolution of the Issuer, or any direct or indirect transfer of securities by the Permitted Holders or otherwise;

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or 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 Permitted Holder;

(4) following the first Equity Offering that results in a Public Market, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the members (excluding any employee representatives, if any) on the Board of Directors of the Issuer or any Holding Company (together with any new members whose election by the majority of such members on such Board of Directors of the Issuer or any Holding Company or whose nomination for election by shareholders of the Issuer or any Holding Company, as applicable, was approved by a vote of the majority of such members on the Board of Directors of the Issuer or any Holding Company then still in office who were either members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute the majority of the members (excluding any employee representatives, if any) on the Board of Directors of the Issuer or any Holding Company, then in office; or

(5) the adoption of a plan relating to the liquidation, winding up or other disposition of all or substantially all of assets of the Issuer.

"**Commodity Agreement**" means, with respect to any Person, any commodity or raw material futures contract, commodity of raw materials option, or any other similar agreement or arrangement designed to protect against or manage exposure to fluctuations in the price of commodity or raw materials actually used in the ordinary course of business of such Person.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income from continued operations for such period, plus to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges for such period; plus

(2) any amount of tax on profits, gains or income whether paid or accrued by the Issuer and its Restricted Subsidiaries for such period; plus

(3) any amount attributable to any amortization of the Issuer and its Restricted Subsidiaries (including amortization of any goodwill arising from purchase accounting) and any depreciation of the Issuer and its Restricted Subsidiaries for such period; less

(4) non-cash items increasing such Consolidated Net Income for such period (other than (a) any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) to (9) of the definition of Consolidated Net Income, (b) any non-cash items which represent the reversal in such period of any accrual of or provision for anticipated charges in a prior period where such accrual or provision is no longer required or (c) any non-cash items representing a receipt of cash in any future period in the ordinary course of business).

Notwithstanding the preceding sentence, clauses (2) and (3) relating to amounts of a Restricted Subsidiary of the Issuer will be added to Consolidated Net Income to compute Consolidated EBITDA of the Issuer only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of the Issuer and, to the extent the amounts set forth in clauses (2) and (3) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be dividended to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Consolidated Net Income**" means, for any period, the profit (loss) for the period (without discontinued operations) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP; provided, however, that there shall not be included in such Consolidated Net Income

(1) any profit (loss) for the period (without discontinued operations) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

    (a) subject to the limitations contained in clauses (2), (3) and (4) of this definition, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash 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; and

(b) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(2) any net after-tax gain (loss) realized upon the sale or other disposition of any asset of the Issuer or its Restricted Subsidiaries 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);

(3) any net after-tax goodwill impairment;

(4) the impact of any capitalized interest on any Subordinated Shareholder Debt;

(5) the cumulative effect of a change in accounting principles after the Issue Date;

(6) any extraordinary gain, loss or charge;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(8) (a) any asset impairments charges or the financial impacts of natural disasters (including fire, flood and storm and related events) or (b)(x) any one-time non-cash charges or amortization or depreciation, or (y) any one-time cash charges, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any restructuring, reorganization, redundancy or severance;

(9) solely for the purpose of determining the amount available for Restricted Payments under clause (iii)(A) of the first paragraph under "*—Certain Covenants—Limitation* on *Restricted Payments*", any profit (loss) for the period (without discontinued operations) of a Restricted Subsidiary which is subject to any restrictions, directly or indirectly, on distributions except to the amount of cash actually received by the Issuer;

(10) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption "*—Covenants—Limitation on Indebtedness*" (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence;

(11) any foreign currency translation losses;

(12) minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Capital Stock held by such parties;

(13) any expenses, charges, reserves or other costs related to this offering of the Notes including with respect to payments in connection with swap terminations;

(14) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards; and

(15) deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net loss from any write-off or forgiveness of Indebtedness.

"**Consolidated Secured Debt Ratio**" as of any date of determination, means the ratio of (1) Consolidated Total Indebtedness of the Issuer and its Restricted Subsidiaries that is secured by Liens (as of the end of the most recent fiscal quarter for which internal financial statements are available) to (2) the Issuer's Consolidated EBITDA for the most recently ended four full fiscal quarter period for which internal financial statements are available immediately preceding the date on which such event for which such calculation is being made shall occur, in each case with such *pro forma* adjustments to Consolidated Total

Indebtedness and Consolidated EBITDA as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Fixed Charge Coverage Ratio".

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness (excluding clauses (1)(f) of the definition of "Indebtedness") of the Issuer and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, obligations in respect of Capitalized Lease Obligations and debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, all obligations relating to Qualified Securitization Financings) and (2) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with GAAP. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Conditions of Issue, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock or preferred stock, such Fair Market Value shall be determined reasonably and in good faith by the Issuer.

"**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, in each case, 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, one or more debt facilities (including, without limitation, the Senior Revolving Credit Facility), instruments or arrangements or commercial paper facilities or overdraft facilities or conditions of issue or trust deeds or indentures or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit 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), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Senior Revolving Credit Facility or one or more other credit or other agreements, conditions of issue, trust deeds, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, companies 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 as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any personal stake in or with respect to such transaction or series of related transactions.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatory redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is 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 91 days after the earlier of the date (a) of the stated maturity of the Notes or (b) on which there are no Notes outstanding, provided, however, that 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 shall be deemed to be Disqualified Stock; provided further, however, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in the Conditions of Issue) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions as set forth under "*—Repurchase at the Option of Holders upon a Change of Control*" and "*—Limitation on Sales of Assets*" and such repurchase or redemption complies with "*—Covenants—Limitation on Restricted Payments*".

"**Equity Offering**" means a bona fide underwritten primary public offering of Capital Stock (other than Disqualified Stock) of the Issuer or any Holding Company to the extent the proceeds from such offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer, either:

(1) pursuant to a flotation on the Frankfurt Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union on 31 December 2003; or

(2) pursuant to an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issued or issuable under any employee benefit plan).

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the Financial Times in the "Currency and Financial Data" 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. Except as expressly provided otherwise, whenever it is necessary to determine whether the Issuer or any of its Restricted Subsidiaries has complied with any covenant or other provision in the Conditions of Issue or if there has occurred an Event of Default and an amount is expressed in a currency other than the euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non-euro currency.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by (i) the principal financial officer and the principal executive officer of the Issuer for transactions of less than €5 million and (ii) the Board of Directors of the Issuer (unless otherwise provided in the Conditions of Issue) for transactions valued at or in excess of €5 million.

"**Financial Indebtedness**" means any Indebtedness described under clauses (1)(a), (1)(b), (1)(e), (1)(f) and (1)(h) of the definition of "Indebtedness."

"**Fixed Charge Coverage Ratio**" means as of any date of determination, with respect to the Issuer and its Restricted Subsidiaries, the ratio of (i) the aggregate amount of Consolidated EBITDA for the period of the most recently ended four consecutive full fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available to (ii) Fixed Charges for such four consecutive full fiscal quarters; provided, however, that:

(1) if the Issuer or any Restricted Subsidiary:

(a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Indebtedness during such four quarter period or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four quarter period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such discharge had occurred on the first day of such period;

(2) if since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition or discontinued (as defined under GAAP) any company, division, operating unit, segment, business or line of business or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio includes such a transaction:

(a) the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition or discontinuation for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period; and

(b) Fixed Charges for such period shall be reduced by an amount equal to the Fixed Charges directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition or discontinuation for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, Fixed Charges for such period shall be reduced by the amount of Fixed Charges directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Issuer) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(4) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have Incurred any Indebtedness or discharged any Indebtedness, made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) of this definition if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Incurrence or discharge of Indebtedness, Asset Disposition or Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any calculation under this definition, the *pro forma* calculations (including, without limitation, in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness).

"**Fixed Charges**" means, with respect to the Issuer and its Restricted Subsidiaries for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of the Issuer and its Restricted Subsidiaries for such period, whether paid or accrued, including without limitation:

  (a) amortization of debt discount, debt issuance costs, commissions, fees, discounts, prepayment fees, premium or charges and other finance costs in respect of financial indebtedness whether paid or payable and depreciation of any such financing costs capitalized during such period (but excluding in each case (x) financing costs such as legal fees, advisory costs, security valuation expenses or similar expenses, (y) any commissions, fees, discounts, prepayment fees, premium, swap termination costs or other charges or payments incurred in connection with the Transaction and the repayment of the Issuer's existing credit facility on or prior to the Issue Date and (z) commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing), and

  (b) the interest portion of any deferred payment obligation with respect to any Financial Indebtedness; plus

(2) any interest on Indebtedness of another Person that is guaranteed by the Issuer or one of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or one of its Subsidiaries whether or not such Guarantee or Lien is called upon; plus

(3) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of the Issuer or on any series of preferred stock of any Restricted Subsidiaries of the Issuer other than dividends to the Issuer or a Restricted Subsidiary of the Issuer, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP; plus

(4) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of relevant leases; plus

(5) non-cash interest expense; plus

(6) costs associated with Hedging Obligations related to Indebtedness (but excluding any non-cash interest expense or income attributable to the movement in the mark to market valuation thereof and any payments for terminating interest rate swaps on the Issue Date as described in "Use of Proceeds"); plus

(7) interest expense capitalized during such period (but excluding such interest on Subordinated Shareholder Debt).

"**GAAP**" means generally accepted accounting principles in the Federal Republic of Germany and in effect on the Issue Date, or with respect to the covenant described under the caption "*—Covenants—Reports*", as in effect from time to time; provided, however, that at any time after the Issue Date, the Issuer may elect to apply IFRS for the purposes of the Conditions of Issue, and from and after such election references herein to GAAP shall be deemed to be references to IFRS and all defined terms in the Conditions of

Issue, and all ratios and computations based on GAAP shall be computed in conformity with IFRS, from and after any such election.

"**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 agreement 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 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" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Guarantor**" means each Person that Guarantees the obligations of the Issuer under the Notes and the Conditions of Issue by executing a Note Guarantee, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the terms of the Conditions of Issue.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

"**Holding Company**" 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 Holding Company.

"**Holding Company Expenses**" means:

(1) costs (including all professional fees and expenses) Incurred by any Holding Company 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 Conditions of Issue or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;

(2) customary indemnification obligations of any Holding Company 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 Holding Company 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 Holding Company in connection with the Transactions;

(5) reasonable general corporate overhead expenses, including but not limited to (a) professional fees and expenses and other operational expenses of any Holding Company related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Holding Company, (c) any taxes and other fees and expenses required to maintain such Holding Company's corporate existence and to provide for other ordinary course operating costs, including reasonable customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Holding Company and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Holding Company;

(6) expenses Incurred by any Holding Company in connection with any 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 Holding Company 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

(7) any (i) 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 and (ii) value added taxes to be paid by any Holding Company as controlling company of a value added tax group for the members of such value added tax group, but only to the extent such value added taxes are attributable to the Issuer and its Restricted Subsidiaries and, to the extent corresponding amounts are actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to such Unrestricted Subsidiaries;

provided, in each case, that such expense relates to the Issuer and its Subsidiaries in the ordinary course of business and has been deducted from Consolidated Net Income as an expense.

"**IFRS**" means the International Financial Reporting Standards as endorsed by the European Union and in effect on the date of any calculation or determination required hereunder.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become liable for (contingently or otherwise); 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) shall be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and further provided that for purposes of the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*," the obligation to pay the deferred and unpaid purchase price of property is considered Incurred on the date of signing the related purchase agreement if the delivery and taking title of such property under such purchase agreement is not subject to any conditions within the control of the purchaser and such delivery and taking title of such property will be completed less than six months after the signing of the related purchase agreement. The terms "**Incurred**" and "**Incurrence**" have meanings correlative to the foregoing.

"**Indebtedness**"

(1) means:

(a) indebtedness for borrowed money;

(b) obligations evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations in respect of letters of credit, bankers' acceptances or other similar instruments (except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(d) obligations to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations to trade creditors accrued in the ordinary course of business), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto;

(e) Capitalized Lease Obligations and Attributable Indebtedness;

(f) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchases of any Disqualified Stock or, with respect to any Restricted Subsidiary, preferred stock (but excluding any accrued dividends);

(g) the principal component of Indebtedness of other Persons to the extent Guaranteed by the Issuer or a Restricted Subsidiary;

(h) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of the Issuer or any Restricted Subsidiary, whether or not such Indebtedness is assumed by the Issuer or any Restricted Subsidiary; provided, however, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such assets at such date of determination and (b) the amount of such Indebtedness of such other Person; and

(i) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described in this definition and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

(2) Notwithstanding the other provisions of this definition, in no event shall the following constitute Indebtedness:

(a) Subordinated Shareholder Debt;

(b) 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, (A) at the time of closing, the amount of any such payment is not determinable, (B) the amount of any such payment shall be determinable within 12 months from the closing date and (C), to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(c) anything accounted for as an operating lease under GAAP or IFRS (each, as in effect on the Issue Date) and any guarantee given by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business solely in connection with, and in respect of, the obligation of the Issuer or any of its Restricted Subsidiaries under any operating lease;

(d) Contingent Obligations in the ordinary course of business; or

(e) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

(3) In addition, "Indebtedness" of any Person shall include Indebtedness described in clause (1) of this definition that would not appear as a liability on the balance sheet of such person if:

(a) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a "**Joint Venture**");

(b) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a "**General Partner**"); and

(c) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount not to exceed:

(i) the lesser of (A) the net assets of the General Partner and (B) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person; or

(ii) if less than the amount determined pursuant to the preceding clause (3)(c)(i) of this definition, the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced in writing and is for a determinable amount and the related interest expense shall be included in Fixed Charges to the extent actually paid by the Issuer or its Restricted Subsidiaries.

"**Initial Note Guarantees**" means a Guarantee pursuant to the terms set forth in the Conditions of Issue by an Initial Guarantor of the Issuer's obligations under the Notes and the Conditions of Issue.

"**Intercreditor Agreement**" means the intercreditor agreement to be entered into on the Issue Date between, among others, the Security Agent, the agent for the Senior Revolving Credit Facility and the other parties named therein, as further amended, restated or otherwise modified or varied 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 as to which such Person is party or a beneficiary.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances or extensions of credit to customers or suppliers in the ordinary course of business) or other extensions of credit (including by way of Guarantee or similar arrangement) 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 any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

For purposes of the definition of "Unrestricted Subsidiary" and the covenant set forth under "*—Covenants—Limitation on Restricted Payments*", "Investment" shall include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to the excess of the Issuer's "Investment" in such Subsidiary at the time of such redesignation less the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary.

Any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, except as would otherwise be required in relation to the valuation of a Restricted Payment pursuant to the covenant set forth under "*—Covenants—Limitation on Restricted Payments*". If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Voting Stock of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Rating**" means with respect to Moody's Investors Service Inc., a rating of Baa3 or higher and with respect to Standard & Poor's Ratings Group, Inc., a rating of BBB− or higher.

"**Lien**" means any mortgage, pledge, encumbrance, easement, deposit arrangement, security interest, lien or charge of any other kind of security right in rem (including with respect to any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing), whether or not filed, recorded or otherwise perfected under applicable law.

"**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 Debt (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €1 million in the aggregate outstanding at any time.

"**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 instalment 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, and other fees and expenses Incurred, and all taxes required to be paid or accrued as a liability under GAAP as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured on a higher priority than the Notes 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 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 in any of the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts to be provided for by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition required by the terms of the sale agreements to be placed in escrow (A) to provide assurance to the purchaser that the seller will be able to satisfy its indemnification and other obligations with respect to such sale and (B) which escrow is not under the sole control of the Issuer or any of its Subsidiaries; provided, however, that upon the termination of that escrow, Net Available Cash shall be increased by any portion of funds in the escrow that are released to the Issuer or any Restricted Subsidiary.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Indebtedness, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Note Guarantee**" means a Guarantee pursuant to the terms set forth in the Conditions of Issue by a Guarantor of the Issuer's obligations under the Notes and the Conditions of Issue.

"**Officer**" means, with respect to any Person, (1) the Chairman of the Board, 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 Conditions of Issue by the Board of Directors of such Person.

"**Officers' Request Certificate**" means, with respect to any Person, a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the intended recipient under the Conditions of Issue. The counsel may be an employee of or counsel to the Parent or the Issuer.

"**Parent**" means Wepa Industrieholding SE, until a Person shall have become a Successor Company pursuant to the applicable provisions of the Conditions of Issue and thereafter "Parent" shall mean such Successor Company.

"**Parent Subordinated Shareholder Debt**" means any Indebtedness provided to the Parent held by any direct or indirect parent of the Parent or any Permitted Holder in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, 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 Parent Subordinated Shareholder Debt; provided that such Parent Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Parent (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the final maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the final maturity of the Notes;

(4) is not secured by a Lien on any assets of the Parent, the Issuer or a Restricted Subsidiary;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Parent with its obligations under the Notes and the Conditions of Issue;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Parent;

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Parent Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Parent and shall be automatically in breach and violation of clause (ii) under "*Covenants—Limitation on Parent Activities*".

"***Pari Passu Indebtedness***" means, in the case of the Notes, any Indebtedness of the Issuer that ranks equally in right of payment with the Notes and, in the case of the Guarantors, any Indebtedness of the applicable Guarantor that ranks equally in right of payment to the Note Guarantee of such Guarantor.

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral to secure the Notes (or the Note Guarantees) issued on the Issue Date and any Refinancing Indebtedness in respect thereof; provided that all property and assets (including, without limitation, the Collateral) securing such Refinancing Indebtedness secures the Notes or the Note Guarantees on a senior or *pari passu* basis; provided further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(2) Liens on the Collateral to secure Indebtedness under a Credit Facility that is permitted by clause (i) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" which may have super priority not materially less favorable to the Holders than that accorded to the Senior Revolving Credit Facility on the Issue Date as provided in the Intercreditor Agreement as in effect on the Issue Date; provided that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees on a senior or *pari passu* basis; provided further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) Liens on the Collateral securing the Issuer's or any Restricted Subsidiary's obligations under Hedging Obligations permitted by clause (vi) of the second paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*"; provided that a Lien in favor of Priority Hedging Obligations may have super priority not materially less favorable to the Holders than that accorded to the Senior Revolving Credit Facility on the Issue Date as provided in the Intercreditor Agreement as in effect on the Issue Date; provided that all property and assets securing such Indebtedness also secures the Notes or the Note Guarantees; provided further that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) (x) Liens securing Indebtedness Incurred pursuant to the first paragraph of the covenant set forth under "*—Covenants—Limitation on Indebtedness*" and (y) Liens on Securitization Assets and related assets Incurred in connection with any Qualified Securitization Financing; provided that, in each case of clauses (x) and (y), such Liens also secure the Notes on an equal and ratable basis;

(5) in connection with the granting or creation of any Liens on assets or property contemplated by clause (22) of the definition of "Permitted Lien" and any Refinancing Indebtedness, any easements

hereditary building rights (*Erbbaurechte*) or similar encumbrances, granted with regard to any real property or portion of real property constituting Collateral on which any such assets or property are being installed or constructed or proposed to be installed or constructed; *provided* that any such easements, hereditary building rights (*Erbbaurechte*) or similar encumbrances are reasonably required (as determined in good faith by the Issuer's Board of Directors) for the financing, refinancing, construction, installation or operation of the paper machine(s); *provided* further that the Security Agent shall take any actions reasonably requested by the Issuer to permit the creation of any such easements, hereditary building rights (*Erbbaurechte*) or similar encumbrances with regard to such real property or portion of real property and to permit the creation of any such Liens contemplated by clause (22) of the definition of "Permitted Lien"; and

(6) Liens described in clauses (1), (2), (3), (4), (5), (6), (10), (11), (13), (18), (20) and (21) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral.

"**Permitted Holders**" means:

(1) Martin Krengel, Wolfgang Krengel and Jochen Krengel;

(2) the parents, spouse, siblings or any direct descendents of any of Martin Krengel, Wolfgang Krengel or Jochen Krengel,

(3) the parents of any spouse of Martin Krengel, Wolfgang Krengel and Jochen Krengel and any of their spouses' or their parents' direct descendants; or

(4) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding 50.1% or more of the Voting Stock (or equivalent interest) therein consist of any one or more Persons referred to in the immediately preceding clauses (1) through (3).

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary:

(1) in the Issuer or a Restricted Subsidiary;

(2) in a Person, if as a result of such Investment, such other Person becomes a Restricted Subsidiary or is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary; provided, however, that such Person's primary business is a Related Business;

(3) in any joint venture, Unrestricted Subsidiary or Person that is engaged in a Related Business (whether as a result of an Investment by the Issuer or any Restricted Subsidiary or an Investment by another Person which results in the creation of such joint venture or Person); provided that all Investments made pursuant to this clause (3) shall not exceed the greater of €15 million and 2.5% of Total Assets in the aggregate at any one time outstanding;

(4) in Capital Stock, obligations or securities received (i) in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, (ii) as a result of foreclosure, perfection or enforcement of any Lien, (iii) in satisfaction of judgments or (iv) pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(5) in existence on the Issue Date or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investments, but only to the extent not involving additional Investments;

(6) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness;

(7) in the Notes;

(8) in cash and Cash Equivalents;

(9) acquired by the Issuer or any Restricted Subsidiary in connection with an asset disposition exempted from the definition of "Asset Disposition or permitted under "*—Covenants—Limitation on Sale of Assets*" to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(10) Hedging Obligations, which transactions or obligations are incurred in compliance with "—Covenants—Limitation on Indebtedness;"

(11) Guarantees of Indebtedness permitted to be incurred by the covenant described under "*—Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(12) acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary 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 "*—Merger and Consolidation*") after the Issue Date; provided 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;

(13) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt;

(14) Management Advances;

(15) Investments, taken together with all other Investments made pursuant to this clause (15) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €15 million; 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 "*Restricted and Unrestricted Subsidiaries*", 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.

"**Permitted Liens**" means:

(1) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Indebtedness), warranty obligations or leases to which the Issuer or a Restricted Subsidiary is a party, or to secure public or statutory obligations of the Issuer or a Restricted Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Issuer or a Restricted Subsidiary is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law;

(3) Liens for taxes, assessments or other governmental charges;

(4) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Issuer or a Restricted Subsidiary in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;

(5) judgment Liens 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 have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(6) Liens arising solely by virtue of banks' standard business terms and conditions;

(7) Liens existing on the Issue Date (other than on the Notes and the Note Guarantee);

(8) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; provided further, however, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(9) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection

with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(10) Liens securing Indebtedness or other obligations of the Issuer or any Restricted Subsidiary under a cash pool or similar arrangement owed to a Restricted Subsidiary;

(11) Liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*) or similar arrangements entered into in the ordinary course of business;

(12) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, provided, however, that any such Lien is limited to all or part of the same security package that secured the Indebtedness being refinanced and shall rank the same priority as the Indebtedness being refinanced;

(13) (a) Liens to secure Indebtedness permitted by clause (ix) of the second paragraph of the covenant set forth under "*—Limitation on Indebtedness*"; provided that any such Lien shall be limited to the asset financed with such Indebtedness; and (b) Liens to secure Indebtedness of the Issuer or any Restricted Subsidiary represented by Capitalized Lease Obligations, Purchase Money Obligations, Attributable Indebtedness or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets (including Capital Stock), in each case, acquired after the Issue Date and in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense, rental payments (other than lease payments or rental expenses under a capitalized lease for reporting purposes under GAAP) or cost of design, installation, construction or improvement of property used in the business of the Issuer or such Restricted Subsidiary not to exceed €30 million, provided in the case of this clause (b), (x) that the aggregate principal amount of any such Indebtedness did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed, (y) the aggregate principal amount of Indebtedness secured by such Liens is Incurred under the first paragraph of the covenant "*Limitation on Indebtedness*" and (z) that any such Lien shall be limited to the asset financed with such Indebtedness;

(14) Liens securing any Indebtedness of a Restricted Subsidiary owed to the Issuer or another Restricted Subsidiary provided that such Liens are subordinated to the Liens securing the Notes;

(15) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;

(16) Liens in favor of the Issuer or any Guarantor or, as long as such Lien does not secure any obligation of the Issuer or a Guarantor, any Restricted Subsidiary that is not a Guarantor;

(17) leases (including operating 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;

(18) 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;

(19) Liens created for the benefit of (or to secure) the Notes (or any Note Guarantee);

(20) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(21) 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;

(22) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, design, installation or construction of up to two paper machines; *provided* that (a) the aggregate principal amount of such Indebtedness is Incurred under the first paragraph of the covenant "*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, installed or constructed with the proceeds of such Indebtedness and any real property on which such assets or property have been installed or constructed; and

(23) Liens on assets of the Issuer and its Restricted Subsidiaries with respect to obligations not to exceed €15 million.

"**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.

"**Priority Hedging Obligations**" means designated Hedging Obligations in an aggregate amount outstanding at any time of up to €25 million.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Issuer has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date.

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, design, installation, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets or otherwise.

"**Qualified Securitization Financing**" means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted Subsidiaries; provided that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the Issuer's Board of Directors or an Officer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's Board of Directors or an Officer) at the time such financing is entered into and (c) such financing shall be non recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

"**Rating Agencies**" means Moody's Investors Service Inc. and Standard & Poor's Ratings Group, Inc.

"**Refinancing Indebtedness**" means Indebtedness that refinances any Indebtedness Incurred or existing as permitted under and in compliance with the Conditions of Issue; provided, however, that:

(1) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums);

(4) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

(5) if the Indebtedness being refinanced is Indebtedness of the Issuer or a Guarantor, the Refinancing Indebtedness may not be Indebtedness of or Guaranteed by a Restricted Subsidiary that is not a Guarantor; and

(6) such Refinancing Indebtedness is incurred either by the Issuer or a Guarantor (if the Issuer or a Guarantor was the obligor of the Indebtedness being refinanced, replaced or discharged) or by the Restricted Subsidiary that was the obligor of the Indebtedness being refinanced, replaced or discharged and is Guaranteed only by Persons who were obligors or Guarantors of the Indebtedness being refinanced, replaced or discharged.

"**Related Business**" means any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date, and any services, activities or businesses incidental or directly related or similar thereto (including, without limitation, the supply of energy to the Issuer or any Restricted Subsidiary and the supply of raw materials in connection with any of the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date), or any line of business or business activity that is a reasonable extension, development, application or expansion thereof or ancillary thereto (including by way of geography or product or service line).

"**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 Holding Company), required to be paid (provided such Taxes are in fact paid) by any Holding Company by virtue of its:

   (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of its Subsidiaries);

   (b) issuing or holding Subordinated Shareholder Debt;

   (c) being a holding company parent, directly or indirectly, of the Issuer or any of its Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of its Subsidiaries; or

   (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Person pursuant to "*—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 Holding Company, any Taxes measured by income for which such Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Payment**" means:

(1) the declaration or payment of any dividend or any distribution (whether made in cash, securities or other property) by the Issuer or any Restricted Subsidiary on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) other than:

   (a) dividends or distributions payable solely 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 and dividends or distributions payable solely in Subordinated Shareholder Debt; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary and, if the Restricted Subsidiary paying such dividends or distributions is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a pro rata basis;

(2) the purchase, redemption or other acquisition for value of any Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) of the Issuer or any direct or indirect parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) the purchase, repurchase, redemption, defeasance or other acquisition for value, prior to scheduled maturity or scheduled repayment of any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any Guarantor), other than the purchase, repurchase, redemption, defeasance or other acquisition of any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance, other acquisition or scheduled repayment;

(4) any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or

(5) the making of any Restricted Investment in any Person.

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 determination of the Fair Market Value shall be based upon an opinion or appraisal issued by an accounting, appraisal or investment bank of national standing if such Fair Market Value exceeds €15 million. No later than the date of making any Restricted Payment, the Issuer shall deliver to the Holders' Representative an Officers' Request Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the provision set forth under "*—Covenants—Limitation on Restricted Payments*" were computed, together with a copy of any fairness opinion or appraisal required and any other information reasonably requested by the Holders' Representative.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Sale/Leaseback Transaction**" means an arrangement relating to property whereby the Issuer, or a Restricted Subsidiary transfers such property to a Person (other than the Issuer or any of its Subsidiaries) and the Issuer or Restricted Subsidiary leases it from such Person.

"**Securities Act**" means the U.S. Securities Act, as amended and the rules and regulation of the U.S. Securities and Exchange Commission promulgated thereunder.

"**Securitization Assets**" means any accounts receivable subject to a Qualified Securitization Financing.

"**Securitization 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 the Issuer or any of its Restricted Subsidiaries in connection with any Qualified Securitization Financing.

"**Securitization Repurchase Obligation**" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, 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.

"**Security Agent**" means Commerzbank Aktiengesellschaft, as security agent pursuant to the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity.

"**Security Documents**" means any agreement or document that provides for a Lien over any Collateral for the benefit of the Holders in each case as amended or supplemented from time to time.

"**Senior Revolving Credit Facility**" means the €90 million syndicated revolving facilities agreement entered into on or about April 29, 2013 by the Issuer, Commerzbank Aktiengesellschaft as Facility Agent and the Senior Revolving Credit Facility Lenders, including any related ancillary facility agreements, notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, in each case as the same may be amended, extended, restated, waived or otherwise modified from time to time.

"**Senior Revolving Credit Facility Lenders**" means the "Finance Parties" as defined under the Intercreditor Agreement.

"**Significant Subsidiary**" means any Restricted Subsidiary which contributed the equivalent of at least 5% of the Issuer and its Subsidiaries' consolidated revenue or Consolidated EBITDA for the year.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

"**Subordinated Shareholder Debt**" means any Indebtedness provided to the Issuer held by any Holding Company or any Permitted Holder in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, 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 Debt; provided that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Capital Stock of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the final maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the final maturity of the Notes;

(4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not Guaranteed by any Subsidiary of the Issuer that is not a Guarantor;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Agency Agreement;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Issuer;

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as a Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer which incurrence will only be permitted to the extent permitted under the provision set forth under "*—Covenants—Limitation on Indebtedness*", and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"**Subsidiary**" means, with respect to any specified Person:

(1) any corporation, association or other business 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 and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election or appointment of directors or managers of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and 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;

provided that GC & Wepa S.L. shall not be a Subsidiary unless (i) the Issuer or any Restricted Subsidiary owns more than 50% of the shares of Capital Stock of GC & Wepa S.L. or (ii) the Issuer or a Restricted Subsidiary exercises the right to appoint the "General Manager" of GC & Wepa S.L. or otherwise controls the day-to-day management of GC & Wepa S.L.; provided further, that if GC & Wepa S.L. becomes a Subsidiary pursuant to clause (ii), it shall initially become an Unrestricted Subsidiary.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including, without limitation, interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"**Total Assets**" means the consolidated total assets of the Issuer and its Restricted Subsidiaries in accordance with GAAP as shown on the most recent balance sheet of the Issuer.

"**Transactions**" means the offering and sale of the Notes, the entering into of the Senior Revolving Credit Facility and repayment of certain of the Issuer's existing indebtedness with the proceeds therefrom.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided for in "*—Covenants—Restricted and Unrestricted Subsidiaries*"; and

(2) any Subsidiary of an Unrestricted Subsidiary.

"**Voting Stock**" of a corporation or company means all classes of Capital Stock of such corporation or company then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS

EUROPEAN UNION

Pursuant to Council Regulation (EC) No 1346/2000 of May 29, 2000 on insolvency proceedings, last amended by Council Regulation (EC) No 788/2008 of July 24, 2008 (the "**EU Insolvency Regulation** "), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Economic Area (the "**Member State**") (other than Denmark) where the company concerned has its "centre 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 "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "centre of main interests" is not a static, but rather a fact and circumstances based concept and may hence change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as the location where board meetings are held and the location where the company conducts the majority of its business including the perception of the company's creditors of the local centre of the company's business operations may all be relevant in determining where the company has its "centre of main interests", with the company's "centre of main interests" at the time of initiation of the relevant insolvency proceedings being not only decisive for the international jurisdiction of the courts of a certain Member State, but also for the insolvency laws applicable to these insolvency proceedings as each court would, subject to certain exemptions, apply its local insolvency laws (*lex fori concursus*).

If the centre of main interests of such company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of such company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "centre 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 located 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 issuer or guarantor under the EU Insolvency Regulation. Irrespective of whether the insolvency proceedings are main or territorial proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, i.e. the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

In the event that the Issuer or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the collateral provided by the Issuer or any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

GERMANY

Insolvency

The Issuer and certain Guarantors, are organized under the laws of Germany, have their registered offices in Germany and substantially all of their assets are located in Germany. Consequently, any insolvency proceedings with regard to the Issuer and these certain Guarantors are likely to be initiated in Germany and, if the Issuer and Guarantors, respectively, were held to have their centre of main interests within the territory of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favourable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and also no pooling of claims amongst the respective entities of a group.

Based on a Proposal for a Regulation of the European Parliament and of the Council of December 12, 2012 amending Council Regulation (EC) No 1346/2000 (COM(2012) 744 final) and providing, *inter alia*, for a coordination of the insolvency proceedings in group insolvencies, the German federal government has introduced a Bill for the Facilitation of the Handling of Group Insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*, printing no. 663/13). The Federal Council (*Bundesrat*) has provided comments and returned the Bill to the Parliament for further debate. While the Bill has not yet been passed, it basically focuses on providing a framework for a better coordination and possible concentration of different insolvency proceedings within a group of companies. It does not include measures such as a substantive consolidation of the individual proceedings or of the assets of the individual insolvency estates.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (*positive Fortführungsprognose*). If a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder—such as the Issuer—gets into a situation of illiquidity and/or over-indebtedness, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within 3 weeks after the mandatory insolvency reason, i.e. illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings if the debtor is likely to not be able to pay its debts as and when they fall due.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—with this petition not being obviously futile. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on the profile of the officeholder to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; i.e. incompetent and/or not disinterested). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees. The duty of the preliminary insolvency administrator is, in particular, to safeguard and to preserve the debtor's assets (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor in possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor in possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favour of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e. sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g. liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9% of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). 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 insolvent estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full. Hence, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy unsecured creditors of the Issuer or under a guarantee granted by any German guarantor in full after the secured creditors have been satisfied. Claims of subordinated creditors in the insolvency proceedings (*nachrangige*

Insolvenzgläubiger) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

While in ordinary insolvency proceedings, the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aiming at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and 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. If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g. these can be transferred to third parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (i.e. imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in possession status and can prove that a restructuring of its business is not obviously futile, the court may grant a period of up to three months to prepare an insolvency plan for the debtor business. During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (i.e. is obviously not competent or impartial):

- Under the German Insolvency Code, the insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable avoidance periods. Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings;
- In the event of insolvency proceedings with respect to the Issuer based on and governed by the insolvency laws of Germany, the payment of any amounts to the Holders as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code. In case the validity or enforceability of the Notes or any collateral in favour of the Notes is avoided successfully, you may not be able to recover any amounts under the Notes or the collateral. If payments have already been made under the Notes or collateral, the insolvency administrator may require that the recipients return the payment to the insolvency estate and you would instead then only have a general unsecured claim under the Notes without preference in insolvency proceedings;
- In particular, an act (*Rechtshandlung*) or a legal transaction (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases;
- any act granting a creditor security or satisfaction for a debt (*Befriedigung*) can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was cash flow insolvent (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge thereof or of the debtor being cash flow insolvent (or knowledge of circumstances which are imperatively suggesting such cash flow insolvency or filing);
- any act granting a creditor security or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be avoided if the transaction was effected after or in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was cash flow insolvent, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor;
- any legal transaction effected by the debtor which is directly detrimental to the creditors of the debtor can be avoided if the transaction was effected (i) in the last three months prior to the filing of a

petition for the opening of insolvency proceedings against the debtor, if at the time of the legal transaction the debtor was insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the legal transaction had knowledge thereof or of the debtor being insolvent;

- if an act whereby a debtor grants security for a third party debt is regarded as having been granted gratuitously (*unentgeltlich*); such gratuitous transaction can be avoided unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor during a period of ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after such filing can be avoided if the debtor acted with the intent to disadvantage its creditors and the beneficiary of the transaction had knowledge of such intent at the time of the transaction, with such knowledge being presumed if the beneficiary knew that the debtor is cash-flow insolvent and that the transaction disadvantaged the other creditors;
- any non-gratuitous contract concluded between the debtor and an affiliated party which directly operates to the detriment of the creditors can be avoided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'affiliated party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25 per cent. 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 that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event it provided security, if the transaction was effected within the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it provided satisfaction, if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if 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)).

For purposes of the above, the knowledge of circumstances from which a compelling conclusion regarding the debtor's insolvency or regarding the filing of a petition for the opening of insolvency proceedings can be drawn, will be considered tantamount to the actual knowledge of the debtor's insolvency or of the filing of the petition for the opening of insolvency proceedings.

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

Finally, the insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for restitution of a shareholder loan or claims resulting from legal transactions corresponding in economic terms to such a loan.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

The granting of guarantees by German subsidiary guarantors is subject to certain capital maintenance rules under German law. Therefore, in order to enable German subsidiary guarantors to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating German capital maintenance provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a German limited liability company (GmbH), a German stock corporation (AG) or a German limited partnership with a German limited liability company as general partner (GmbH & Co. KG). Pursuant to such limitation language, the enforcement of the subsidiary guarantee and security documents given by each of the German subsidiary guarantors or the distribution (*Auskehrungen*) of proceeds from such enforcement will be limited reflecting, in case of any German subsidiary guarantors incorporated as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or as a German limited partnership with a German limited liability company as general partner, the requirement under the capital maintenance rules imposed by Sections 30 and 31 of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) if and to the extent payments under any such subsidiary guarantee or, as the case may be, the enforcement of security documents or the distribution of proceeds from such enforcement would cause a German subsidiary Guarantor's net assets to fall below the amount of its registered share capital (*Stammkapital*). These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the subsidiary guarantee. In addition, subsidiary guarantees in other jurisdictions may be subject to similar or other limitations.

German capital maintenance rules are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German subsidiary guarantors, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German subsidiary guarantors to make payments on the subsidiary guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity/assets necessary to satisfy its creditors) may be applied by courts with respect to the enforcement of a subsidiary guarantee granted by the German subsidiary guarantors. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortuous inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of subsidiary guarantees by the German subsidiary guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the subsidiary guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Accessory security interests / Parallel debt

Under German law, certain security interests such as pledges (*Pfandrechte*) are of strict accessory nature and are therefore dependent on the secured claims and require the security holder and the creditor of the secured claim to be identical. Such accessory security interests (*akzessorische Sicherungsrechte*) (i) will automatically lapse to the extent a secured claim is settled, discharged or novated, (ii) may not be assigned independently, but would automatically follow the claims they secure in case the relevant secured claim is assigned and (iii) may only be granted to the creditor of a claim to be secured by the accessory security interest.

The accessory security interests will also be granted to the Security Agent. The Security Agent is however not a creditor under the Notes. The Holders on the other hand are creditors under the Notes and the Guarantees. In order to allow the Holders to benefit from the pledges, such pledges will also secure a so-called "parallel debt" obligation created under the Intercreditor Agreement in favor of the Security

Agent rather than secure the Holders' claims under the Notes directly. The parallel debt is in the same amount and payable at the same time as the obligations of the creditors under the Notes and the Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, the legal concept of creating parallel debt obligations has not yet been tested before a German court. Therefore, it cannot be ruled out that such concept will not be recognized by German courts or that it will eliminate or mitigate the risk of invalidity and unenforceability of pledges. Therefore, the ability of the Security Agent to enforce the collateral may be restricted.

Moreover, the Security Agent holds the pledges in trust. This means that in the case of an insolvency of the Security Agent, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right (*Aussonderungsrecht*) of the Holders with respect to the secured claims. As a consequence the secured claims (including the parallel debt) and the accessory security rights would remain with the (then insolvent) Security Agent.

ITALY

A Guarantor of the Notes which is incorporated under the laws of Italy (the *"Italian Guarantor")* may be subject to Italian laws governing creditors rights and bankruptcy and restructuring proceedings.

Insolvency

Overview

This paragraph sets out a brief description of certain aspects of the insolvency laws of Italy.

In Italy, the courts play a central role in the insolvency process. However, some out-of-court restructuring proceedings can be implemented upon the occurrence of certain conditions.

Under Italian law, the insolvency *(insolvenza)* of a company is ascertained and declared by a court. Insolvency occurs at a time when a debtor is no longer able to regularly meet its obligations as they fall due. This must be a permanent, and not a temporary, status, without prejudice to what is specified below with reference to the procedures aiming at the return *in bonis* of the company.

The following insolvency or restructuring proceedings are available under Italian law for, as the case may be, companies facing financial difficulties, companies in a state of temporary crisis or insolvent companies:

- Bankruptcy *(fallimento):* it has two main aims: (i) the liquidation of the insolvent debtor's assets and distribution of the relevant proceeds to creditors and (ii) the protection of the principle that the creditors of the insolvent debtor should be treated equally.
- Composition agreement *(Concordato preventivo):* a company, which is insolvent or in a situation of financial distress that has not been declared insolvent by the court, has the option to seek an arrangement with its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Provided that said agreement is approved, all acts, payments, guarantees and security interest executed or granted in order to implement such agreement are not subject to claw back actions if said company is then submitted to bankruptcy (article 160 and article 67, paragraph 3, letter (e) of the Royal Decree 16 March 1942, n. 267, as amended from time to time, hereinafter the "Italian Bankruptcy Law").
- Extraordinary administration for large insolvent companies and/or groups pursuant to Italian Legislative Decree No. 270/99 *(amministrazione straordinaria delle grandi imprese in crisi di cui alla Legge Prodi bis,* so called *"Prodi procedure"):* it is established for major industrial and commercial companies/groups where the two primary aims are first to maintain the business working by continuing, restarting or converting it and, second, to liquidate the debtor's assets for the satisfaction of creditors. These aims may be competing and often are generally balanced by the sale and/or lease of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold and/or leased. To qualify for this procedure the company (i) must have employed at least 200 employees in the previous year and (ii) must have debts of at least two thirds of the assets shown in its financial statements and two-thirds of its income from sales and provision of services during the last financial year.

- Extraordinary administration for large insolvent companies pursuant to Italian Law Decree No. 347/2003 *(amministrazione straordinaria délle grandi imprese in crisi di cui alla Legge Marzano):* introduced on 2003 and known as *"Marzano procedure",* it is complementary to the Prodi procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure only applies to large insolvent companies/groups which, on a consolidated basis, have at least 500 employees in the year before the procedure was commenced and at least €300 million of debt.

- Debt restructuring agreements with creditors *(accordi di ristrutturazione dei debiti):* this proceeding provides that it is possible for a company in financial difficulty to reach a restructuring agreement with its creditors and submit it to the competent Court. Provided that said agreement is approved by the Court, all acts, payments, guarantees and security interest executed or granted in order to implement such restructuring agreement are not subject to claw back actions if said company is then submitted to bankruptcy (article 182-bis and article 67 letter (e) of the Royal Decree 16 March 1942, n. 267, as amended from time to time, hereinafter the *"Italian Bankruptcy Law").*

- Certified reorganization plans *(piani attestati di risanamento):* it is an out-of-court composition agreement implemented through a certified reorganization plan *(piano attestato di risanamento),* the aim of which is to restructure the debtor's liabilities and rebalance its financial position. This is an informal procedure with no court involvement. In the event that the reasonableness of the plan is certified by an expert, if the debtor is then declared bankrupt, the acts, payments, guarantees and security interest executed or granted according to a certified reorganization plan are not subject to claw back actions (article 67 letter (d) of the Italian Bankruptcy Law).

Bankruptcy

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding *(fallimento)* for the judicial liquidation of the assets of a debtor can be made by the same debtor, one or more creditors and, in certain cases, by the Republic Attorney Office *(pubblico ministero).* The bankruptcy is declared by the competent bankruptcy court which must ascertain insolvency of the debtor. Upon the commencement of a bankruptcy proceeding:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period;

- the administration of the debtor and the management of its assets pass from the debtor to the receiver; and

- any act (including payments) made by the debtor, other than those made through the receiver, after a declaration of bankruptcy with respect to the creditors is ineffective.

The bankruptcy proceeding is carried out and supervised by a court appointed receiver, a deputy judge and a creditors' committee. The receiver is not a representative of the creditors and the creditors committee, as specifically provided for by law, has in some cases, an authorization power over the receiver and, in general, consultation functions over the latter and vigilance authority over the bankruptcy proceedings. The receiver is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. Italian law provides for priority to the payment of certain preferential creditors, including employees and the Italian judicial and social security authorities and treasury.

The statutory priority assigned to creditors under Italian law may be different than priorities in the United States and certain other European jurisdictions. Under Italian law, the highest priority claim (after the costs of the proceedings are paid) are the claims of creditors of the proceedings *(crediti prededucibili),* which concern, *inter alia,* credits arisen on request of the receiver after the proceedings have commenced. The next priority is secured creditors with privileges *(crediti privilegiati;* a preference in payment provided for by law) which include the claims of the Italian tax and social security authorities and claims for employee wages that arose before the insolvency has been declared (including severance pay), mortgages *(crediti ipotecari)* and pledges *(crediti pignoratizi)* and other claims specifically provided for by law. The remaining funds are distributed among the unsecured creditors *(creditori chirografari).*

Limitations on Enforcement

Fraudulent Transfer Provisions Pending the Bankruptcy Proceedings

Upon the declaration of bankruptcy, the following acts would be without effects *(privi di effetto)* as provided for by articles 64 and 65 of the Italian Bankruptcy Law vis-a-vis the creditors:

- all gratuitous acts (such as, under certain circumstances, the guarantees and those acts entered into for the benefit of third parties) entered into by the debtor in the two years preceding the declaration of bankruptcy; and
- the payments of receivables falling due on the day of the declaration of bankruptcy or thereafter, made by the debtor in the two years preceding the declaration of bankruptcy.

In addition, upon the declaration of bankruptcy, the following acts could be revoked *(revocati)* as provided for by article 67 of the Italian Bankruptcy Law (the result of which is a declaration of ineffectiveness as to the bankruptcy), unless the defendant in the related action proves that it was unaware of the state of insolvency of the debtor:

- the non-gratuitous acts (including guarantees, agreements and payments), made within the period of one year preceding the declaration of bankruptcy, if the value of the obligation performed or entered into by the debtor exceeds by more than ¼ the value of what has been given or promised in exchange to it;
- the acts aimed to satisfy the requests of payment of creditors, made by the debtor within the period of one year preceding the declaration of bankruptcy, by non-ordinary means of payment;
- the pledges and voluntary mortgages established within the period of one year preceding the declaration of bankruptcy, for pre-existing and un-matured debts; and
- the pledges and voluntary and judicial mortgages established within the period of six months preceding the declaration of bankruptcy, for past due debts.

Moreover, should the receiver prove that the defendant in the related action was aware of the state of insolvency of the debtor, the payment of debts past due and payable and non-gratuitous acts, herewith including those establishing a preference in the order of satisfaction of creditors, for debts, also of third parties, contextually arisen, made within the period of six months preceding the declaration of bankruptcy, could be revoked.

A recent reform of Italian Insolvency rules has stated that are not subject to claw back action:

- payments, acts and security interests legally performed after the simply filing of the request of a "Composition with Creditors" procedure;
- payments of debts performed at their due date in order to obtain services necessary to be admitted to insolvency and "Composition with Creditors" procedures.

It is to be added that other hypotheses as well as exceptions could also apply pursuant to applicable law and that, in any case, the receiver—who is the individual deputed to bring the above actions—could always resort to the general action under the civil code of the Republic of Italy enacted by the Royal Decree No. 262 of 16 March 1942 (as amended) (the *"Italian Civil Code")* as described in the following paragraph (as provided for by article 66 of the Italian Bankruptcy Law).

Fraudulent Transfer Provisions of General Applicability Including During Bankruptcy

Under Italian law, in certain circumstances, also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action *(azione revocatoria)* pursuant to article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian Court could revoke the said guarantee, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit;

- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

Under Italian law the guarantee obligations under the Guarantee Agreement of an Italian Guarantor are subject to compliance with the rules on corporate benefit and corporate authorization. If a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. Whilst corporate benefit for a downstream guarantee is usually self-evident, the validity and effectiveness of an up-stream or cross-stream guarantee granted by an entity organized under the laws of Italy (such as the Note Guarantee to be granted by an Italian Guarantor with respect to the Notes) depends on the existence of a real and adequate benefit in exchange for the guarantee. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case by case basis. In particular, in case of upstream and cross-stream guarantees for the financial obligations of group companies, examples include financial consideration in the form of a guarantee fee or access to cash flows in the form of intercompany loans from other members of the group. The general rule is that the risk assumed by an Italian Guarantor must not be disproportionate to the direct or indirect economic benefit to that Italian Guarantor. To this extent, customary "*limitation language*" is usually inserted in indentures, credit agreements and guarantees for the purpose of limiting the amount guaranteed by the Guarantor to an amount that is proportionate for the direct or indirect economic benefit to that Guarantor derived from the transaction.

Absence of a real and adequate benefit could render the Note Guarantee to be provided by an Italian Guarantor ultra vires and potentially affected by conflict of interest. Thus, civil liabilities may be imposed on the directors of an Italian Guarantor if it is assessed that they did not act in the best interest of an Italian Guarantor and that the acts they carried out do not fall within the corporate purpose of an Italian Guarantor. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian Guarantor or having knowingly received an advantage or profit from such improper control. Moreover, the Note Guarantee to be provided by an Italian Guarantor could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of an Italian Guarantor.

The rules on corporate benefit apply equally to security provided by subsidiaries in relation to the financial obligations of their parent or sister companies.

As to corporate authorizations, the granting of guarantees or security by an Italian company (such as the Note Guarantee and the Collateral to be granted by an Italian Guarantor with respect to the Notes) must be permitted by the by-laws (*statuto*) of the Italian company. Finally, as to the financial assistance aspects, the granting of a guarantee or security by an Italian company (such as the Note Guarantee and the Collateral to be granted by an Italian Guarantor with respect to the Notes) cannot include any liability which would result in unlawful financial assistance within the meaning of article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotes or those of its direct or indirect parent company would also be a violation.

Given the Italian law financial assistance and corporate benefit issues described above, the Note Guarantee granted by an Italian Guarantor will be subject to certain limitation set out in the Guarantee Agreement and the Senior Revolving Credit Facility in order to comply with applicable corporate benefit provisions and/or, as the case may be, financial assistance rules. The same limitations will apply to the Collateral granted by that Italian Guarantor.

Parallel Debt

The Collateral includes quota pledges over the quotas of Wepa Lucca S.r.l.

It is uncertain and untested in the Italian Court whether under Italian law a security can be created and perfected in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein and corporate documents or public registries. In addition, there is no established concept of *"trust"* or *"trustee"* under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the security agent as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Given the above and considering that the holders of the Notes are not party to the Italian security documents, there is a risk that an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Italian security documents and/or cannot enforce that security.

To address the above potential issue, the Intercreditor Agreement shall provide for the creation of a *"parallel debt".* Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The security interest governed by Italian law will then secure the parallel debt. However, please note that the enforceability of Italian law security granted in favor of the creditor of a parallel debt has not been tested in Italian Courts and, therefore, it cannot be excluded that the parallel debt will not per se eliminate or mitigate the risk of unenforceability by the holders of the Notes of the Italian security documents posed by Italian law.

FRANCE

Insolvency

One of the guarantors is incorporated under the laws of France (the "**French Guarantor**"). In the event of an insolvency of the French Guarantor, and to the extent that the center of its main interests is deemed to be in France, insolvency proceedings with respect to it would likely be governed by the laws of France, including court-assisted informal proceedings *(mandat ad hoc* or *conciliation* proceedings) and court-administered insolvency proceedings: safeguard procedure, accelerated financial safeguard proceedings, judicial reorganization or liquidation proceedings *(procédures de sauvegarde, sauvegarde financière accélérée, redressement* or *liquidation judiciaire).* Certain provisions of insolvency law in France are less favorable to creditors than are the bankruptcy laws of other jurisdictions. In general, French safeguard, accelerated financial safeguard, reorganization or liquidation legislation favours the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights against the French Guarantor.

The following is a general discussion of insolvency proceedings (mainly court-administered insolvency proceedings) governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1244-1 of the French Civil Code (*Code civil).* Pursuant to Article 1244-1 of the French Civil Code, French courts may, in a civil proceeding involving a debtor, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations. In addition, pursuant to Article 1244-1, French courts may decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate) or that payments made shall first be allocated to repayment of the principal.

Court-administered proceedings may be initiated:

- in the event of safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor, or on the court's own initiative.

The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not in a state of cessation of payments, i.e. unable to pay its debts as they fall due with its immediately available assets, taking into account credit lines and moratoria. It is required to petition for the opening of reorganization proceedings (if recovery is possible) or liquidation proceedings (if recovery is manifestly not possible) within 45 days of the date upon which the cessation of payments occurred. If it fails to do so, its directors and officers are subject to civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months.

During the observation period:

- the debtor is prohibited from paying any amount (whether of principal or interest) in respect of debts outstanding prior to the court order, subject to limited specified exceptions which essentially cover the set-off of related *(connexes)* debts and payments authorized by the bankruptcy judge to recover assets for which recovery is justified by the continued operation of the business;
- contractual provisions that would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events are not enforceable;
- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is differed by at least one year);
- creditors may no longer register their security interests (subject to very limited exceptions); the same goes for acts and/or judicial decisions transferring or creating *in rem* rights in favor of third parties (subject again to limited exceptions);
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
- to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
- to terminate a contract for non-payment of amounts owed to the creditor; or
- to enforce the creditor's rights against any assets of the debtor;
- as a general rule, creditors whose debts arose prior to the commencement of bankruptcy proceedings must file a claim with the creditors' representative within two months of the publication of the court order commencing bankruptcy proceedings. This period is extended to four months for creditors domiciled outside metropolitan France. Creditors who have not submitted their claims during this period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the bankruptcy proceedings. Employees are not subject to such limits and are preferential creditors under French law.

Filing of claim made by a trustee: in a recent court decision (French Supreme Court, September 13, 2011), a filing of claim made by a trustee appointed under an indenture governed by the laws of New York and being expressly in charge of the filing of any claim arising under the said indenture before a Court has been admitted in the context of safeguard proceedings. In the absence of legal provisions in France recognizing the rights of trustees, the said decision constitutes a landmark case.

At the end of the observation period, if it considers that the company can continue its activity as a going concern, the court will adopt a safeguard or reorganization plan which will entail a restructuring and/or rescheduling of debts and may entail the divestiture of some of the debtor's assets and businesses.

Alternatively, in reorganization proceedings only, the reorganization plan may provide for the sale of the whole of the debtor's business to a third party, through a sale plan *(plan de cession),* which is, in essence, an asset transaction. As a general rule, and subject to certain exceptions, the purchaser of the business does not assume the debtor's liabilities. However, on-going contracts deemed necessary to the continuation of the business are transferred to the purchaser.

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million), two creditors' committees have to be established:

- one for credit institutions, comprising (i) credit institutions, (ii) assimilated entities (notably defined as any entities that entered into a credit transaction with the debtor, including, to the present date, shareholders' loans) and (iii) any holder of a claim acquired from either such a credit institution, such an assimilated entity or any supplier of goods or services to the debtor; and
- one for the debtor's main suppliers, comprising suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers, plus any other supplier which has accepted to be a member of that committee upon the judicial administrator's request;

If there are any outstanding debt securities in the form of *obligations* (such as bonds or Notes), a general meeting gathering all holders of such debt securities will be established whether or not there are different issuances and no matter what the applicable law of those *obligations* is (the "**bondholders' general meeting**").

The amount for which creditors are admitted to vote in the relevant committee is determined by the judicial administrator eight days prior to the vote.

These two committees and the bondholders' general meeting will be consulted on the safeguard or reorganization plan drafted by the debtor's management during the observation period. A safeguard or reorganization plan may include debt rescheduling, debt write-offs as well as debt-to-equity swaps in limited liability stock companies. This plan can provide for a differentiated treatment of creditors within the committees and the bondholders' general meeting if the differences in situation so justify. In addition, proposals made to the creditors' committees and the bondholder's general meeting must take into account existing subordination agreements.

Members of the creditors' committees and of the bondholder's general meeting whose debts are not affected by the safeguard or reorganization plan or whose debts are paid in full in cash when the plan has been approved or when their corresponding claims have been filed, do not have the right to be consulted or vote.

Any safeguard or reorganization plan entailing modifications of the share capital of the company is subject to the approval of the company's shareholders (and, if applicable, to the approval of the holders of securities granting access to the company's share capital).

The plan must be approved by each of the two creditors' committees and the bondholders' general meeting. Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee and of the bondholders' general meeting that participated in such vote.

The approval of the plan by the two creditors' committees and the bondholders' general meeting must occur within six months from the decision commencing the safeguard or reorganization proceedings.

Following approval by the creditors' committees and the bondholders' general meeting, the plan has to be approved *(arrêté)* by the court, subject to verification by the court that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who voted against the adoption of the plan).

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan or has not voted within six months of the decision commencing the safeguard or reorganization proceedings, the plan will not be approved by the Court and a consultation of the creditors on an individual basis will take place. Likewise, creditors who are not members of either committee or of the bondholders' general meeting are always consulted on an individual basis.

In those situations, the court cannot impose debt write-offs, but it has the right to impose unilateral debt deferrals for a maximum period of 10 years, with a maximum 1-year grace period. Once the grace period expires, the company shall pay an annual instalment, the amount of which will be determined in the judgment approving the plan, with no statutory minimum for the first two instalments and a minimum 5% of the total liabilities from the third instalment. However, debts whose original contractual maturity date falls after the first instalment may only be repaid as from the instalment following such contractual maturity date.

Pursuant to the banking and financial regulation law no. 2010-1249 dated October 22, 2010 (which came into force on March 1, 2011), a debtor in the course of conciliation proceedings having prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its financial creditors (*i.e.*, members of the credit institutions committee and noteholders) and likely to be adopted by the relevant committees within a maximum period of two months of the opening of the proceedings, may request commencement of accelerated financial safeguard proceedings. The accelerated financial safeguard procedure (*sauvegarde financière accélérée*) has been designed to "fast-track" the restructuring of purely financial difficulties of large companies. The procedure relates only to debt owed to financial institutions and bondholders, which are subjected to an automatic stay and dealt with under the safeguard plan. The company continues to trade normally while the procedure is pending. Other classes of creditors, such as trade creditors, are not affected by the procedure.

In order to file for an accelerated financial safeguard procedure, the debtor must be engaged in a conciliation procedure and face difficulties that it cannot overcome, as long as it is not in a state of cessation of payments. In addition, it must have, either more than 150 employees, or a turnover greater than €20 million, or a total balance sheet exceeding (i) €25 million, or (ii) €10 million if it controls another company (a) which has itself more than 150 employees, or (b) whose turnover for the previous financial year is greater than €20 million, or (c) whose total balance sheet exceeds €25 million.

As the accelerated financial safeguard is by nature an accelerated procedure, very tight deadlines are imposed. The commercial court must approve any restructuring plan within one month of the date on which the procedure has begun, although this deadline may be extended by up to a maximum of one additional month. If a plan is not adopted by the creditors and approved by the court within such deadlines, the court is obligated to terminate the procedure.

In reorganization and liquidation proceedings (as opposed to safeguard proceedings), French courts may order that the date on which the company became unable to pay its debts as they came due be deemed to be an earlier date of up to 18 months prior to the order commencing bankruptcy proceedings *(report de la date de cessation des paiements).* This date marks the beginning of a "suspect period" *(période suspecte)* during which certain transactions that are entered are automatically void or voidable by the court.

Void transactions include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors, including, *inter alia*, payments of debts not due at the time of payment and security granted for debts previously incurred. Other transactions may be challenged by the court such as payments for debts made after the date of insolvency.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

The granting of guarantees or security interests by companies that are incorporated in France to secure payment obligations is subject to the provisions of the French Commercial Code, the French Monetary and Financial Code and the French Civil Code and the limitations set forth therein.

Where reorganization or liquidation proceedings or safeguard or accelerated financial safeguard proceedings have been commenced, guarantees, security interests and any other credit support *(garantie)* granted to secure the amounts made available *(concours consentis)* to the debtor undergoing the relevant proceedings could be null and void or reduced by a judge if found to be disproportionate to those amounts, or if the creditor benefiting from those guarantees, security interests and/or credit support acted fraudulently or deliberately interfered with the management of the debtor. Under the same conditions, the relevant creditor could be held liable for the losses suffered by the debtor as a result of granting such amounts to it. As these provisions have come into force recently, it is difficult to predict what a court would consider as being disproportionate guarantees, security interests and/or credit support; however, it will presumably take into account whether the terms and conditions are customary for the type of transaction considered in light of market practices, and whether they are consistent with the financial capacities of the company. In addition to those criteria the commercial chamber of the French Supreme Court recently ruled in a decision dated 27 March 2012 that in order for a creditor to be held liable and for its guarantees, security interests and/or credit support to be null and void or reduced by a judge, one should establish that the fact itself of making available amounts to the debtor was a fault.

As a general rule, French stock companies may not advance funds, grant loans or give guarantees and/or security with a view to the subscription or purchase of their own shares by a third party (it being generally considered that the prohibition of financial assistance further includes the financing of the acquisition of the shares of parent companies).

Accordingly, it is standard market practice that a guarantee or security interest granted by any French company to secure payment obligations shall not cover any obligation or liability incurred for the purpose of, directly or indirectly, financing or refinancing the acquisition of, or the subscription for the shares of, the relevant French guarantor/security provider or any of its direct or indirect parent companies. In addition, the assets of a French company shall not be used in a manner detrimental to its interests; consequently, the granting of upstream or lateral guarantees or security may constitute misuse of corporate assets of the relevant company (whether stock company or civil company). In such context, there is a significant risk that the relevant security interests would be deemed invalid on the grounds that they were granted for illicit consideration. Accordingly, the guarantee or security interest granted by any French company to secure payment obligations under the Notes will be limited under the relevant limitation guarantee provisions as follows:

- the guarantee or security interest may not cover any obligations which, if incurred, would constitute a misuse of corporate assets (within the meaning of article L.241-3 or article L.242-6 of the French Commercial Code, as applicable, or any other law or regulation having the same effect, as interpreted by French courts) or would constitute the provision of financial assistance (within the meaning of article L.225-216 of the French Commercial Code or any other law or regulation having the same effect, as interpreted by French courts);
- the guarantee or security interest of any French guarantor/security provider covering the payment obligations of any company which is not a direct or indirect subsidiary (within the meaning of article L. 233-3 of the French Commercial Code) of such French guarantor/security provider will be limited to an amount not exceeding, at the time of the demand of payment under the guarantee or enforcement of the security interest, the aggregate outstanding amount of any inter-company loans made available from the proceeds of the Notes directly or indirectly from time to time to the relevant French guarantor/security provider (and/or any of its direct or indirect subsidiaries (within the meaning of article L. 233-3 of the French Commercial Code)) by such company. Any payment made by such French guarantor/security provider under the guarantee/security interest will reduce *pro tanto* the outstanding amount of the intercompany loans due by such French guarantor/security provider under the aforementioned inter-company loans.

French case law has recognized that certain transactions can be in the corporate interest of the company, in particular where the following four criteria are fulfilled:

- the existence of a genuine group of companies where the affiliates have real common economic purposes and policy;
- the transaction is justified in the overall interest of the group;
- the guarantor/security provider must receive an actual benefit, consideration or advantage from the transaction involving the granting by it of the guarantee/security; and
- the obligations under the guarantee/security must not exceed the financial capability of the guarantor/security provider.

However, the security or guarantee granted may be limited or voided under French corporate benefit rules and we cannot be certain as to the standard a court would use to determine the amount of corporate benefit, any limit on such guarantee or security or whether such guarantee or security would be deemed void. The existence of corporate benefit is a factual matter which is determined on a case-by-case basis.

It should be noted that although the parallel debt mechanism provided under the Intercreditor Agreement is frequently used in financing documents governed by foreign laws (such as English or German), there is only limited case law and no French law provision or principle expressly recognizing the validity of such mechanism or the obligations created thereunder. Although the French Supreme Court has held, in a decision dated September 13, 2011 rendered in the context of safeguard proceedings opened in France that, subject to certain conditions being met, the parallel debt mechanism governed by the laws of the State of New York was not incompatible with the French law concept of international public policy *(ordre public international),* this decision cannot be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt obligation and no assurance can be given that such a mechanism will be upheld by other French courts if tested.

In addition, assuming that the parallel debt mechanism provided under the Intercreditor Agreement would be recognized and applied by a French court in the context of the enforcement of the French security, there is a high probability that the Noteholders will only have the right to enforce such French security through the Security Agent, as such French security is solely granted in favour of the Security Agent as beneficiary of parallel debt obligations. Consequently, the Noteholders bear some risks associated with a possible insolvency or bankruptcy of the Security Agent.

Although the second-ranking securities account pledge mechanism is frequently used in the French market, there is no French case law expressly recognizing the validity of such mechanism or the obligations created thereunder. Therefore, the validity and enforceability of such second-ranking securities account pledge is subject to the discretion of the French courts.

A French law securities account pledge may be enforced at the option of the secured creditor either by a sale of the pledged shares in a public auction, or by judicial foreclosure (*attribution judiciaire*) or private foreclosure (*attribution conventionnelle*) of the shares whereby the secured creditor becomes the legal owner of the pledged shares. An expert can (in case of a judicial foreclosure) or must (in case of a private foreclosure) be appointed to value the pledged shares and if the value of such shares (added to the amount of the pledged cash proceeds relating to such shares) exceeds the amount of the secured debt, the secured creditor may be required to pay the pledgor a "*soulte*" equal to the difference between the value of the shares (added to the amount of the pledged cash proceeds relating to such shares) and the amount of the secured debt (regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent sale of the shares). If the value of such shares added to the amount of the pledged cash proceeds relating to such shares is less than the amount of the secured debt, the relevant amount owed to the secured creditor will be reduced by an amount equal to such aggregate value and the remaining amount owed to such creditor will be unsecured. If the Noteholders decline to request the judicial or private foreclosure of the pledged shares, sale of the pledged shares could be undertaken by public auction, but the sale price received in any such auction might not reflect the actual or expected value of the company whose shares are pledged.

POLAND

Insolvency

WEPA Professional Piechowice S.A. (the "**Polish Guarantor**") is incorporated and existing under the laws of Poland. In the event of insolvency of the Polish Guarantor, insolvency proceedings may be initiated in Poland (note however that if the center of main interest of the Polish Guarantor is situated in another European Union member state, the courts of that state shall have jurisdiction and the insolvency laws of that state shall apply). In such case the insolvency proceedings would be governed by the Polish Bankruptcy and Restructuring Act (Prawo Upadłościowe i Naprawcze) of February 28, 2003 (Journal of Laws no. 175, item 1361, as amended). The insolvency laws of Poland may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain interest after the commencement of insolvency proceedings and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

Bankruptcy proceedings under Polish law may be initiated against insolvent debtors. As a rule, a debtor is considered to be insolvent when he fails to settle his due and payable liabilities. A debtor being a legal person is also considered to be insolvent if the value of his liabilities exceeds the value of its assets, even if he is able to settle the liabilities on an ongoing basis.

Bankruptcy proceedings are initiated upon presentation of a bankruptcy petition. Such a petition may be presented by either the debtor, its representatives or its creditors. The board members of the debtor are obliged to present a bankruptcy petition to the court no later than within two weeks of the date on which the reason for bankruptcy occurred. Those authorized to represent the debtor shall be held liable for any damage resulting from a delay in presenting the petition.

The court is obliged to refuse to initiate bankruptcy proceedings if the debtor's assets are insufficient to cover the cost of the proceedings.

As a rule, Polish law provides for two types of bankruptcy proceedings: (i) proceedings aimed at liquidation of the assets of the bankrupt debtor by settling the creditors' claims in a manner precisely defined by the law and (ii) proceedings aimed at arriving at an arrangement with the creditors leading to implementation of a restructuring strategy for the bankrupt entity.

Upon receiving a bankruptcy petition, the court can, ex officio, secure the debtor's assets. If the bankruptcy petition was presented by the debtor, the court is obliged to secure the debtor's assets. As early as the preliminary stage of the proceedings, the court can, pursuant to Polish law, schedule a preliminary creditors' meeting, at which, *inter alia*, an arrangement with the creditors may be concluded.

Upon acceptance of the bankruptcy petition, the court decides whether to initiate the bankruptcy proceedings. This decision has to be made within two months of presentation of the bankruptcy petition. If the creditors' claims seem to have a better chance of being settled under arrangement proceedings than under liquidation proceedings, then the bankruptcy court can issue a bankruptcy order with an option to enter into an arrangement with the creditors. However, this option is not available if previous behavior of the debtor creates uncertainty as to whether the arrangement will be adhered to, unless the arrangement proposal provides for possible liquidation. If there is no basis for issuing a liquidation order with an option to enter into an arrangement with the creditors, then the court will issue a liquidation order. When issuing a liquidation order, both the court and the bankruptcy receiver must try and ensure that, if possible, the business is sold or taken over as a whole.

The court is given a degree of flexibility when deciding whether to order liquidation or arrangement with creditors. Should the basis for issuing a liquidation order with an option to enter into an arrangement with the creditors become evident in the course of carrying out liquidation proceedings, then the court can change liquidation proceedings into liquidation with an option to enter into an arrangement with the creditors. Similarly, the court can order that liquidation with an option to enter into an arrangement with the creditors be replaced with solely liquidation proceedings. The court has the right to order that an expert opinion be given as to the actual position of the debtor in order to assess the company's chance of survival.

As a rule, upon the court declaring bankruptcy aimed at liquidating assets, the debtor loses its right to manage its own assets. The financial liabilities of the debtor that have yet not become due and payable, become due and payable on the day of declaring the debtor bankrupt. The debtor's assets become a bankruptcy estate to be used to settle the debtor's creditors and the bankruptcy estate is managed by a bankruptcy receiver appointed by the court. A consent of the creditors' committee or the official receiver responsible for administering the bankruptcy is required for specified decisions made in relation to the matters most central to the bankruptcy process.

In the event of arrangement bankruptcy proceedings, the court appoints a court supervisor (*nadzorca sądowy*) or an administrator (zarządca) instead of the bankruptcy receiver. A court supervisor is appointed in a situation where the debtor will continue to manage its assets, whereas an administrator is appointed where the debtor is deprived of the right to manage its assets.

If the creditors vote in favor of an arrangement, the arrangement is accepted and then approved by the court. The court's decision approving the arrangement may be appealed. The accepted arrangement is binding on all creditors, whose receivables are covered by the arrangement. Rules on which the bankrupt entity's debts will be repaid are stipulated in the arrangement. The most typical arrangement involves a situation where the creditors are paid a portion of the debts and the company continues its operations. It is also possible, however, to accept a "liquidation arrangement" where a determination is made how the bankrupt entity's assets and the business will be liquidated.

In general, the bankruptcy estate covers the assets belonging to the insolvent debtor on the date it declares bankruptcy or acquired by it during the bankruptcy proceedings. Polish insolvency law lists those assets that are excluded from the bankruptcy estate, while other assets of the debtor can be excluded from the bankruptcy estate by a resolution of the creditors' committee or by an order of the court.

Polish insolvency law renders null and void those contractual provisions that, in the event of a bankruptcy being declared, provide for a change or termination of a legal relationship that the insolvent debtor is party to. Moreover, those contractual provisions that provide for specific liabilities to be in an advantageous position during the bankruptcy proceedings shall be rendered null and void.

Furthermore, each agreement entered into by the insolvent debtor can be rendered ineffective against the bankruptcy estate if its provisions make it impossible or difficult to achieve the objective of the bankruptcy proceedings. Declaring a contract ineffective occurs during a special court proceeding carried out as a result of a suit filed by the bankruptcy receiver.

Pursuant to Polish insolvency law, legal transactions are ineffective if concluded by an insolvent debtor within one year preceding the day on which the bankruptcy petition was presented and resulting in the insolvent debtor disposing of his assets, if (i) the insolvent debtor did not receive any consideration in return for his performance or (ii) the consideration received by the insolvent debtor (or reserved for the debtor or a third party) was grossly lower than the benefits achieved by the other party to such transaction.

Moreover, the granting of collateral and the payment of undue debt effected by the insolvent debtor in the two months preceding the day on which the bankruptcy petition was presented are also ineffective. However, those that have been paid or provided with a collateral can, by filing a suit or objection, demand that those transactions be considered effective if they had not been aware of grounds for a declaration of bankruptcy while concluding them.

Moreover, non-gratuitous legal transactions concluded by an insolvent debtor being a legal person during the six months before the day on which a bankruptcy petition was presented are ineffective against the bankruptcy estate if they have been concluded with the legal person's shareholders, representatives (including their spouses), as well as affiliated companies, their shareholders or representatives (including their spouses).

The Notes guarantee granted within one year before the filing of the motion for bankruptcy will also be deemed ineffective towards the bankruptcy estate if the value of the Notes guarantee significantly exceeded consideration for the Polish Guarantor, or there was no consideration for the Polish Guarantor.

Also mortgages or pledges established in the year preceding the bankruptcy declaration may be challenged if the bankrupt entity was not a personal debtor of the creditor (e.g., a guarantor) and did not obtain any benefit in connection with such security interest.

The provisions of Polish insolvency law define the consequences that declaring a debtor bankrupt will have for its existing liabilities and contracts.

After a declaration of bankruptcy the bankruptcy estate cannot become encumbered with a mortgage, pledge, registered pledge, tax lien or a maritime mortgage in order to secure a liability incurred before the declaration of bankruptcy. Initiating bankruptcy proceedings affects any current court or administrative proceedings and debt collection proceedings. In any civil law cases, if a bankruptcy involving liquidation of the plaintiff's assets has been declared, the court conducting the proceedings is obliged, ex officio, to suspend the court proceedings and demand a bankruptcy receiver to enter the proceedings. As a rule, declaring the defendant bankrupt will result in the court proceedings being discontinued. By law, when a declaration of bankruptcy becomes final and valid, the debt collection proceedings against the insolvent debtor are discontinued.

Creditors have a right to submit their claims within the time limit indicated in a decision declaring bankruptcy. Claims supported by evidence of claims are usually admitted, i.e., included in the list of liabilities. If a claim is not included in the list, then a creditor has a right to appeal. The procedural requirements for submitting a claim are very formalistic.

In the case of liquidation, settling the creditors' claims is usually only possible upon registration of the claims by the receiver. As a rule, the claims must be announced within the time specified in the adjudication order. Unsecured creditors' claims are settled in the following order (as far as a legal person is concerned):

- costs of bankruptcy proceedings, periodic damages payable for illness, incapacity for work, disability or death or annuities arising from conversion of liferent (*dożywocie*) to annuity, to the extent such damages or annuities fall due and payable after declaration of bankruptcy, unjustified enrichment of the bankruptcy estate, and liabilities from contracts concluded by the insolvent debtor before the bankruptcy was declared and whose performance was requested by the bankruptcy receiver;

- liabilities arising out of an employment relationship falling due and payable before the bankruptcy was declared, periodic damages payable for illness, incapacity for work, disability or death or annuities arising from conversion of liferent (*dożywocie*) to annuity, to the extent they fall due and payable within the last two years before declaration of bankruptcy, amounts due in respect of social security contributions, plus interest and enforcement costs;

- taxes and other public levies or other amounts due in respect of social security contributions, plus interest and enforcement costs;

- simple creditors' claims along with interest for the last year before the opening of the bankruptcy proceedings, plus any contractual damages, litigation costs and enforcement costs; and

- subordinated interest, court and administrative fines, amounts due in respect of gifts.

Settling claims from one of these five categories is only possible after fully settling claims of the creditors from a more senior category. If settling all debts included in the same category is not possible due to lack of assets, the debts should be settled proportionally. However, monies obtained from liquidation of assets, liabilities and rights encumbered with a mortgage, a pledge or security transfer of title are allocated to settle creditors' claims that are secured by such assets, liabilities or rights (subject to certain exceptions). Monies remaining after settling those creditors' claims are included in the bankruptcy estate.

Also, Polish law does not require a bankruptcy administrator (*zarządca*), court supervisor (*nadzorca sądowy*) and/or a court receiver (*syndyk*) (unless otherwise specifically stated, hereinafter, bankruptcy administrator shall include each of *zarządca, nadzorca sądowy* and *syndyk*) to give effect to intercreditor arrangements such as subordination agreements. Although the law does not preclude creditors from attempting to enforce such rights in separate proceedings based on their entitlements arising from respective contracts, such proceedings are conducted outside of and following bankruptcy proceedings. Therefore, the claims of all unsecured creditors may be paid on a paripassu basis in a bankruptcy proceeding.

The proceedings will be closed by the court once all the monies are distributed. The court shall also close the insolvency proceeding in the event of lack of assets or inability to fully settle the creditors' claims. In some cases, liquidation may be avoided through arrangement with creditors and the company can continue to operate.

Please note that according to Polish law, the maximum value of interest arising out of a legal transaction cannot per annum exceed four times the pawn loan interest rate of the National Bank of Poland *(Narodowy Bank Polski)* (maximum interest). Should the value of interest arising out of a legal transaction exceed the value of maximum interest, then maximum interest is due. Contractual provisions cannot exclude or limit the provisions on maximum interest. The above mentioned specific provision of Polish law will be applied by a Polish court irrespective of the fact that the parties have chosen foreign law to govern the transaction. Furthermore, in the case of unsecured claims, interest is only counted until the date the bankruptcy is declared.

Under Polish insolvency law, any debt payable in a currency other than Polish zloty (such as euro), if being put on the list of debts, must be converted into Polish zloty at the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy (and regardless of whether the debt has fallen due or not). Accordingly, in the event of a bankruptcy of the company, holders of the Notes may be subject to exchange rate risk between the date of bankruptcy and the date of receipt of any amounts following a bankruptcy proceeding.

Another institution, provided for by Polish insolvency law, is rehabilitation proceedings. They are available to companies that currently pay their liabilities but are threatened with insolvency (and in some cases, also to insolvent companies). In such a case, the company files a declaration to the court on the commencement of corporate recovery proceedings, together with a rehabilitation plan. The recovery plan should demonstrate that the company is able to recover its ability to compete on the market. The court appoints a court supervisor for the firm for the duration of the proceedings. Repayment of the debtor's obligations is suspended (subject to certain exceptions) from the date of commencement of such proceedings, together with any interest payments due. Moreover, there can be no enforcement proceedings against the debtor, or proceedings to secure his assets. However, the proceedings have no effect on court proceedings against the debtor, including a creditor's petition to declare the debtor bankrupt or an administrative proceeding against the debtor.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

In the event of subjecting guarantees to the laws of Germany in a dispute before a Polish court, only substantive laws of Germany will be applied. But the laws of procedure will be those of Poland. Furthermore, with regard to guarantees, a Polish court can refuse to apply or execute provisions that are subject to the laws of a foreign country, if the application of the given legal provisions of the foreign country results in contravention of peremptory rules of Polish public policy , or if specific law has to be applied regardless of the choice of law *(i.e.,* should any rights in rem be involved, they will be subject to the laws of the country in which the subject of these rights is located).

Obligations of the Polish Guarantor under the Notes guarantees are subject to limitations resulting from the application of laws on bankruptcy and insolvency, and the laws on rehabilitation proceedings, as set out in the Polish Bankruptcy and Restructuring Act (*Prawo Upadłościowe i Naprawcze*) of February 28, 2003 (Journal of Laws no. 175, item 1361, as amended).

Specifically, article 11 § 2 of the Polish insolvency law provides that "*a debtor which is a legal person shall be deemed insolvent also where its obligations are in excess of the value of its assets, even if it should be current in the discharge of these obligations*". Given certain legal controversies regarding the application of this rule, and in order to mitigate the possibility that the Polish Guarantor could be declared bankrupt under this rule, the liability of any Guarantor incorporated under Polish law on account of payments under the Notes guarantee should be limited to the extent that such liability or payment would render such Polish Guarantor insolvent within the meaning of Article 11 § 2 of the Polish insolvency law.

The Notes guarantees and the grant of collateral by the Polish Guarantor is also subject to certain provisions of the Polish Commercial Companies Code (Kodeks Spółek Handlowych) of September 15, 2000 (Journal of Laws no. 94, item 1037, as amended) (the "**Polish Commercial Companies Code**").

Article 345 of the Polish Commercial Companies Code stipulates certain conditions for granting financial assistance by a joint stock company for the acquisition of its shares. If these strict conditions are not met, then the financial assistance is unlawful and all the payments are invalid. Therefore, the Notes Guarantee will state that it does not apply to any liability of any Guarantor incorporated under Polish law in the form of a joint stock company (*spółka akcyjna*) to the extent that it would result in the Notes guarantee constituting unlawful financial assistance within the meaning of Article 345 of the Polish Commercial Companies Code.

Generally, under Polish regulations, the pledge follows the debt or claim it secures and may not be transferred without it. Where such debt or claim is transferred without the pledge, the latter will expire. However, based on the parallel debt structure included in the Intercreditor Agreement, as to the rule the above rule does not prevent changes to the Noteholders, if Security Agent remains unchanged.

If a share pledge is enforced and the shareholder changes, a new "relation of domination" might arise. In such case the new shareholder would be obliged to notify the dependent company, i.e. the Polish Guarantor, of this fact. Otherwise, its right to vote from its shares representing more than 33% of the share capital of the dependent company will be suspended. A new relation of domination might also arise if under a pledge agreement, the pledgee gains a majority of the votes at the general meeting of Polish Guarantor. The corresponding notification duty has to be fulfilled by the pledgee.

The registered and civil pledges over the shares in Polish Guarantor may be validly established only after fulfilment of the following perfection requirements: (i) registered pledge must be registered in the register of pledges maintained by the pertinent court and will become effective vis-à-vis the Polish Guarantor once it is notified of the establishment of such pledge; (ii) with respect to civil pledge, the share documents must be deposited with the Security Agent and will become effective vis-à-vis the Polish Guarantor once it is notified of the establishment of such pledge and (iii) pledges should be disclosed in the book of shares of the Polish Guarantor.

An exercise of voting rights in the Polish Guarantor by the holder of the relevant security under the power of attorney may be recognized as change of control pursuant to the Act on Protection of Competition and Consumers (uniform text, Journal of Laws dated 2003, No. 86, item 804) (the "**Competition Law**"). Therefore, the holder of such security may be obliged to notify the Polish Office for Protection of Competition and Consumers about its intention to exercise its voting rights. Further, it may be required to obtain an anti monopoly clearance to exercise such voting rights.

The enforcement of a registered pledge through the appropriation of the shares by the Security Agent may be recognized as a notifiable merger under the Competition Law. Therefore, the holder of the relevant security interest may be required to notify the Polish Office for Protection of Competition and Consumers about its intention to take over the shares. Further, it may be required to obtain an anti monopoly clearance to take over the shares.

The enforcement by the holder of the relevant security of a registered pledge or a civil pledge over publicly traded shares through the seizure of the shares may require a notification to the Financial Supervisory Commission and the target company, depending on the number of seized shares.

Under Polish law security interests cannot be granted to a party other than the creditor of the claim which is purported to be secured by such security interests. For that reason, in certain transactions in Poland parallel debt structure is used, whereby the guarantor, as a separate and independent obligation, undertakes to pay to the Security Agent amounts equal to the amounts due by it to the other creditors. Such parallel debt structure, therefore, creates a separate and independent claim of the Security Agent that can be validly secured by a security interest. Consequently, the security interests are granted to the Security Agent in its own capacity as a creditor acting in its own name pursuant to the parallel debt, and not as a representative of the creditors. It is expressly agreed in such parallel debt provision that the obligations of the debtor to the Security Agent shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa). However, such parallel debt structure has never been tested before a Polish court. There have been, however, several judgments issued by the bankruptcy courts under which validity of a foreign law parallel debt structure was not challenged (but there is no doctrine of "precedence" under Polish law). Therefore, some uncertainty exists as to its validity and enforceability under Polish law.

As a Polish law does not recognize the concept of "trust" or "trustee," it is uncertain how the Security Agent as a trustee for Noteholders will be treated by a Polish court

TAXATION

CERTAIN GERMAN TAX CONSIDERATIONS

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Additional Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Additional Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect. Prospective purchasers of the Additional Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Additional Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

Ongoing payments received by an individual holder of the Additional Notes will be subject to German withholding tax if the Additional Notes are kept or administered in a custodial account with or presented for an over-the-counter payment to a German financial institution *(i.e.,* a bank, a financial service institution, a securities trading company or a securities trading bank (each, a "*Disbursing Agent*", *auszahlende Stelle)).* The term German financial institution includes a German branch of a foreign financial institution but not a foreign branch of a German financial institution. The withholding tax rate is 25% (plus solidarity surcharges at a rate of 5.5% thereon, the total withholding being 26.375%). If the individual holder is subject to church tax, upon application a church tax surcharge will also be withheld.

The same treatment applies to capital gains *(i.e.,* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal and the cost of acquisition taking into account currency gains and losses, if any) derived by an individual holder irrespective of any holding period provided the Additional Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately *(i.e.,* without the Additional Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Additional Notes have been disposed of separately.

To the extent that the Additional Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition or if the Additional Notes have been transferred into the custodial account of the Disbursing Agent only after their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%) to 30% of the disposal proceeds (plus interest accrued on the Additional Notes *("Accrued Interest", Stückzinsen),* if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Additional Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the EU Council Directive 2003/48/EC dated June 3, 2003 on taxation of savings income in the form of interest payments (the *"EU Savings Tax Directive").*

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Additional Notes via the Disbursing Agent *(e.g.*, losses from the sale of other securities with the exception of shares in corporations). The Disbursing Agent may also deduct Accrued Interest on the Additional Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate *(Freistellungsauftrag)* with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance *(Sparer-Pauschbetrag)* of € 801 (€1,602 for married couples filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Additional Notes has submitted to the Disbursing Agent a certificate of non-assessment *(Nichtveranlagungsbescheinigung)* issued by the competent local tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Additional Notes held by a corporate holder (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same applies where the Additional Notes form part of a trade or business (of an individual or a commercial partnership) subject to further requirements being met.

Interest and capital gains received by non-residents of Germany are, in general, not subject to German withholding tax and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as set forth under "*—Non-Tax Residents")* and the Additional Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. Where Additional Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of an Additional Note or an interest coupon are paid by a Disbursing Agent to a non-resident, withholding tax will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable double taxation treaty *(Doppelbesteuerungsabkommen).*

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "*—Tax Residents"* refers to persons who are tax residents of Germany *(i.e.,* persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Additional Notes held by an individual holder irrespective of any holding period who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) *(Abgeltungsteuer)* if the Additional Notes are held as private investment *(Privatvermögen).* Individual holders who are tax resident in Germany are entitled to a maximum annual allowance *(Sparer-Pauschbetrag)* of €801 (€1,602 for married couples filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Additional Notes will, in principle, be satisfied by the tax withheld. If no church tax is withheld by the Disbursing Agent upon formal application of the holder of the Additional Notes, the holder remains obliged to file a tax return. To the extent withholding tax has not been levied, such as in the case of Additional Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than the actual gain), the individual holder must include his or her income and capital gains derived from the Additional Notes in his or her tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and where applicable, church tax thereon). Further, an individual holder may apply for a tax assessment on the basis of general rules applicable to him or her in order to determine whether the individual income tax burden is lower than 25% with any amounts over-withheld being refunded. Losses incurred with respect to the Additional Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods.

Where Additional Notes form part of a trade or business of an individual or corporate holder or the income from the Additional Notes qualifies as income from the letting and leasing of properly, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and where applicable, church tax). Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Additional Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Additional Notes are also subject to German trade tax. The trade tax liability depends on the municipal trade tax factor *(Gewerbesteuerhebesatz).* If the holder is an individual or an individual partner of a partnership, the trade tax may be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

This subsection "*—Non-Tax Residents*" refers to persons who are not tax residents of Germany *(i.e.,* persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest, including Accrued Interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Additional Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Additional Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income (such as income from the letting and leasing of certain *German-situs* properly or income from capital investments directly or indirectly secured by *German-situs* real estate, unless the Additional Notes qualify as global notes *(Sammelurkunden)* within the meaning of Section 9a of the German Custody Act *(Depotgesetz)* or as fungible notes representing the same issue *(Teilschuldverschreibungen))*. In cases (i) and (ii) a tax regime similar to that explained above under "*—Tax Residents*" applies. Subject to certain requirements a holder who is not tax-resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

Inheritance and Gift Tax

A gratuitous transfer of Additional Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Additional Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Additional Notes. Currently, net assets tax is not levied in Germany.

EU Savings Directive

Under the EU Savings Tax Directive, each EU member state must require paying agents (within the meaning of the directive) established within its territory to provide to the competent authority of this state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in another member state or to certain limited types of entities established in another member state. The competent authority of the EU member state of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU member state of which the beneficial owner of the interest is a resident. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to withhold tax from such payments currently at a 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). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland).

By legislative regulations dated January 26, 2004, the German federal government enacted provisions implementing the EU Savings Tax Directive into German law.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION

OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a general summary of the material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Additional Notes. This discussion is limited to U.S. holders (defined below) who purchase the Additional Notes in this Offering and hold the Additional Notes as capital assets. The following discussion does not address certain circumstances that may apply to particular holders including, but not limited to, non-U.S. holders, tax-exempt entities, holders subject to the U.S. federal alternative minimum tax, U.S. expatriates, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, certain financial institutions, insurance companies, regulated investment companies, partnerships or other pass-through entities, U.S. holders whose "functional currency" is not the U.S. dollar and persons who hold the Additional Notes in connection with a "straddle", "hedging", "conversion" or other risk reduction transaction. This discussion does not address the tax considerations relevant to holders of the Additional Notes under any state, local or non-U.S. tax laws or any other tax laws other than the U.S. federal income tax laws.

The discussion below is based upon the U.S. Internal Revenue Code ("**Code**"), Treasury regulations promulgated thereunder ("**Treasury Regulations**"), court decisions, revenue rulings and administrative pronouncements of the Internal Revenue Service (the "**IRS**") currently in force, all as of the date of this Offering, and all of which are subject to change or changes in interpretation. Prospective investors should particularly note that any such change or changes in interpretation could have retroactive effect so as to result in U.S. federal income tax consequences different from those discussed below. Consequently, prospective investors should consult their tax advisors as to the consequences of holding the Additional Notes.

As used herein, the term "**U.S. holder**" means a beneficial owner of Additional Notes that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state or political subdivision thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons control all of the substantial decisions of the trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Additional Notes, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Additional Notes that is a partnership and partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of holding and disposing of the Additional Notes.

Prospective investors are urged to consult their own tax advisors with respect to the particular tax consequences to them of the purchase, ownership and disposition of the Additional Notes, including the tax consequences under any state, local, non-U.S. and other tax laws.

Characterization of the Additional Notes

In certain circumstances (see "Description of the Notes—Optional Redemption" and "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control") we may be obligated to make payments on the Additional Notes in excess of stated principal and interest. If (i) the exercise of the Issuer's option to redeem the Additional Notes is not remote and (ii) it is not significantly more likely than not that no Change of Control will occur, the Additional Notes could be treated as contingent payment debt instruments for U.S. federal income tax purposes. We intend to take the position that the foregoing contingencies should not cause the Additional Notes to be treated as contingent payment debt instruments. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. If the IRS successfully challenged this position, and the Additional Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of such an Additional Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Additional Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Additional Notes of the contingent payment debt instrument rules and the consequences thereof.

The issuance of the Additional Notes should be treated as a "qualified reopening" of the Original Notes issued on May 13, 2013. Therefore, the Additional Notes issued in this offering should be treated as having the same issue date and the same issue price as the Original Notes.

Interest

Payments of qualified stated interest (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Additional Notes) on an Additional Note generally will be includible in the gross income of a U.S. holder as foreign source ordinary interest income at the time the interest is received or accrued, depending on the U.S. holder's method of accounting for U.S. tax purposes.

A U.S. holder that uses the cash method of accounting for tax purposes will realize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash method U.S. holder will not recognize exchange gain or loss with respect to the receipt of such payment, but may have exchange gain or loss attributable to the actual disposition of the foreign currency so received.

A U.S. holder that uses the accrual method of accounting for tax purposes, or who otherwise is required to accrue interest prior to receipt, will accrue interest income on the Additional Notes in euros and translate that amount into U.S. dollars at the average spot exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year, in the case of an accrual period that spans more than one taxable year), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest. This exchange gain or loss generally will be treated as U.S. source ordinary income or loss.

Pre-Issuance Accrued Interest

If a portion of the price paid for the Additional Notes is allocable to interest that accrued prior to the issuance thereof (the "pre-issuance accrued interest"), a portion of the interest received on the first interest payment date equal to the pre-issuance accrued interest may be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the Additional Notes. Amounts treated as a return of pre-issuance accrued interest will not be taxable when received but should reduce the adjusted tax basis in the Additional Notes by such amount. U.S. holders should consult their independent tax advisors regarding any pre-issuance accrued interest.

Amortizable Bond Premium

If a U.S. holder purchases an Additional Note for an amount that is greater than the amount payable at maturity, or on the earlier call date, in the case of an Additional Note that is redeemable at the Issuer's option, the holder will be considered to have purchased the Additional Note with amortizable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The holder may elect to amortize this premium, using a constant yield method, over the remaining term of the Additional Note (where the Additional Note is not optionally redeemable prior to its maturity date). If the Additional Note may be optionally redeemed prior to maturity after the holder has acquired it, the amount of amortizable bond premium is determined by substituting the call date for the maturity date and the call price for the amount payable at maturity only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A holder who elects to amortize bond premium must reduce his tax basis in the Additional Note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the holder and may be revoked only with the consent of the IRS.

If a U.S. holder makes a constant yield election for an Additional Note with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the holder's debt instruments with amortizable bond premium.

Sale and Disposition of the Additional Notes

Upon the sale, exchange or other disposition of an Additional Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which, to the extent not previously included in income, will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above and exchange gain or loss on such accrued and unpaid interest) and the U.S. holder's adjusted tax basis in the Additional Note. A U.S. holder's adjusted tax basis in an Additional Note generally will equal the U.S. dollar cost of the Additional Note to the holder decreased by any premium amortization previously deducted by the U.S. holder with respect to such Additional Note and any principal payments previously received.

The cost of acquiring an Additional Note will be the U.S. dollar value of the euro purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Additional Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Additional Note at the spot rate on the settlement date of the purchase. The amount realized on the sale, exchange or other disposition of an Additional Note for an amount of euros will be the U.S. dollar value of that amount on (i) the date payment is received in the case of a cash basis U.S. holder, (ii) the date of disposition in the case of an accrual basis U.S. holder, or (iii) the settlement date (if the Additional Note is traded on an established securities market) in the case of a cash basis U.S. holder (and, if it elects, an accrual basis U.S. holder). If the Additional Note is traded on an established securities market, a U.S. Holder will have a tax basis in the euro received equal to the U.S. dollar value of such amount on the settlement date. If an accrual method taxpayer makes the election described in this paragraph, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Gain or loss recognized by a U.S. holder upon the sale, exchange or other disposition of an Additional Note that is attributable to changes in currency exchange rates relating to the principal thereof will be ordinary income or loss and will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Additional Note in euros determined on the date of the sale, exchange or other disposition (of, if the Additional Note is traded on an established securities market and the holder is a cash basis or electing accrual basis U.S. holder, the settlement date), and the U.S. dollar value of the U.S. holder's purchase price of the Additional Note in euros determined on the date the U.S. holder acquired the Additional Note. In addition, a U.S. holder may recognize foreign currency gain or loss with respect to amounts of previously accrued interest based on the difference between the rate of exchange at which the interest was included in income and the applicable rate of exchange at which the holder is required to translate euros at the time the Additional Note matures or is otherwise disposed of. The foregoing foreign exchange gain or loss will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange or other disposition of the Additional Note, and will generally be treated as U.S. source ordinary income or loss for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange or other disposition of an Additional Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the Additional Note has been held for more than one year at the time of the sale or other disposition. In the case of an individual U.S. holder, any such gain generally will be subject to preferential U.S. federal income tax rates if that U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to significant limitations.

Receipt of Euros

The tax basis of any euros received by a U.S. holder generally will equal the U.S. dollar equivalent of the euros at the spot rate of exchange on the date the euros are received. Upon any subsequent exchange of euros for U.S. dollars, a U.S. holder generally will recognize exchange gain or loss equal to the difference between the amount of U.S. dollars received and the U.S. holder's tax basis in the euros. Upon any subsequent exchange of euros for property (including non-U.S. currency), a U.S. holder generally will recognize exchange gain or loss equal to the difference between the U.S. dollar value of the euros exchanged for such property based on the U.S. dollar spot rate of exchange for euros on the date of the exchange and the U.S. holder's tax basis in the euros so exchanged. Any such exchange gain or loss generally will be treated as U.S. source ordinary income or loss.

Foreign Tax Credit

Interest income (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Additional Notes) on an Additional Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders engaged in a financial business, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. If a U.S. holder does not meet a minimum holding period with respect to the Additional Notes during which the holder is not protected from risk of loss, such holder generally will not receive a foreign tax credit for foreign taxes imposed with respect to the Additional Notes. The rules governing the foreign tax credit are complex. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Reportable Transactions

Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of an Additional Note or foreign currency received in respect of an Additional Note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. If investors fail to timely file a required disclosure under these rules, substantial penalties can apply. Potential investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Additional Notes.

U.S. Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of an Additional Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to timely provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess.

Certain U.S. holders may be required to report to the IRS information with respect to any Additional Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of this legislation for their investment in the Additional Notes.

Medicare Tax

Certain U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to an additional 3.8% Medicare tax on some or all of such U.S. holder's "net investment income." Net investment income generally includes interest on, and gain from the disposition of, the Additional Notes unless such interest income or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. holders should consult their tax advisors regarding the effect this legislation may have, if any, on their acquisition, ownership or disposition of Additional Notes.

CERTAIN ERISA CONSIDERATIONS

General

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Additional Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Additional Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Additional Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Guarantors, the Initial Purchasers, the Transfer Agent, the Paying Agent, the Holders' Representative or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Additional Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Additional Notes.

By its purchase of any Note, the purchaser and any subsequent transferee thereof will be deemed to have represented and warranted that either: (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Additional Notes constitutes assets of any Plan or non-U.S., governmental or church plan subject to Similar Law or any entity whose underlying assets are considered to include "plan assets" (within the meaning of Section 2510.3-101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such plan, account or arrangement or (ii) the purchase and holding of the Additional Notes by such purchaser or transferee does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

Each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Additional Notes.

BOOK-ENTRY, DELIVERY AND FORM

General

The Additional Notes will be represented by two global notes in bearer form, without interest coupons attached. One global note will represent Additional Notes sold to qualified institutional buyers pursuant to Rule 144A, such global note initially being a temporary 144A global note which, after the expiration of certain U.S. selling restrictions on December 16, 2014, will be replaced by a permanent 144A global note (each such global note, an "**Additional 144A Global Note**"), and one global note (the "**Additional Regulation S Global Note**" and together with the Additional 144A Global Note, the "**Additional Global Notes**") will represent Additional Notes sold in offshore transactions to non-U.S. persons pursuant to Regulation S. The Additional Global Notes are in addition to the one global note (the "**Original 144A Global Note**") which represents the Original Notes sold to qualified institutional buyers pursuant to Rule 144A and one global note (the "**Original Regulation S Global Note**" and together with the Original 144A Global Note, the "**Original Global Notes**"; the Additional 144A Global Note together with the Original 144A Global Note the "144A Global Note", the Additional Regulation S Global Note together with the Originals Regulation S Global Note the "**Regulation S Global Note**" and the Original Global Notes together with the Additional Global Notes the "**Global Notes**").

Upon issuance, each of the Additional Global Notes will be deposited with Clearstream Banking AG, Frankfurt am Main, Germany, ("**Clearstream Banking**") and will be kept in custody by Clearstream Banking until all obligations of the Issuer under the Notes have been satisfied. Definitive notes representing individual Notes and interest coupons will not be issued.

All interests in the Global Notes will be subject to the operations and procedures of Clearstream Banking. The Notes will be transferable, subject to the limitations and procedures described below under "—Transfers", by appropriate entries in securities accounts in accordance with applicable rules of Clearstream Banking. The Notes will not be eligible for clearance through the facilities of the Depositary Trust Company.

Pursuant to the Book-Entry Registration Agreement between the Issuer and Clearstream Banking dated May 13, 2013 and the Additional Book-Entry Registration Agreement between the Issuer and Clearstream Banking on or about the Issue Date of the Additional Notes, the Issuer has appointed Clearstream Banking as its book-entry registrar (the "**Book-Entry Registrar**") in respect of the Notes and agreed an agent for the Issuer to maintain (i) a register reflecting the aggregate number of Notes represented by each Global Note in accordance with the Conditions of Issue and (ii) a register (the "**Book-Entry Register**") containing records of the Notes credited to the accounts of the accountholders of Clearstream Banking, for the benefit of the holders of the co-ownership interests (*Miteigentumsanteile*) in the Notes represented by the Global Notes. The Issuer and Clearstream Banking have agreed, for the benefit of the holders of co-ownership interests in the Notes, that the actual number of Notes represented by each Global Note from time to time shall be evidenced by the records of the Book-Entry Registrar. Ownership of interests in each Global Note will be limited to persons who have accounts with Clearstream Banking ("**participants**") or persons who hold interests through participants ("**indirect participants**").

Transfers

Transfers between participants in Clearsteam Banking will be effected in accordance with the applicable rules of Clearstream Banking rules and, outside of the Federal Republic of Germany, of Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) as operator of the Euroclear System and any successor in such capacity, and will be settled in immediately available funds. The Notes will be transferable only in minimum aggregate principal amounts of €100,000 and any integral multiple of €1,000 above €100,000. Each Global Note and interests in each Global Note will be subject to restrictions on transfer as described under "Notice to Investors" and "Transfer Restrictions."

The Notes represented by a 144A Global Note may be exchanged for Notes represented by a Regulation S Global Note and vice versa, except that no such exchange can be effected in the period starting three business days prior to any payment of principal, interest any other amount under the Conditions of Issue until (and including) the date of such payment.

If a Holder who holds a book-entry interest in a 144A Global Note wishes at any time to exchange its interest in the 144A Global Note for an interest in a Regulation S Global Note, or to transfer its interest in the 144A Global Note to a person who wishes to take delivery thereof in the form of an interest in the

Regulation S Global Note, it may, subject to the rules and procedures of the clearing system and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the Regulation S Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the Regulation S Global Note in an amount equal to the interest in a 144A Global Note of the same series to be exchanged or transferred, (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and (iii) stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the U.S. Securities Act; and

(b) transfer of its interest in the 144A Global Note to be transferred or exchanged to the account of the Transfer Agent with the clearing system designated by the Transfer Agent.

If a Holder who holds a book-entry interest in a Regulation S Global Note wishes at any time to exchange its interest in the Regulation S Global Note for an interest in a 144A Global Note, or to transfer its interest in the Regulation S Global Note to a person who wishes to take delivery thereof in the form of an interest in a 144A Global Note, it may, subject to the rules and procedures of the clearing system and the requirements set forth in this paragraph, exchange or transfer or cause the transfer of such interest for an equivalent interest in the 144A Global Note. Such exchange or transfer shall only be made upon:

(a) receipt by the Transfer Agent of a certificate, in the form obtainable from the Transfer Agent, given by such Holder (i) instructing the Transfer Agent to credit or cause to be credited an interest in the 144A Global Note in an amount equal to the interest in a Regulation S Global Note to be exchanged or transferred, and (ii) containing information regarding the account to be credited with such increase and instructing the Transfer Agent to make arrangements to deliver such increase to such account, and

(b) transfer of its interest in the Regulation S Global Note to be transferred or exchanged to the account of the Transfer Agent with the Clearing System designated by the Transfer Agent.

Any exchange of Notes represented by a 144A Global Note for Notes represented by a Regulation S Global Note, or vice versa, shall be recorded on the register and shall be effected by an increase or a reduction in the aggregate amount represented by the Rule 144A Global Note by the aggregate principal amount of the Notes so exchanged and a corresponding reduction or increase in the aggregate principal amount of Notes represented by the relevant Regulation S Global Note.

Pursuant to an agreement dated on or about the issue date of the Additional Notes between the Issuer and Clearstream Banking, the Issuer has appointed Clearstream Banking as the Book-Entry Registrar. The Book-Entry Registrar has agreed to maintain the Book-Entry Register, as agent of the Issuer, showing the interests of Clearstream Banking accountholders in the Global Notes. No transfer of any Note through the clearing system shall be effective unless it is recorded in the Book-Entry Register. On any redemption of, or payment of an instalment on, or purchase and cancellation of, any of the Notes represented by a Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of that Global Note shall be entered accordingly in the register and, upon any such entry being made, the principal amount of the Notes represented by the Global Notes shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid and appropriate entries shall be made in the Book-Entry Register by the Book-Entry Registrar.

Book-Entry Procedures For the Global Notes

The following summaries of those operations and procedures are provided herein solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Guarantors or the Initial Purchasers is responsible for those operations or procedures.

The Issuer and the Guarantors understand the following with respect to Clearstream Banking:

- Clearstream Banking holds securities for participating organizations and facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of those participants;

- Clearstream Banking provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of securities and securities lending and borrowing;
- Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations; and
- indirect access to Clearstream Banking is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Clearstream Banking participant, either directly or indirectly.

Payments of principal, premium (if any) and interest with respect to the Notes will be made by the Issuer in Euros to the Paying Agent, which will pay such amounts to Clearstream Banking, as the holder of the Global Notes. Clearstream Banking will, in turn, distribute those payments to its participants in accordance with its procedures. Payments by participants and indirect participants of Clearstream Banking to the owners of interests in a Global Note will be the responsibility of those participants or indirect participants.

Investors will only be able to make and receive deliveries, payments and other communications relating to the Notes through Clearstream Banking on days when the Clearstream Banking system is open for business. That system may not be open for business on certain days when banks, brokers and other institutions are open for business in the United States. In addition, because of time-zone differences, there may be complications in connection with completing transactions through Clearstream Banking on the same business day as in the United States. U.S. investors who wish to transfer an interest in a Global Note or to receive or make a payment or delivery of such an interest on a particular day may find that the transaction will not be performed until the next business day in Frankfurt am Main, Germany.

Action by Owners of Book-Entry Interests

Clearstream Banking has advised the Issuer it they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Clearstream Banking will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes.

Book-entry interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in "Transfer Restrictions."

TRANSFER RESTRICTIONS

General

The Additional Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and, therefore, unless so registered, the Additional Notes and the Guarantees may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Additional Notes and the Guarantees are only to be offered and sold to:

- qualified institutional buyers, or "QIBs" as defined in and in compliance with Rule 144A under the U.S. Securities Act; and
- non-U.S. persons in offshore transactions outside the United States in reliance upon Regulation S under the U.S. Securities Act.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S under the U.S. Securities Act.

Important Information about the Offering

If you purchase Additional Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

(1) You understand and acknowledge that the Additional Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Additional Notes and Guarantees are being offered for re-sale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A, 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 a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:

  (a) a QIB and are aware that any sale of the Additional Notes and Guarantees to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or

  (b) not a U.S. person or purchasing for the account or benefit of a U.S. person, and you are purchasing Additional Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither the Issuer, any Guarantor, the Initial Purchasers nor any other person has made any representation to you with respect to us or the offer or sale of any of the Additional 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 Additional Notes. You acknowledge that no person other than the Issuer makes any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Additional Notes, the Conditions of Issue and the Guarantees including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing Additional 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, 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 Additional Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Additional Notes, and each subsequent holder of the Additional Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Additional Notes prior to (x) in the case of Rule 144 Notes, the date which is one year after the later of the date of the original issue of the Additional Notes and the last date on which the Issuer or

any of its affiliates was the owner of such Additional Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the "**Resale Restriction Termination Date**") only:

(a) to the Issuer, any Guarantor or any subsidiary thereof;

(b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;

(c) for so long as the Additional Notes are eligible for resale 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 another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act;

(d) pursuant to offshore transactions to non-U.S. persons occurring outside the United States within the meaning of Regulation S in reliance on 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 the seller's property or the property of an investor account or accounts be within the seller's or account's control, and in compliance with any applicable state securities laws.

(5) You acknowledge that the Issuer, the Holders' Representative and the applicable transfer agent reserve the right prior to any offer, sale or other transfer of the Additional Notes (i) pursuant to clause (e) above prior to the Resale Restriction Termination Date of the Additional Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the Holders' Representative and the applicable transfer agent, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Holders' Representative. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) You acknowledge that each Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

[IN THE CASE OF RULE 144A NOTES: THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR ANY PREDECESSOR OF THIS SECURITY) 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 THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE ADDITIONAL NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE

THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.]

If you purchase Additional Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Additional Notes as well as to holders of the Additional Notes.

(1) You acknowledge that the registrar will not be required to accept for registration of transfer any Additional Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

   (a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein, and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

   (b) if you are acquiring any Additional Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that: (i) you have sole investment discretion; and (ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(3) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Additional Notes notice of any restrictions on the transfer of the Additional Notes, if then applicable.

(4) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Additional Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Additional Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Additional Notes will be subject to the selling restrictions set forth in this section of the offering memorandum and/or in the front of the offering memorandum.

(5) Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Additional Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or any non-U.S., governmental or church plan subject to any non-U.S., state, local or other federal laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code (collectively, "**Similar Law**"), or any entity whose underlying assets are considered to include "plan assets" (within the meaning of Section 2510.3-101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such plan, account or arrangement or (ii) the purchase and holding of the Additional Notes by such purchaser or transferee does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

PLAN OF DISTRIBUTION

General

The Issuer has agreed to sell to Deutsche Bank AG, London Branch and HSBC Bank plc (together, the "**Initial Purchasers**"), and the Initial Purchasers have agreed, subject to certain customary closing conditions, to subscribe or procure subscribers for the Additional Notes on the Issue Date of the Additional Notes. The sale will be made pursuant to an agreement among, inter alios, the Issuer, the Guarantors and the Initial Purchasers dated December 9, 2013 (the "**Underwriting Agreement**"). Subject to the terms and conditions of the Underwriting Agreement, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, all of the Additional Notes. The Underwriting Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Additional Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Underwriting Agreement also provides that the Issuer and each Guarantor will indemnify the Initial Purchasers against certain liabilities and the Issuer will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer has furthermore agreed to reimburse the Initial Purchasers for certain expenses incurred in connection with the issue of the Additional Notes. In the Underwriting Agreement, the Issuer and each Guarantor have made certain representations and given certain warranties in respect of their legal and financial matters. The Initial Purchasers are entitled, under certain circumstances, to terminate the Underwriting Agreement. In such event, no Additional Notes will be delivered to investors.

No Sale of Similar Securities

The Issuer has agreed that no member of the WEPA Group will, directly or indirectly (except through the Initial Purchasers or as otherwise approved by them), sell or offer to sell any securities that are substantially similar to the Notes until 90 days after the closing date.

New Issue of Additional Notes

The Issuer has applied to list the Additional Notes on the official list of the Luxembourg Stock Exchange and to admit the Additional Notes to trading on the Euro MTF market, though it cannot be assured that the Additional Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised us that they presently intend to make a market in the Additional Notes after completion of the offering of the Notes. However, the Initial Purchasers are under no obligation to do so and may discontinue any market making activities at any time without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, it cannot be assured that any market for the Additional Notes will develop, or that such market will be liquid if it does develop, or that an investor will be able to sell any Notes at a particular time or at a price which will be favorable.

Stamp Tax

Persons that purchase the Additional 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.

Price Stabilization and Short Positions

In connection with this offering, the Stabilizing Manager, or persons acting on its behalf, may purchase and sell Additional Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Additional Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Additional Notes. Syndicate covering transactions involve purchases of the Additional Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Additional Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Additional Notes. As a result, the price of the Additional Notes may be higher than the prices that otherwise might exist in the open market. Neither the Issuer nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Additional Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither the Issuer nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the issue date of the Additional Notes and 60 days after the date of the allotment of the Addititonal Notes.

Other Relationships

The Initial Purchasers or their respective affiliates, from time to time, may provide in the future, investment banking, commercial lending, consulting and financial advisory services to the Issuer and its affiliates for which they may receive customary advisory and transaction fees, commissions and expense reimbursement. In addition, the Initial Purchasers are lenders under the Senior Revolving Credit Facility to which, inter alios, the Issuer and certain of its subsidiaries are parties. The Initial Purchasers also acted as initial purchasers for the offering of the Original Notes.

Selling and Transfer Restrictions

United States

The Additional Notes have not been registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States, or to or for the account of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Additional Notes (1) outside the United States in offshore transactions in reliance on Regulation S under Regulation S and (2) in the United States to persons they reasonably believe to be QIBs as defined in Rule l44A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

Any purchaser of Additional Notes will be deemed to have represented and agreed as follows:

(1) Such purchaser understands and acknowledges that the Additional Notes have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Additional 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, 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 there from, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) Such purchaser is not an "affiliate" (as defined in Rule 144) of the Issuer and is not acting on behalf of the Issuer and it is either:

   (a) a QIB and is aware that any sale of these Additional Notes to such purchaser will be made in reliance on Rule 144A and such acquisition will be for such purchaser's own account or for the account of another QIB; or

   (b) not a "U.S. person" as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and such purchaser is purchasing Additional Notes in an offshore transaction in accordance with Regulation S.

(3) Such purchaser acknowledges that neither the Issuer, the Guarantors, the Initial Purchasers nor any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to such purchaser with respect to the Issuer, the Guarantors or the offer or sale of any of the Additional Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to such purchaser and upon which such purchaser is relying in making its investment decision with respect to the Additional Notes. Such purchaser acknowledges that none of the Initial Purchasers or any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this offering memorandum. Such purchaser has had access to such financial and other information concerning us and the Additional

Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) Such purchaser is purchasing Additional Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution of the Additional Notes in violation of the U.S. Securities Act, subject to any requirement of law that the disposition of such purchaser's property or the property of such investor account or accounts be at all times within such purchaser's or their control and subject to such purchaser's or their ability to resell such Additional Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. In case of Additional Notes purchased in reliance on Rule 144A, each such purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing the Additional Notes, and each subsequent holder of these Additional Notes by its acceptance of the Additional Notes will agree, to offer, sell or otherwise transfer such Additional Notes during the holding period then imposed by Rule 144 under the U.S. Securities Act or any successor provision thereunder after the later of the date of the original issue of these Additional Notes and the last date on which the Issuers or any of their affiliates were the owner of such Additional Notes (or any predecessor thereto) (the "**Resale Restriction Termination Date**") only:

(a) to the Issuer or any of its subsidiaries;

(b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;

(c) for so long as the Additional Notes are eligible for resale pursuant to Rule 144A, to a person such purchaser reasonably believes is a QIB that purchases for its own account or for the account of another QIB to whom such purchaser gives notice that the transfer is being made in reliance on Rule 144A;

(d) pursuant to offers and sales to non-U.S. persons occurring outside the United States within the meaning of Regulation S; 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 the seller's property or the property of an investor account or accounts be within the seller or account's control, and in compliance with any applicable state securities laws.

The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(5) Such purchaser acknowledges that:

(a) the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of such purchaser's acknowledgements, representations and agreements set forth herein and such purchaser agrees that, if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, it will notify the Issuer, the Guarantors and the Initial Purchasers promptly in writing; and

(b) if such purchaser is acquiring any Additional Notes as fiduciary or agent for one or more investor accounts, it represents with respect to each such account that:

(i) it has sole investment discretion; and

(ii) it has full power to make the foregoing acknowledgements, representations and agreements.

(6) Such purchaser agrees that it will give to each person to whom it transfers these Additional Notes notice of any restrictions on the transfer of the Additional Notes.

(7) Such purchaser acknowledges that each Global Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED,

SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

[IN THE CASE OF RULE 144A NOTES: THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR ANY PREDECESSOR OF THIS SECURITY) 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 THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE ADDITIONAL NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.]

(9) Such purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Additional Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Guarantors or the Additional Notes in any jurisdiction where action for that purpose is required.

European Economic Area

This offering memorandum has been prepared on the basis that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), this offering of Additional Notes will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Additional Notes. Accordingly, in relation to each Relevant Member State that has implemented the Prospectus Directive, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") the offer is not being made and will not be made to the public, of Additional Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

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

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Additional Notes shall require the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer to the public**" in relation to any Additional Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering and the Additional Notes to be offered so as to enable an investor to decide to purchase or subscribe the Additional Notes, as the same may be varied in that Relevant

Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Council Directive (EC) No 2003/71 of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (as amended, *inter alia*, by the 2010 PD Amending Directive). The expression "**2010 PD Amending Directive**" means Council Directive (EU) No 2010/73 of November 24, 2010.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Additional Notes are being passed upon for us by Mayer Brown LLP, Düsseldorf, Germany, as to matters of German law and by Mayer Brown International LLP, London, England as to matters of U.S. federal law. Certain legal matters in connection with the offering of the Additional Notes are being passed upon for the Initial Purchasers by Freshfields Bruckhaus Deringer LLP, as to matters of German law and U.S. federal law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012, which were prepared on the basis of German GAAP, which are included in this offering memorandum, have been audited in accordance with Section 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) by KPMG AG Wirtschaftsprüfungsgesellschaft, independent auditors, as stated in their auditor's reports appearing herein.

AVAILABLE INFORMATION

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

- such person has been afforded an opportunity to request from us, has received and reviewed all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;
- such person has not relied on information provided or representations made by the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first bullet above, no person has been authorized to give any information or to make any representation concerning the Additional Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

To permit compliance with Rule 144A under the U.S. Securities Act in connection with the sale of interests in the Additional Notes, we will furnish, upon request of a holder or beneficial owner of a Note who is a qualified institutional investor or a prospective investor who is a qualified institutional investor within the meaning of Rule 144A, designated by such holder or beneficial owner, the information relating to us to be delivered under Rule 144A(d)(4) under the U.S. Securities Act if at the time of the request (1) we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, and (2) the Additional Notes are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act.

LISTING AND GENERAL INFORMATION

Application has been made for admission of the Additional Notes to the official list of the Luxembourg Stock Exchange and for admission for trading on the Euro MTF in accordance with the rules of that exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Additional Notes will be published in a Luxembourg newspaper of general circulation (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, (www.bourse.lu).

For so long as the Additional Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that exchange so require, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the articles of association of the Issuer and the Guarantors;
- our most recent audited consolidated financial statements, and any interim quarterly financial statements published by us;
- the Conditions of Issue relating to the Notes (which includes the form of the Notes);
- the Guarantee Agreements;
- the Intercreditor Agreement; and
- the agency agreement.

We will maintain a paying agent for as long as any of the Additional Notes are listed on the Euro MTF of the Luxembourg Stock Exchange. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

The Additional Notes are freely transferable.

Clearing Information

The Notes have been accepted for clearance through the facilities of Clearstream Banking.

Any Additional Notes issued pursuant to Regulation S will share the same international securities identification number (ISIN) and the same common code as the Original Notes issued pursuant to Regulation S, and they will be fungible with the Original Notes issued pursuant to Regulation S as of the issue date of the Additional Notes. The common code for the Regulation S Global Notes is 092852768 and the ISIN for the Regulation S Global Notes is DE000A1TNA88.

Any Additional Notes issued pursuant Rule 144A will initially have a separate ISIN and common code from the Original Notes issued pursuant to Rule 144A, until the termination of certain U.S. selling restrictions one year after the issue date of the Additional Notes, which is currently expected to be December 16, 2014. The initial, temporary common code for the Additional Notes issued pursuant to Rule 144A is 100513277 and the initial, temporary ISIN for the Additional Notes issued pursuant to Rule 144A is DE000A1YC0S4. After the expiration of the one year period following the issue date of the Additional Notes, the Additional Notes issued pursuant to Rule 144A and the Original Notes issued pursuant to Rule 144A will share the same ISIN and common code as the Original Notes issued pursuant to Rule 144A, and will become fungible with the Original Notes issued pursuant to Rule 144A. The common code for the Original Rule 144A Global Note is 092852814 and the ISIN for the Original Rule 144A Global Note is DE000A1TNA96.

Legal Information

Except as disclosed in this offering memorandum:

- there has been no material adverse change in our financial position since December 31, 2012; and
- none of the Issuer or the Guarantors or any of their respective subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Additional Notes, and, so far as the Issuer, the Guarantors and their respective subsidiaries are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer accepts responsibility for the information contained in this offering memorandum. 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.

Authorization

The creation and issuance of the Additional Notes has been authorized by resolutions of the shareholder meeting of WEPA Hygieneprodukte GmbH dated December 5, 2013 with the approval of both the Supervisory Board of WEPA Industrieholding SE and the management board of WEPA Industrieholding SE dated December 2, 2013. The Guarantees were authorized by resolution of the board of directors (or equivalent body), where applicable, and, where required, by the shareholder meetings, of each of the Guarantors. On December 9, 2013, the pricing terms of the offering of the Additional Notes were authorized by resolution of the management board of WEPA Industrieholding SE.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following English-language consolidated financial statements are translations of the German-language consolidated financial statements.

Wepa Hygieneprodukte GmbH, Arnsberg

Unaudited interim consolidated financial statements for the nine-month period from January 1, 2013 to September 30, 2013

—As English Translation of the German Original—

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

BALANCE SHEET

AS AT SEPTEMBER 30, 2013

Assets

				09/30/2013	12/31/2012
				€	€
A.	I.		**Fixed assets**		
		1.	Concessions, industrial property rights and similar rights and licenses to such rights acquired for consideration	4,308,148.36	5,335,039.97
		2.	Goodwill	1,128,784.85	1,324,953.87
		3.	Advance payments	3,624,327.47	2,406,798.41
				9,061,260.68	9,066,792.25
	II.		**Tangible assets**		
		1.	Land, rights equivalent to real property and buildings including buildings on leased land	92,922,859.00	99,505,038.56
		2.	Technical equipment and machinery	201,791,656.01	209,489,829.00
		3.	Other equipment, office furniture and fittings	3,262,378.78	3,962,345.58
		4.	Advance payments made and plant under construction	7,449,586.20	6,606,913.83
				305,426,479.99	319,564,126.97
	III.		**Financial assets**		
		1.	Shares in affiliated companies	75,111.23	75,148.31
		2.	Shares in associated companies	40,372,719.47	15,383,428.76
		3.	Loans to associated companies	5,560,000.00	5,560,000.00
		4.	Other loans	130,005.01	1,435,005.01
				46,137,835.71	22,453,582.08
				360,625,576.38	351,084,501.30
B.			**Current assets**		
	I.		Inventory		
		1.	Raw materials and supplies	56,954,285.48	58,964,550.74
		2.	Goods and services in progress	17,998,140.41	17,723,692.65
		3.	Finished goods and merchandise	37,182,565.65	28,583,661.94
		4.	Advance payments	10,489.10	10,489.10
				112,145,480.64	105,282,394.43
	II.		Receivables and other assets		
		1.	Trade receivables	62,145,894.58	87,041,114.98
		2.	Receivables from affiliated companies	299,962.45	335,118.19
		3.	Receivables from associated companies	736,085.06	1,137,671.13
		4.	Receivables from shareholders	5,248,070.47	3,663,806.59
		5.	Other assets	31,094,098.56	36,033,753.47
				99,524,111.12	128,211,464.36
	III.		Cash on hand, deposits with banks and checks	20,866,072.62	10,301,367.83
				232,535,664.38	243,795,226.62
C.			**Prepaid expenses**	3,065,634.26	1,847,939.85
D.			**Deferred tax assets**	5,370,604.35	5,650,407.22
				601,597,479.37	**602,378,074.99**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

BALANCE SHEET (Continued)

AS AT SEPTEMBER 30, 2013

Liabilities

			09/30/2013	12/31/2012
			€	€
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	98,591,532.11	98,591,532.11
	III.	Retained earnings	17,252,483.36	17,252,483.36
	IV.	Net income carried forward	7,969,228.33	5,543,118.92
	V.	Net income	−14,616,825.88	2,426,109.41
	VI.	Difference in equity from currency translation	−2,034,325.56	−1,171,843.11
	VII.	Outstanding profit-sharing rights	0.00	3,300,000.00
			115,262,092.36	134,041,400.69
B.		**Difference from capital consolidation**	2,293,158.77	2,553,553.87
C.		**Provisions**		
	1.	Provisions for pensions and similar obligations	10,066,253.71	10,177,626.44
	2.	Tax provisions	4,636,073.11	5,326,745.69
	3.	Other provisions	59,720,870.58	51,337,733.93
			74,423,197.40	66,842,106.06
D.		**Liabilities**		
	1.	Notes	275,000,000.00	0.00
	2.	Liabilities to banks	27,737,824.32	276,698,116.62
	3.	Trade payables	60,387,704.83	74,129,405.80
	4.	Liabilities to affiliated companies	13,056.34	16,176.61
	5.	Liabilities to associated companies	8,647,202.82	12,978,732.99
	6.	Other liabilities	18,755,324.22	18,457,034.46
			390,541,112.53	382,279,466.48
E.		**Prepaid income**	120,662.48	129,091.14
F.		**Deferred tax liabilities**	18,957,255.83	16,532,456.75
			601,597,479.37	**602,378,074.99**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

STATEMENT OF INCOME

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

		Nine-month period ended September 30, 2013	Nine-month period ended September 30, 2012
		€	€
1.	Sales revenue	629,922,363.14	632,623,962.64
2.	Increase or decrease of inventory of finished goods and goods-in-progress	5,308,618.31	8,985,783.71
3.	Total operating performance	635,230,981.45	641,609,746.35
4.	Other internally produced and capitalized assets	299,275.01	256,593.13
5.	Other operating income	4,056,079.10	5,262,167.32
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	292,815,141.54	289,593,450.90
	(b) Third-party service costs	88,033,278.34	94,396,643.71
		380,848,419.88	383,990,094.61
7.	Personnel expense		
	(a) Salaries and wages	75,471,468.95	76,504,707.47
	(b) Social security contributions and retirement and assistance costs	19,764,548.16	19,721,088.34
		95,236,017.11	96,225,795.81
8.	Amortisation and depreciation on intangible and tangible fixed assets	21,684,245.01	24,013,175.44
9.	Other operating expenses	93,217,542.02	106,733,421.12
10.	Earnings from associated companies	−118,769.29	883,417.95
11.	Income from loans under financial assets	91,474,96	106,480.50
12.	Other interest and similar income	67,835.11	185,988.74
13.	Interest and similar expenses	19,608,051.31	17,210,437.36
14.	Compensation for outstanding profit-sharing rights	131,060.42	403,125.03
15.	Earnings from ordinary activities	28,901,540.59	19,728,344.62
16.	Extraordinary income	3,015,722.80	196.48
17.	Extraordinary expenses	38,160,916.02	6,524,934.36
18.	Extraordinary income/expenses	−35,145,193.22	−6,524,737.88
19.	Income taxes	5,926,141.78	7,922,864.32
20.	Other taxes	2,447,031.47	2,702,917.44
21.	Net income for the period	−14,616,825.88	2,577,824,98

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

STATEMENT OF CASH FLOW

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

Classification Plan II ("indirect method")

Information in € thousands	Nine-month period ended September 30, 2013 €	Nine-month period ended September 30, 2012 €
1. Consolidated profit before extraordinary items	20,528	9,103
2. +/− Amortization/depreciation of fixed asset items	23,606	24,013
3. +/− Increase/decrease in provisions	7,581	17,792
4. +/− Other non-cash expenses/income	1,604	6,106
5. +/− Loss / Gain from disposals of fixed asset items	10	−447
6. +/− Reduction/increase in inventories, trade receivables and other assets	20,607	18,069
7. − Reduction in trade payables and other liabilities	−17,786	−23,522
8. − Payments under extraordinary items	−35,145	−6,525
9. = **Cash inflow from operating activities**	21,004	44,589
10. Receipts from disposals of fixed asset items	9,167	4,179
11. − Payments for fixed asset expenditures	−18,181	−13,963
12. +/− Changes in fixed assets due to exchange rates	964	−1,919
13. — Purchase of shares of associated companies	−25,108	0
14. = **Cash outflow from investment activities**	−33,157	−11,703
15. — Payments relating to Profit Sharing Rights	−3,300	0
16. + Proceeds from the issue of loans and taking out (financial) credits	290,000	0
17. − Payments for the repayment of loans and taking out (financial) credits	−263,960	−27,327
18. = **Cash outflow from financing activities**	22,740	−27,327
19. Cash changes in funds level	10,587	5,559
20. +/− Changes in level of funds due to changes in exchange rates, scope of consolidation and valuation methods	−22	119
21. + Level of funds at the beginning of the period	10,301	3,940
22. = **Level of funds at the end of the period**	20,866	9,618

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WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

UNAUDITED INTERIM CONSOLIDATED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

in EUR	Subscribed capital	Capital reserve	Retained Earnings	Group equity generated	Difference in equity from currency conversion	Outstanding profit-sharing rights	Total
as at 12/31/2012	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**7,969,228.33**	**−1,171,843.11**	**3,300,000.00**	**134,041,400.69**
Payments	0.00	0.00	0.00	0.00	0.00	−3,300,000.00	−3,300,000.00
Transfers between accounts	0.00	0.00	0.00	0.00	−862,482.45	0.00	−862,482.45
Consolidated income	0.00	0.00	0.00	−14,616,825.88	0.00	0.00	−14,616,825.88
As at 09/30/2013	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**−6,647,597.55**	**−2,034,325.56**	**0.00**	**115,262,092.36**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

NOTES TO THE UNAUDITED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

Accounting Policies

Wepa Hygieneprodukte GmbH, Arnsberg, prepared its consolidated financial statements for the period ended December 31, 2012 in accordance with sections 298, paragraph 1, in conjunction with sections 242 et seq. and sections 264 et seq. of the German Commercial Code.

Accordingly, these unaudited interim consolidated financial statements for the period ended September 30, 2013 are also prepared in accordance with sections 298, paragraph 1, in conjunction with sections 242 et seq. and sections 264 et seq. of the German Commercial Code.

Scope of Consolidation

In May 2013 Wepa Hygieneprodukte GmbH acquired 22.26% of the shares of Marsberger Kraftwerk GmbH. These new shares are accounted for as shares in associated companies and are consolidated by applying the equity method.

Accounting and Valuation Methods

The same consolidation methods and accounting policies applied to the consolidated financial statements for the period ended December 31, 2012 were applied to the preparation of the unaudited interim consolidated financial statements for the period ended September 30, 2013. A detailed description of these methods and policies is contained in the notes to the consolidated financial statements for the period ended December 31, 2012.

In contrast to the consolidated financial statements for the period ended December 31, 2012, no actuarial expert opinion was obtained for old age part time provisions and pension provisions for the unaudited interim financial statements ended September 30, 2013.

Information on Material Risks

There have been no significant revisions to the risks for the WEPA-Group for the unaudited interim financial statements ended September 30, 2013 compared with the Risk Report for the period ended December 31, 2012.

Additional disclosures to Balance Sheet items

Fixed Assets

Fixed assets increased by €9.5 million from €351.1 million at December 31, 2012 to €360.6 million at September 30, 2013. The main offsetting effects are the selling of the plant Pian della Rocca in Italy and the acquisition of 22.26% of the shares of Marsberger Kraftwerk GmbH.

Inventories

The increase in Inventories by €6.8 million from €105.3 million at December 31, 2012 to €112.1 million at September 30, 2013 is mainly caused by the increase in finished goods and merchandise. This is due to the low level of Inventory as of December 31, 2012 owing to the fire damage in Arnsberg as well as the build-up of stock for sales promotions in the 4th quarter 2013.

Trade receivables

The decrease of the trade receivables from €87.0 million at December 31, 2012 by €24.9 million to €62.1 million at September 30, 2013 mainly reflects the off balance sheet accounting of the GE Factoring in WEPA Lille S.A.S. which was accounted on balance sheet in former reporting periods. WEPA LUCCA SRL currently entirely omits GE Factoring measures, there is also a reduction in trade receivables due to the planned lower business volumes.

Equity

Share capital is €8.1 million.

Profit-sharing rights are fully repaid as at June 30, 2013.

Furthermore, "Equity" includes a negative currency translation adjustment of €2.0 million. The amount is calculated according to section 308 (a) of the German Commercial Code and results from the currency translation of the equity of Wepa Professional Piechowice S.A..

Provisions

Tax and other provisions are accounted for with all identifiable risks and uncertain liabilities. They were recorded in a reasonable amount according to prudent business judgment.

Notes and Liabilities to Banks

In May 2013 Wepa Hygieneprodukte GmbH offered a High Yield bond (Senior Secured Note) with an amount of €275 million, with a retention period of seven years. The proceeds were mainly used to repay existing bank liabilities, to acquire the shares in Marsberger Kraftwerk GmbH and to pay the expenses in connection with the refinancing. Bank liabilities decreased from €276.7 million at December 31, 2012 to €27.7 million at September 30, 2013. Simultaneously with issuing the High Yield Bond, Wepa Hygieneprodukte GmbH agreed with a banking consortium a Revolving Credit Facility with an amount of €90 million. As per balance sheet date September 30, 2013 the credit line has not been availed of.

Additional disclosures to Profit and Loss Sheet items

Sales Revenues

Total sales revenue fell by €2.7 million from €632.6 million in the nine-month period ended September 30, 2012 to €629.9 million in the nine-month period ended September 30, 2013. This decrease in total sales revenue was attributable to a reduction in volumes of finished products, which mirrors our ongoing efforts to optimize our customer and product portfolio.

Cost of Materials

Cost of materials decreased from €384 million in the nine-month period ended September 30, 2012 by €3.2 million to €380.8 million in the nine-month period ended September 30, 2013. This decrease mainly consists of lower material input quantities driven by our focus on higher margin products as well as the result of lower energy costs and lower maintenance expenses. This is partly offset by an increase in the cost of raw materials, supplies and purchased goods.

Personnel Expense

Personnel expense decreased by €1.0 million from €96.2 million in the nine-month period ended June 30, 2012 to €95.2 million in the nine-month period ended September 30, 2013. The decrease in salaries and wages is mainly due to staff reductions as well as first impacts of the realisation of the social plan mainly in Germany and Italy. Reverse effects are caused by salary and wage increases at several sites of the group. The WEPA-Group employed a total of 2,565 staff as at September 30, 2013 a total of 2,674 staff were employed as at September 30, 2012. Therefore the number of employees was reduced by 4.1% in the last 12 months.

Other operating Expenses

Other operating expenses decreased by €13.5 million from €106.7 million in the nine-month period ended September 30, 2012 to €93.2 million in the nine-month period ended September 30, 2013, primarily due to actions taken under our Continuous Improvement Programme and the Restructuring.

The most significant decreases were reached in the sales costs due to lower freight costs, in the external labour and outside services expenses due to the reallocation and insourcing activities of certain tasks (such as cleaning and maintenance) and in administrative and operative expenses, due to lower management charges from WEPA Industrieholding SE. The leasing expenses were primarily reduced due to the reclassification of a French leasing agreement to a financing lease to match the German accounting principles.

Extraordinary Result

Extraordinary expenses increased by €31.7 million from €6.5 million in the nine-month period ended September 30, 2012 to €38.2 million in the nine-month period ended September 30, 2013. The increase mainly relates to one-off expenses regarding the refinancing of the WEPA-Group in May 2013. Wepa Hygieneprodukte GmbH offered a High Yield bond (Senior Secured Note) with an amount of €275 million. This lead to extraordinary expenses of €27.7 million for consulting fees, legal fees and service charges. Furthermore the extraordinary expenses include one-off expenses relating to a fire at our high rack warehouse in Arnsberg in December 2012 and one-off expenses regarding a damage to a paper machine in Mainz in September 2013. The corresponding income from insurance reimbursements (excluding the deductible) are shown in the extraordinary income. Additionally, extraordinary personnel expenses increased due to the implementation of social plans at production sites mainly in Italy. Furthermore, there was a one-off fee that we paid to advisors in connection with advice rendered for restructuring measures regarding production sites outside Italy.

Extraordinary income of €3.0 million at the end of the nine-month period ended September 30, 2013 include mainly insurance claims in connection to the incidents detailed above. In addition the income resulting out of the restructuring programme in Italy is shown.

Income Taxes

Taxes on income include actual domestic and foreign income taxes, which are calculated on the respective applicable tax rates as well as deferred taxes on temporary differences between the local commercial and tax balance sheets and on consolidation measures, which were calculated according to the tax rates at the time to which the differences are expected to be offset.

Events after the Reporting Period

After the balance sheet date, no other significant incidents have occurred that are not already mentioned in the Management Report and that have a material impact on the business performance and financial position of the Company.

Arnsberg, November 12, 2013

Wepa Hygieneprodukte GmbH, Arnsberg

Management Board

Martin Krengel	Johann G. Wolbert

Wepa Hygieneprodukte GmbH, Arnsberg

Consolidated financial statements
for the financial year from
January 1, 2012 to December 31, 2012

—English Translation of the German Original—

The following audit opinion is a translation of the German-language audit opinion (Bestätigungsvermerk), which refers to the consolidated financial statements and the group management report of Wepa Hypieneprodukte GmbH, prepared on the basis of accounting principles generally accepted in Germany (German GAAP) as of and for the year ending December 31, 2012 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages. The group management report is neither included nor incorporated by reference in this offering memorandum.

Audit Opinion

We have audited the consolidated financial statements prepared by the Wepa Hygieneprodukte GmbH, Arnsberg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [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). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Dortmund, February 22, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Fischer
Wirtschaftsprüfer

Lensing
Wirtschaftsprüfer

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2012

Assets

			12/31/2012 €	12/31/2011 €
A.	I.		**Fixed assets**		
		1.	Concessions, industrial property rights and similar rights and licenses to such rights acquired for consideration	5,335,039.97	6,609,091.78
		2.	Goodwill	1,324,953.87	1,485,647.71
		3.	Advance payments	2,406,798.41	1,457,397.24
				9,066,792.25	9,552,136.73
	II.		**Tangible assets**		
		1.	Land, rights equivalent to real property and buildings including buildings on leased land	99,505,038.56	85,186,412.13
		2.	Technical equipment and machinery	209,489,829.00	220,229,766.04
		3.	Other equipment, office furniture and fittings	3,962,345.58	5,643,987.66
		4.	Advance payments made and plant under construction	6,606,913.83	9,654,235.31
				319,564,126.97	320,714,401.14
	III.		**Financial assets**		
		1.	Shares in affiliated companies	75,148.31	75,149.31
		2.	Shares in associated companies	15,383,428.76	14,772,449.77
		3.	Loans to associated companies	5,560,000.00	5,560,000.00
		4.	Other loans	1,435,005.01	146,005.01
				22,453,582.08	20,503,604.09
				351,084,501.30	350,770,141.96
B.			**Current assets**		
	I.		Inventory		
		1.	Raw materials and supplies	58,964,550.74	59,642,047.00
		2.	Goods and services in progress	17,723,692.65	19,680,534.52
		3.	Finished goods and merchandise	28,583,661.94	34,752,437.50
		4.	Advance payments	10,489.10	190,295.48
				105,282,394.43	114,265,314.50
	II.		Receivables and other assets		
		1.	Trade receivables	87,041,114.98	109,384,400.95
		2.	Receivables from affiliated companies	335,118.19	622,386.79
		3.	Receivables from associated companies	1,137,671.13	374,018.19
		4.	Receivables from shareholders	3,663,806.59	5,322,041.30
		5.	Other assets	36,033,753.47	26,602,729.49
				128,211,464.36	142,305,576.72
	III.		Cash on hand, deposits with banks and checks	10,301,367.83	3,940,340.12
				243,795,226.62	260,511,231.34
C.			**Prepaid expenses**	1,847,939.85	2,123,725.30
D.			**Deferred tax assets**	5,650,407.22	6,485,815.34
				602,378,074.99	**619,890,913.94**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2012

Liabilities

			12/31/2012	12/31/2011
			€	€
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	98,591,532.11	98,591,532.11
	III.	Retained earnings	17,252,483.36	17,252,483.36
	IV.	Net income carried forward	5,543,118.92	28,831,315.70
	V.	Net loss (prior year: net income)	2,426,109.41	−23,288,196.78
	VI.	Difference in equity from currency translation	−1,171,843.11	−3,539,683,00
	VII.	Outstanding profit-sharing rights	3,300,000.00	5,000,000.00
			134,041,400.68	130,947,451.06
B.		**Difference from capital consolidation**	2,553,553.87	2,900,747.33
C.		**Special item for investment subsidies**	0.00	314,757.49
D.		**Provisions**		
	1.	Provisions for pensions and similar obligations	10,177,626.44	10,150,279.88
	2.	Tax provisions	5,326,745.69	2,648.083.50
	3.	Other provisions	51,337,733.93	38,659,206.35
			66,842,106.06	51,457,569.73
E.		**Liabilities**		
	1.	Liabilities to banks	276,698,116.62	309,384,782.52
	2.	Trade payables	74,129,405.80	81,650,721.41
	3.	Liabilities to affiliated companies	16,176.61	106,807.11
	4.	Liabilities to associated companies	12,978,732.99	13,708,110.02
	5.	Other liabilities — of which taxes: €7,077,629.35 (prior year: €3,546,811.52) — of which social security: €1,914,989.81 (prior year: €2,925,362.31)	18,457,034.46	17,679,822.39
			382,279,466.48	422,530,243.45
F.		**Prepaid income**	129,091.14	174,113.78
G.		**Deferred tax liabilities**	16,532,456.75	11,566,031.10
			602,378,074.99	**619,890,913.94**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

		2012	2011
		€	€
1.	Sales revenue	849,496,584.97	880,368,302.56
2.	Increase or decrease of inventory of finished goods and goods-in-progress	−3,497,181.81	−11,310,568.96
3.	Total operating performance	845,999,403.16	869,057,733.60
4.	Other internally produced and capitalized assets	291,224.41	415,505,04
5.	Other operating income	8,400,836.88	12,580,021.24
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	381,774,947.45	424,987,601.05
	(b) Third-party service costs	127,728,802.38	122,638,399.68
		509,503,749.83	547,626,600.73
7.	Personnel expense		
	(a) Salaries and wages	99,414,663.25	105,570,750.86
	(b) Social security contributions and retirement and assistance costs	25,732,125.99	25,105,193.36
	— of which for retirement costs: €1,662,691.57 (prior year: €1,546,828.07)	125,149,789.24	130,675,944.22
8.	Amortisation and depreciation on intangible and tangible fixed assets	31,708,154.61	32,380,662.45
9.	Other operating expenses	134,935,030.48	153,728,384.50
10.	Earnings from associated companies	661,228.99	740,693.53
11.	Income from loans under financial assets	134,369.87	189,647.75
12.	Other interest and similar income	240,859.76	105,884.35
13.	Interest and similar expenses	24,148,449.10	26,200,592.29
14.	Compensation for outstanding profit-sharing rights	537,500.00	1,075,000.01
15.	Earnings from ordinary activities	29,748,249.81	−8,597,098.69
16.	Extraordinary income	5,273,050.11	2,941,671.33
17.	Extraordinary expenses	18,780,489.40	7,778,841.20
18.	Extraordinary income/expenses	−13,507,439.29	−4,837,169.87
19.	Income taxes	10,212,624.71	6,808,863.46
20.	Other taxes	3,602,076.40	3,045,064.76
21.	Net loss for the period (prior year net income)	2,426,109.41	−23,288,196.78

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2012

ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 2

Classification Plan II ("indirect method")

Information in € thousands			**2012**	**2011**
			€	**€**
1.	Consolidated profit/loss before extraordinary items		15,934	−18,451
2.	+/−	Amortization/depreciation of fixed asset items	31,708	32,381
3.	+/−	Increase/decrease in provisions	15,384	−1,221
4.	+/−	Other non-cash expenses/income	7,453	−1,867
5.	−	Gains from disposals of fixed asset items	−308	−139
6.	+	Reduction in inventories, trade receivables and other assets	23,353	49,969
7.	−	Reduction in trade payables and other liabilities	−7,609	−19,632
8.	−	Payments under extraordinary items	−13,507	−4,837
9.	**=**	**Cash inflow/outflow from operating activities**	72,408	36,203
10.	Receipts from disposals of fixed asset items		4,757	760
11.	—	Payments for fixed asset expenditures	−34,386	−23,279
12.	—	Changes in fixed assets due to exchange rates	−2,085	−2,196
13.	**=**	**Cash inflow/outflow from investment activities**	−31,714	−24,715
14.	—	Payments to company owners (dividends, capital repayments, other distributions)	−1,700	−5,000
15.	—	Payments for the repayment of loans and taking out (financial) credits	−32,687	−9,130
17.	**=**	**Cash inflow/outflow from financing activities**	−34,387	−14,130
18.	Cash changes in funds level		6,307	−2,642
19.	+	Changes in level of funds due to changes in exchange rates, scope of consolidation and valuation methods	57	55
20.	+	Level of funds at the beginning of the period	3,940	6,527
21.	**=**	**Level of funds at the end of the period**	10,301	3,940

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Subscribed capital	Capital reserve	Retained Earnings	Group equity generated	Difference in equity from currency conversion	Outstanding profit-sharing rights	Total
	€	€	€	€	€	€	€
As at 12/31/2010	**8,100,000.00**	**1,498,468.42**	**17,252,483.36**	**28,831,315.70**	**−1,263,057.09**	**10,000,000.00**	**64,419,210.39**
Payments	0.00	0,00	0.00	0.00	0.00	−5,000,000.00	−5,000,000.00
Transfers between accounts	0.00	97,093,063.69	0.00	0.00	−2,276,626.24	0.00	94,816,437.45
Consolidated result	0.00	0.00	0.00	−23,288,196.78	0.00	0.00	−23,288,196.78
as at 12/31/2011	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**5,543,118.92**	**−3,539,683.33**	**5,000,000.00**	**130,947,451.06**
Payments	0.00	0.00	0.00	0.00	0.00	−1,700,000.00	−1,700,000.00
Transfers between accounts	0.00	0.00	0.00	0.00	2,367,840.22	0.00	2,367,840.22
Consolidated income	0.00	0.00	0.00	2,426,109.41	0.00	0.00	2,426,109.41
As at 12/31/2012	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**7,969,228.33**	**−1,171,843.11**	**3,300,000.00**	**134,041,400.69**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

General Information Regarding the Consolidated Financial Statements

The present Consolidated Financial Statements were prepared in accordance with sections 298, paragraph 1, in conjunction with sections 242 et seq. and sections 264 et seq. of the German Commercial Code.

The Consolidated P&L Statement is set up according to the cost of production method (section 298, paragraph 1 and section 275, paragraph 2 of the German Commercial Code).

Disclosures that may be included in either the Consolidated Balance Sheet, Consolidated P&L Statement or in the Consolidated Notes are altogether listed in the Consolidated Notes.

The financial year is the calendar year.

Details of the Scope of Consolidation

Parent Company

The Wepa Hygieneprodukte GmbH, Arnsberg, is the Parent Company and therefore prepares the Consolidated Financial Statements.

The Consolidated Financial Statements are published in the German Electronic Federal Gazette.

Scope of Consolidation

The following are included in the Consolidated Financial Statements as fully consolidated and are therefore exempt from preparing separate Financial Statements:

- Wepa Papierfabrik Sachsen GmbH *
  Registered Headquarters: Kriebstein
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2002)
- Wepa Professional GmbH *
  Registered Headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2010)
- Wepa Produktion GmbH & Co. KG **
  Registered Headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: July 23, 2010)
- Wepa Professional Piechowice S.A.
  Registered Headquarters: Piechowice, Poland
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: December 31, 2007)
- Wepa International GmbH *
  Registered Headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2007)
- WEPA LUCCA SRL
  Registered Headquarters: Capannori (Lucca), Italy
  Investment of Wepa International GmbH: 100%
  (Time of first consolidation: August 1, 2008)
- WEPA ITALY SRL
  Registered Headquarters: San Paolo (BZ), Italy
  Investment of Wepa International GmbH: 100%
  (Time of first consolidation: May 1, 2008)

- WEPA Lille S.A.S.
  Registered Headquarters: Bousbecque, France
  Investment of Wepa International: 100%
  (Time of first consolidation: October 1, 2008)

- Wepa Leuna GmbH
  Registered Headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: June 1, 2008)

- TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG
  Registered Headquarters: Grünwald
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2010)

- Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG
  Registered Headquarters: Mainz
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2010)

- Wepa Grundbesitz GmbH & Co. KG **
  Registered Headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: July 23, 2010)

- Wepa Leuna Grundbesitz GmbH & Co. KG **
  Registered Headquarters: Arnsberg
  Investment of Wepa Leuna GmbH: 100%
  (Time of first consolidation: July 23, 2010)

- Wepa Sachsen Grundbesitz GmbH & Co. KG **
  Registered Headquarters: Arnsberg
  Investment of Wepa Sachsen GmbH: 100%
  (Time of first consolidation: July 23, 2010)

* The companies have met the required conditions of section 264, paragraph 3 of the German Commercial Code for exemption and therefore refrain from drawing up a Management Report and the disclosure.

** The companies have met the required conditions of section 264 b of the German Commercial Code for exemption and therefore refrain from drawing up a Management Report and the disclosure.

Included in the Consolidated Financial Statements using the equity method is:

- GC & WEPA S.L.
  Registered Headquarters: Ejea de los Caballeros, Zaragoza Province, Spain
  Investment of Wepa International GmbH: 49.00% (equivalent to share of voting rights)
  (Time of first consolidation: January 1, 2004)

The following companies were not included in the Consolidated Financial Statements due to their minor importance with respect to the Group's net assets, financial situation and results of operations:

- Westfälische Sportmarketing GmbH,
- Wepa Produktion Verwaltungs-GmbH,
- Wepa UK Limited,
- Contreda-Papier GmbH.

Disclosures Regarding Consolidation Methods

The Financial Statements of the individual companies have been prepared according to uniform accounting and measurement principles in order to be included in the Consolidated Financial Statements.

Capital consolidation before 2010 was undertaken according to the book value method by offsetting the acquisition costs of the investment against the Group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. assets, liabilities and contingent liabilities of the subsidiaries that could be recorded were reflected at their book values regardless of the level of the minority share.

The first-time capital consolidation from financial year 2010 is undertaken by offsetting the acquisition costs of the investment against the Group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation were disclosed and accounted for in accordance with the underlying assets and liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off. Differences on the liabilities side are treated in accordance with section 309, paragraph 2 of the German Commercial Code.

Differences on the liabilities side in the amount of EUR 2,554 thousand have resulted from capital consolidation.

The differences in liabilities from the first-time consolidation relate to the following companies:

- TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG (EUR 2,499 thousand)
- Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG (EUR 55 thousand)

Significant investments are in principle recorded according to the equity method (book value method), if the Company holds 20% to 50% of voting rights and thereby is in a position to exercise considerable influence on the company invested in (associated companies). The book value of the consolidated associated companies according to the equity method is recorded in line with the share in equity of the investment company.

In exercise of the option of section 312, paragraph 5 of the German Commercial Code, the Group-wide valuation is not adopted by the consolidated associated companies that are recognized by the equity method.

The difference between the book value and the share in equity from the 'at equity' consolidation of GC & WEPA S.L. totals EUR 484 thousand.

Shares in unconsolidated companies are measured at the lower of acquisition or fair market value.

Intra-Group interim profits, sales, expenses and income, as well as all receivables and liabilities between the consolidated companies, are eliminated.

Annual Financial Statements of consolidated companies denominated in foreign currency are converted based on section 308a of the German Commercial Code. Exchange rate differences on internal company receivables and liabilities are generally recognized without impacting income.

Since all companies included in the Consolidated Financial Statements run their business activities autonomously from a financial, economic and organizational perspective, the functional currency is in principle the same as the relevant local currency. Assets and liabilities are, therefore, converted at the rate at the balance sheet date, equity items at historical rates and income and expense at the average annual rate. Any conversion differences that arise are reported under equity in the item 'Difference in Equity from Currency Conversion' without impacting income.

In the Financial Statements of individual Group companies, the receivables and liabilities in a Foreign Currency are converted at the current rates on the balance sheet cut-off date.

Disclosures on Accounting and Valuation Methods

The structure of the balance sheet according to sections 265, 266 of the German Commercial Code was expanded in accordance with section 265, paragraph 5 of the Commercial Code. This affects the following balance sheet items:

- Shares in Associated Companies,
- Loans to Associated Companies,
- Receivables from Associated Companies,
- Receivables from Shareholders,
- Outstanding Profit-Sharing Rights,
- Liabilities to Associated Companies.

The structure of the P&L statement according to section 275 of the German Commercial Code was expanded by the following items in accordance with section 265, paragraph 5 of the Commercial Code.

- Earnings from Associated Companies,
- Compensation for Outstanding Profit-Sharing Rights.

The following accounting and valuation methods were key in preparing the Consolidated Financial Statements.

Intangible assets acquired for a consideration are capitalized at acquisition cost and, if subject to wear and tear, amortized over the expected useful life of the asset using the straight-line method. Other capitalized, internally generated items in the amount of EUR 291 thousand (prior year: EUR 416 thousand) were incurred in connection with the introduction of uniform ERP software for the Group.

Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, as, according to our plans, we assume long-term use of the acquired values. Current developments are reflected by write-offs, if necessary.

Tangible fixed assets are valued at acquisition cost, taking into account scheduled depreciation.

Write-offs are allowed for in the case of permanent impairment.

Additions during the Fiscal year are depreciated *pro rata temporis.* Asset items of domestic subsidiaries included in consolidation with acquisition costs of between EUR 150.00 and EUR 1,000.00 are collected in a summary item and depreciated over a period of five years. Low-value items up to a value of EUR 150.00 are written off in full in the year of acquisition.

Financial assets—with the exception of shares in associated companies—are measured at acquisition cost. If the fair value of the financial assets at the balance sheet date is below acquisition cost, then the former is recorded.

A stock-take of **Inventories** had been conducted as of December 31, 2012, for the subsidiaries included in the Consolidated Financial Statement. Finished Goods were valued using the reverse costing method. In principle, the average sales price of the last quarter of 2012 was used as the basis. A discount for unit and overhead distribution costs, freight, commissions and advertising cost allowance, as well as the profit margin, was applied. Goods are valued at acquisition cost. Raw materials and supplies, as well as goods-in-progress, were strictly valued at the lower market value of acquisition or production cost. Production costs of goods-in-progress include, in addition to direct manufacturing and material costs, appropriate portions of production and material overhead costs, wear and tear on fixed assets and administrative costs attributable to production. Interest on debt is not included in production costs. Reductions in value due to obsolescence, quality defects or limited mobility are applied as necessary.

The valuation of the spare parts and warehouse inventory was based on individual measurement and, in the case of similar inventory assets, on a weighted average figure. Obsolescence, quality defects or limited turnover are reflected by the appropriate reductions.

Receivables and other assets are valued at the lower of nominal value or the fair value at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks. There are no receivables that bear little or no interest with terms exceeding a year.

Share capital has been fully paid in and is reported at nominal value.

Pension provisions for entitlements and current pension obligations are calculated using the projected unit credit method with analog application of IAS 19. They are calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2 and section 246, paragraph 2 of the German Commercial Code. Actuarial opinions have been furnished. Calculations are based on the "Guide tables 2005 G" of Professor Klaus Heubeck and an Interest Rate of 5.06% (prior year: 5.14%).

Anticipated salary and pension increases are reflected at a rate of 2.5% and 2.0%, respectively. A fluctuation rate of 0.0% was used.

By exercising the option under article 67, paragraph 1, clause 1 of the Introductory Act to the German Commercial Code, the allocation amount for financial year 2010 of EUR 489 thousand resulting from the change in accounting for provisions under the German Accounting Law Modernization Act may be spread out equally over a maximum of 15 years. As at December 31, 2012, the amount not yet allocated is EUR 391 thousand.

Assets (coverage assets) to be used only to meet pension obligations and protected from access by all other creditors are offset against the provisions at their fair market value.

Pension-like obligations are calculated according to country-specific circumstances according to IAS 19.

Pension-like obligations on the part of WEPA LUCCA SRL were measured based on the ISTAT 2002 of the Instituto Nazionale di Statistica and an interest rate of 5.14% as at December 31, 2011, and 5.04% as at December 31, 2012. Anticipated salary and pension increases were reflected at a rate of 2.0% and 3.0%, respectively.

Pension-like obligations on the part of WEPA Lille S.A.S. are based on the guidelines of the Institut National de la Statistique et Etudes Economiques TF 00-02 or TH 00-02 and an interest rate of 5.06%. Anticipated salary increases were reflected at a rate of 3.0% and pension increases were reflected at a rate of 1.5%.

Pension-like obligations on the part of WEPA Professional Piechowice S.A. are based on the guidelines of the GUS (General Statistic Office) and an interest rate of 4.75%. Anticipated salary increases were reflected at a rate of 3.0% and pension increases were reflected at a rate of 3.0%.

Tax and other provisions were created for all identifiable risks and uncertain liabilities. They were recorded at an amount in line with a reasonable business assessment. Provisions with a remaining term in excess of a year are discounted at the average market interest rate as published by the German Central Bank commensurate with the remaining term.

The partial retirement provision is calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2, and section 246, paragraph 2 of the German Commercial Code. The partial retirement provision was calculated based on an IDW (German Institute of Public Auditors) opinion (IDW RS HFA 3). Calculations are based on an interest rate of 4.39% as at December 31, 2012. Anticipated salary increases are reflected at a rate of 2.0%.

Liabilities have been stated at their repayment value.

Foreign currency liabilities and assets are recorded at the foreign currency account rate on the day of the business transaction. Assets and liabilities denominated in foreign currency are converted at the mid-rate on the balance sheet date. If the remaining term exceeds a year, the realization principle (section 252, paragraph 1, no. 4, clause 2 of the German Commercial Code) and the cost method (section 253, paragraph 1, clause 1 of the German commercial Code) are applied.

In order to calculate **deferred taxes** due to temporary or quasi-permanent differences between accounting for assets and liabilities for Commercial Law purposes and for tax purposes or due to tax loss carry-forwards, the amounts of the resulting tax charges or reductions are measured using the tax rates of the individual companies over the time that the differences are phased out and not discounted. Deferred tax assets and liabilities are not offset against each other. Deferred taxes were capitalized in the individual Financial Statements of the companies included through application of the existing accounting option.

Comments on Individual Items in the Balance Sheet

Fixed Assets

Changes in individual fixed asset items are reflected in the 'Consolidated Fixed Assets' register (Attachment 1 to the attached Notes) including depreciation and amortization during the financial year.

Additions within the "Land, Land Rights and Buildings, including Buildings on Third Party Land" primarily relate to WEPA Lille S.A.S. because of an unqualified Lease.

Amortization and depreciation in the past financial year amounted to EUR 31,708 thousand.

In the year under review, EUR 889 thousand was transferred from advance payments to software licenses. This relates to the new JD Edwards ERP software. In financial year 2012, the following companies transitioned to this software:

- Wepa Papierfabrik Sachsen GmbH, Kriebstein
- Wepa Professional GmbH, Arnsberg
- Wepa Profesional Piechowice S.A., Piechowice, Poland,

Differences on the asset side arising from the capital consolidation are reported under goodwill in the amount of EUR 1,262 thousand as at the balance sheet date and are distributed as follows: Wepa Professional Piechowice S.A. EUR 397 thousand, Wepa Papierfabrik Professional GmbH EUR 350 thousand, WEPA Lille S.A.S. EUR 18 thousand, WEPA ITALY SRL EUR 237 thousand and Wepa Leuna GmbH EUR 260 thousand. During Fiscal year 2012 amortization amounted to EUR 122 thousand.

Goodwill is amortized based on a term of useful life of 15 years.

Shares in affiliated companies relate to shares in Wepa Produktion Verwaltungs-GmbH (EUR 25 thousand), in Contreda-Papier GmbH (EUR 25 thousand) and in Westfälische Sportmarketing GmbH (EUR 25 thousand) and the Wepa UK (EUR 0.0 thousand).

Loans to associated companies relate to a shareholder loan made by Wepa International GmbH to GC & Wepa S.L.

Inventories

Inventories are composed of raw materials and supplies in the amount of EUR 58,965 thousand, finished goods and merchandise amounting to EUR 28,584 thousand, semi-finished goods in the amount of EUR 17,724 thousand and advance payments in the amount of EUR 10 thousand. Spare parts and warehouse inventory amounting to EUR 36,398 thousand (previous year: EUR 34.746 thousand) were reported under the raw materials and supplies item as at the balance sheet date. The rise is due to an increase in spare parts in inventory managed items.

Receivables and Other Assets

Specific bad debt allowances and a general provision for bad debt on 12/31/2012 amount to EUR 6,186 thousand (prior year: EUR 3,415 thousand) for receivables. A general provision for Default and Credit Risk of EUR 1.176 thousand (1.5%) on Net Receivables was created due to the specific customer structure.

The following receivables-based financing is in place:

Wepa Hygieneprodukte GmbH	EUR 45,000 thousand Compass ABSproM Limited (contractual agreement until December 19, 2014)
Wepa Hygieneprodukte GmbH	EUR 15,000 thousand GE Capital Bank AG (contractual agreement until December 30, 2014)
Wepa Professional GmbH	EUR 5,000 thousand GE Capital Bank AG (contractual agreement until December 30, 2014)
WEPA LUCCA SRL	EUR 10,000 thousand UniCredit Factoring S.p.A. (contractual agreement until 05, June 2014)
WEPA LUCCA SRL	EUR 6,000 thousand FactorCOOP S.p.A. (entered into for an indefinite period of time)
WEPA Lille S.A.S.	EUR 20,000 thousand GE Factofrance SNC (contractual agreement until 30, March 2014)

Within the **ABS-Transactions** of the Group's Parent Company, Wepa Hygieneprodukte GmbH, with Compass ABSproM Limited and Portigon as administrators, a maximum consumption limit of EUR 45,000 thousand exists. The utilization as of the balance sheet date amounted to EUR 44,270 thousand.

Since non-recourse factoring is involved in this case, a reduction in trade receivables of EUR 51,022 thousand was the result at the balance sheet date. Receivables from ABS (asset-backed securities), advances in the gross amount of EUR 6,725 thousand (prior year: EUR 6.166 thousand) are shown under "Other Assets". These receivables reflect three types of reserves: default reserve, dilution reserve and transaction cost reserve. The default reserve amounts to 3% of gross receivables. The default reserve of EUR 1,530 thousand (prior year: EUR 1,385 thousand) was 100% adjusted.

WEPA LUCCA SRL had a factoring line with a maximum of EUR 10,000 thousand with UniCredit Factoring S.p.A. as at December 31, 2012. Utilization as at the balance sheet date was EUR 6,320 thousand. Furthermore, a factoring line of EUR 6,000 thousand existed as at December 31, 2012, with FactorCOOP S.p.A. As at the balance sheet date, the line had been utilized to the amount of EUR 5,115 thousand. Only receivables from the Italian COOP companies are purchased within this financing arrangement.

WEPA Lille S.A.S. had a factoring line of EUR 20,000 thousand with GE Factofrance SNC (GE Group) as at December 31, 2012. Utilization as at the balance sheet date was EUR 14,567 thousand.

Wepa Hygieneprodukte GmbH and Wepa Professional GmbH each have of one factoring line with GE Capital Bank AG, Mainz, as at December 31, 2012. The overall limit of EUR 20,000 thousand is interchangeable between the two companies in accordance with the contractual agreements. Since non-recourse factoring is involved in this case, the result as at the balance sheet date for Wepa Hygieneprodukte GmbH was a reduction in trade receivables of EUR 16,050 and a utilization of EUR 12,617 thousand. For Wepa Professional GmbH, the result as at the balance sheet date was a reduction in trade receivables of EUR 5,390 thousand and a utilization of EUR 2,279 thousand.

Receivables from shareholders also affect affiliated companies.

Receivables from associated companies affect GC & WEPA S.L.

As in the previous year, the receivables have a maturity of less than one year.

Prepaid Expenses

The "Prepaid Expenses" contain a discount point of EUR 110 thousand (prior year: EUR 310 thousand). This item is to be liquidated in equal installments until January 2013 and January 2016, respectively. The item "Prepaid Expense" further includes EUR 219 thousand in accrued commissions and fees, EUR 745 thousand (prior year: EUR 237 thousand) in commissions for hedging transactions and EUR 0 thousand (prior year: EUR 536 thousand) for commodity SWAP transactions.

Deferred Tax Assets

Deferred tax assets as at December 31, 2012, relate to the following balance sheet items:

- Tangible Assets (EUR1,038 thousand)
- Inventory (EUR 61 thousand)
- Trade Receivables (EUR 183 thousand)
- Interest and Loss Carry-forwards and Tax Credits (EUR 3,811 thousand)
- Pension Provisions (EUR 23 thousand)
- Other Provisions (EUR 337 thousand)
- Other Liabilities (EUR 184 thousand)
- Prepaid Expenses (EUR 13 thousand)

The calculation is based on company-specific tax rates. deferred tax assets on interest and loss carry-forwards (France) and the tax credit in Poland were calculated from the realizable loss carry-forwards and tax credits derived from tax planning statements based on a planning period of five years.

Equity

Share capital is EUR 8,100,000.00.

Profit-sharing rights as at December 31, 2012, amount to EUR 3,300 thousand (prior year: EUR 5,000 thousand) and are to be repaid in 2013.

Furthermore, "Equity" includes a negative difference of EUR −1,172 thousand from Wepa Professional Piechowice S.A. The amount is calculated according to section 308 (a) of the German Commercial Code and reported under the item "Difference in Equity from Currency Conversion".

In the previous year, a miscellaneous payment in the form of a loan contribution by WEPA Industrieholding SE was added to the Capital Reserve in accordance with section 272, paragraph 2, no. 4 of the German Commercial Code with an amount of EUR 97,093,063.69.

For further details, please refer to the Group's Equity Statement (Attachment 4 of the notes).

Difference arising from Capital Consolidation

The negative goodwill with an original amount of EUR 3,595 thousand resulting from the capital consolidation on January 1, 2010 of TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG and Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG were released according to the amortization in 2012 on disclosed hidden reserves in "Property, Plant and Equipment" with an amount of EUR 347 thousand (previous year EUR 347 thousand). Differences were reported separately under "Equity" in accordance with section 301, paragraph 3 of the German Commercial Code.

Special Items for Investment Subsidies

The special item regarding investment subsidies was released in financial year 2012.

Provisions

	12/31/2012	12/31/2011
	€ '000s	€ '000s
Provisions for Pensions and Similar Obligations	10,177	10,150
Provisions for Taxes	5,327	2,648
Other Provisions	51,338	38,660
	66,842	51,458

"Provisions for Pensions and Similar Obligations" consists of pension provisions of EUR 3,554 thousand (prior year: EUR 3,351 thousand) and provisions for pension-similar obligations amounting to EUR 6,623 thousand (prior year: EUR 6,799 thousand).

"Provisions for Taxes" contains anticipated trade tax back-payments to be made for 2011 and 2012 (EUR 2,927 thousand), domestic corporation tax and solidarity surcharge in the amount of EUR 1,051 thousand as well as foreign income taxes in the amount of EUR 1,349 thousand (prior year: EUR 683 thousand).

"Other Provisions" reflects personnel provisions primarily for redundancies in the amount of EUR 2,129 thousand (prior year: EUR 206 thousand), partial retirement obligations in the amount of EUR 1,872 thousand (previous year EUR 1,331 thousand), vacation claims/flexitime credits with an amount of EUR 4,287 thousand (prior year: EUR 4,842 thousand), various obligations for bonus and premium caims of EUR 1,656 thousand (prior year: EUR 1,439 thousand), as well as contributions to the Employers' Liability Insurance Association in the amount of EUR 921 thousand (prior year: EUR 1,166 thousand).

Funds invested with Allianz Lebensversicherungs-AG are to be used as insolvency insurance for employee entitlements to partial retirement. These deposits are, therefore, not reported under "Financial Assets", but are offset against provisions for partial retirement obligations in the amount of their fair value in accordance with section 246, paragraph 2 of the German Commercial Code (see table below).

Acquisition costs of offset asset items (total amount)	Fair value of offset asset items (total amount)	Fulfillment amount of offset liabilities (total amount)
EUR 2,402 thousand	EUR 2,441 thousand	EUR 4,313 thousand

Provisions for invoices still outstanding for goods already received with an amount of EUR 20,450 thousand (prior year: EUR 12,431 thousand) and a provision for still outstanding sales reductions of EUR 8,734 thousand (prior year: EUR 10,839 thousand) are included here.

Liabilities

The breakdown and terms of the liabilities are reflected in the Consolidated Payables Aging Report (Attachment 2 to the Notes).

Liabilities to associated companies relate to GC & WEPA S.L.

Deferred Tax Liabilities

Deferred tax liabilities as at December 31, 2012, relate to the following balance sheet items:

- Tangible Assets (EUR 15.663 thousand)
- Inventory (EUR 226 thousand)
- Pension-like Provisions (EUR 430 thousand)
- Other Provisions (EUR 1 thousand)
- Trade Liabilities (EUR 111 thousand)

- Accruals (EUR 101 thousand)

The calculation is based on company-specific tax rates.

Collateral

Based on the Senior Facilities Agreement (SFA) dated June 5, 2009 (last amended by the 6. Amendment Contract from July 5, 2012) between Wepa Hygieneprodukte GmbH, Arnsberg, together with other affiliated companies, and Commerzbank AG, UniCredit Luxembourg, the Kreditanstalt für Wiederaufbau (Bank for Reconstruction) and WestLB (now Portigon AG), credits in the amount of EUR 263,000 thousand were drawn (herein termed "Overall Financing").

The following collaterals were provided to the banks to cover these liabilities:

- EUR 263,000 thousand land charge—without deed—in addition to 15% annual interest for Commerzbank AG, Frankfurt am Main. Immediately enforceable according to section 800 of the Code of Civil Procedure (ZPO). Joint liability exists in the Land Register of Müschede page 2200 (District Court of Arnsberg), Giershagen page 646 (district court of Marsberg) and Mainz page 12643 (District Court of Mainz). Additional co-liability exists in Kriebethal (District Court of Hainichen) pages 327, 328, 329, 332 and 335 and in Spergau (District Court of Merseburg) pages 859 and 1066.

The preferential land charges are entered in the relevant land registers according to their limits as follows:

Land Register of Spergau, page 1066 District of Spergau:

Preferential land charges in the amount of EUR 56,016 thousand.

Preferential land charges of EUR 45,000 thousand have been entered into the Land Register of Kriebethal, page 327, 328, 329, 332, district of Kriebethal and in the Partial Ownership Land Register of Kriebethal, page 335, District of Kriebethal; joint liability pertains to the aforementioned land register pages.

- Collateral of June 18, 2010, covering all material immovable assets, especially first-rank property liens in the amount of EUR 10,140 thousand plus incidental costs on the company premises of WEPA Lille S.A.S., Bousbecque, France.

- Pledging of all Wepa Hygieneprodukte GmbH, Arnsberg held shares in Wepa Papierfabrik Sachsen GmbH, Kriebstein, Wepa International GmbH, Arnsberg, Wepa Leuna GmbH, Arnsberg, Wepa Produktion Verwaltungs-GmbH, Arnsberg, Wepa Produktion GmbH & Co. KG, Arnsberg, Wepa Professional GmbH, Arnsberg, and Wepa Professional Piechowice S. A., Piechowice, Poland, Wepa Grundbesitz GmbH & Co.KG, Arnsberg, Wepa Leuna Grundbesitz GmbH & Co.KG, Arnsberg, through Wepa Leuna GmbH, Arnsberg, Wepa Sachsen Grundbesitz GmbH & Co.KG, Arnsberg through Wepa Sachsen GmbH, Arnsberg, WEPA LUCCA SRL, Capannori (Lucca), Italy, through Wepa International GmbH, Arnsberg, and WEPA LILLE S.A.S., Bousbecque, Frankreich through Wepa International GmbH, Arnsberg, via pledge agreements dated August 28, 2009, September 2, 2009, September 4, 2009 and respectively February 17, 2010, December 11, 2009, August 25 2010, August 27, 2010, November 8, 2010, April 20, 2012, and May 18, 2012.

- Global assignment of trade receivables, insurance and intra-group loans of Wepa Hygieneprodukte GmbH, Arnsberg, Wepa Papierfabrik Sachsen GmbH, Kriebstein, Wepa International GmbH, Arnsberg, Wepa Produktion GmbH & Co. KG, Arnsberg, Wepa Professional GmbH, Arnsberg, Wepa Grundbesitz GmbH & Co.KG, Arnsberg, Wepa Leuna Grundbesitz GmbH & Co.KG, Arnsberg and der Wepa Sachsen Grundbesitz GmbH & Co.KG, Arnsberg dated August 31, 2009, December 11, 2009, August 27, 2010, as well as April 15, 2012 and June 26/27, 2012.

- The assignment of receivables from insurance, trade receivables and receivables under purchase agreement documents dated August 31, 2009, February 17, 2010 and June 17, 2010, respectively on the part of WEPA LUCCA SRL, Capannori (Lucca), Italy.

- The assignment of receivables from insurance and intra-group loans, as well as rights under insurance and trade agreements dated October 29, 2010, on the part of Wepa Professional Piechowice S.A., Piechowice, Poland.
- The assignment of receivables from insurance dated August 12, 2009, and August 31, 2009, on the part of WEPA Lille S.A.S., Bousbecque, France, as well as framework agreement regarding the assignment of receivables under French law dated February 17, 2010.
- Pledging of all domestic and foreign accounts by collateral agreements dated June 5, 2009, August 6, 2009, August 31, 2009, December 11, 2009, February 17 2010, February 18, 2010, June 17, 2010, August 27, 2010, October 29, 2010 and April 20, 2012.
- Assignment as security of fixed and current assets of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 31, 2009 and Wepa Professional GmbH dated August 27, 2010.
- Assignment as security of current asset items of Wepa Papierfabrik Sachsen GmbH, Kriebstein, dated April 15, 2010.
- Pledging of business operations under French law, as well as pledging of the inventory under French law, of WEPA LILLE S.A.S., Bousbecque, France, dated July 25, 2012.
- Transfer and assignment as security of the industrial property rights of Wepa Hygieneprodukte GmbH, Arnsberg, WEPA LUCCA SRL, Capannori (Lucca), Italy, dated August 31, 2009, February 17, 2010, March 8, 2010, as well as September 11, 2012 and of Wepa Professional GmbH dated August 27, 2010.
- Acknowledgement of debt on request subject to immediate personal foreclosure submission of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 28, 2009.

According to the acknowledgment of debt on request, subject to immediate personal foreclosure submission from August 28, 2009, Wepa Hygieneprodukte GmbH, Arnsberg, and the other companies included in the Senior Facilities Agreement (SFA) dated June 5, 2009, assume personal liability as joint debtors for all land charges and subject themselves because of the acknowledgement of debt to immediate enforcement proceedings under this document and all their Assets.

In accordance with the Subordination Agreement of December 18, 2009, Wepa Hygieneprodukte GmbH, Arnsberg, due to its acknowledgement of debt on request, has assumed an independent duty to perform with respect to all claims from banks in connection with the so-called Leuna Financing Arrangements.

The following collateral exists in favor of Sachsen Bank with respect to the Framework Loan Agreements from 2004 and 2006:

- Primary land charges in the amount of EUR 15,000 thousand and secondary land charges in the amount of EUR 30,000 thousand on the plot of land in Kriebstein.
- Assignment as security of all machinery and equipment, as well as current assets, on the company premises in Kriebstein.
- Assignment of receivables under the Key Supply Agreements relating to the co-financed machinery.
- All claims under various insurance policies.
- Assignment as security of all customer receivables.

The 80% Land Guarantee expired as of 12/31/2012 with full repayment of the loan under the Framework Loan Agreement of 2002.

The following collaterals exist in favor of Commerzbank AG in addition to the 78% Federal Land Deficiency Guarantee with respect to the Investment Credit Agreement dated November 28, 2003, and the Capital Equipment Loan Agreement dated August 10, 2004:

- Primary land charges with an amount of EUR 56,016 thousand in the Land Register Spergau, page 1066 District of Spergau.

- Security Purpose Declaration on the land charge with assignment of entitlements to restitution.
- Assignment as security of all machinery and technical equipment.
- Assignment of insurance claims.
- Assignment as security of inventories and warehouses.
- Global assignment of all trade receivables.
- Assignment of claims under trade credit insurance (if relevant, not yet assigned).

The following collaterals are appointed subordinate regarding a Loan Agreement with benchmark interest rate, dated September 4, 2009, entered into with Commerzbank AG:

- Primary land charge on the plot of land in the Land Register Spergau, page 1066, District of Spergau (EUR 56,016 thousand).
- Assignment as security of all machinery and technical equipment.
- Assignment of insurance claims.
- Assignment as security of inventories and stock of raw materials and supplies, semi-finished and finished goods.
- Global assignment of all trade receivables.

Land charges with an amount of EUR 12,168 thousand exist on the land holdings of WEPA Lille S.A.S., Bousbecque, France, in favor of various banks.

The hereditary building right of Wepa Professional Piechowice S.A., Piechowice, Poland, is encumbered with land charges of EUR 25,600 thousand in favour of Commerzbank AG.

Land charges of EUR 3,545 thousand exist on the land holdings of Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, as collateral for liabilities under a loan in favor of Mainzer Volksbank eG and Sparkasse Arnsberg-Sundern. Furthermore, the high-bay warehouse and other movable parts of this leased object are assigned as security to the bank.

Land charges of EUR 13,500 thousand on land holdings in Müschede (Land Register of Müschede, page 2074, District of Müschede) exist in favor of HSH Nordbank AG.

Land charges of EUR 17,200 thousand on land holdings in Giershagen (Land Register of Giershagen, page 637, District of Giershagen) exist in favor of Commerzbank AG.

Pledging of shares in GC & WEPA S.L., Zaragoza, Spain, as well as assignment of loans granted to this company to secure the Syndicated Loan totaling EUR 15,000 thousand under the Loan Agreement with WestLB AG (now Portigon AG), Commerzbank Aktiengesellschaft and IKB Deutsche Industriebank AG maturing on December 30, 2016.

Primary pledging of various German accounts at Sparkasse Arnsberg-Sundern and Portigon to secure receivables of Compass ABSproM Limited under the Receivables Purchase Framework Agreement dated December 23, 2004, as modified from time to time.

Primary pledging of two German accounts at Commerzbank AG Arnsberg-Neheim branch dated July 21/22, 2012, to collateralize receivables of GE Capital Bank AG, Mainz, under the Factoring Framework Agreement with Wepa Hygieneprodukte GmbH, Arnsberg, and Wepa Professional GmbH, Arnsberg.

The following receivables have been sold as security as of the balance sheet date relating to the receivables-based financing framework already mentioned:

Wepa Hygieneprodukte GmbH, Arnsberg	EUR 50,994 thousand Compass ABSproM Limited
Wepa Hygieneprodukte GmbH, Arnsberg	EUR 16,051 thousand GE Capital Bank AG
Wepa Professional GmbH, Arnsberg	EUR 5,390 thousand GE Capital Bank AG
WEPA LUCCA SRL, Capannori (Lucca), Italy	EUR 8,698 thousand UniCredit Factoring S.p.A.
WEPA LUCCA SRL, Capannori (Lucca), Italy	EUR 6,998 thousand FactorCOOP S.p.A.
WEPA LILLE S.A.S., Bousbecque, France	EUR 16,422 thousand GE Factofrance SNC

Comments on Individual P&L Items

Sales Revenue

Sales revenue can be broken down by specific geographical markets as follows:

	2012	2011
	€ '000s	€ '000s
Sales Revenue, Germany	326,646	340,263
Foreign Sales Revenue	522,850	540,105
Total Sales Revenue	849,496	880,368

Other Capitalized Internally-Generated Items

Capitalized internally-generated items amount to EUR 291 thousand (prior year: EUR 416 thousand) and relate to the Group-wide implementation of JD Edwards ERP Software.

Other Operating Income

"Other Operating Income" primarily includes income from other periods in the amount of EUR 1,040 thousand (prior year: EUR 4,482 thousand), from the capitalization of spare parts inventories, liquidation of provisions in the amount of EUR 501 thousand (prior year: EUR 1,195 thousand) and income from insurance refunds from claims in the amount of EUR 210 thousand (prior year: EUR 446 thousand). Furthermore, "Other Operating Income" includes income from disposals of assets in the amount of EUR 503 thousand (prior year: EUR 124 thousand), as well as exchange rate differences of EUR 1,538 thousand (prior year: EUR 286 thousand).

Depreciation and Amortization

The breakdown of depreciation and amortization in the financial year amounting to EUR 31,708 thousand is presented in the Statement of Fixed Assets (Attachment 1 to the Notes).

Write-offs of EUR 2,623 thousand are included under "Depreciation and Amortization".

Other Operating Expenses

"Other Operating Expenses" includes mainly sales costs in the amount of EUR 79,757 thousand (prior year: EUR 88,679 thousand), as well as external labor in the amount of EUR 18,353 thousand, (prior year: EUR 22,432 thousand). Furthermore, expenses resulting out of cost allocations in the amount of EUR 8,047 thousand (prior year: EUR 7,531 thousand), expenses resulting out of exchange rate differences of EUR 1,513 thousand (prior year: EUR 2,289 thousand) and expenses from other periods of EUR 488 thousand are included. The expenses from other periods mainly include follow-up invoices from 2011.

Earnings from Associated Companies

This refers to the share of the 2012 annual net income from GC & WEPA S.L.

Income from Loans of Financial Assets

Interest income from the loan to GC & WEPA S.L. is mainly reported here.

Interest and Similar Expenses

"Interest and Similar Expenses" includes interest for long-term bank loans of EUR 14,701 thousand and short-term bank liabilities of EUR 3,573 thousand, bank and guarantee commissions of EUR 2,706 and transaction costs regarding factoring of EUR 1,527 thousand. From the discounting of provisions stems an interest expense amounting to EUR 290 thousand (prior year: EUR 308 thousand).

Compensation for Outstanding Profit-Sharing Rights

Compensation for outstanding profit-sharing rights amounts to EUR 538 thousand (prior year: EUR 1,075 thousand) for the financial year 2012.

Extraordinary Result

Extraordinary income of EUR 4,473 thousand arises from the insurance claim resulting from the fire in the high-bay warehouse in Müschede late December 2012 and from the insurance claim of WEPA LUCCA in the amount of EUR 800 thousand due to flood damage.

"Extraordinary Expenses" includes special consulting fees in connection with financing in the amount of EUR 2,914 thousand and restructuring costs of EUR 9,551 thousand. Extraordinary expenses in the amount of EUR 4,973 thousand resulted from the fire in the high-bay warehouse in Müschede in 2012 and an amount of EUR 1,300 thousand resulted from the flood damage in WEPA LUCCA.

Taxes on Income and Earnings

The figure reported here is EUR 1,967 thousand (prior year: EUR 1,578 thousand) in trade tax expenses and EUR 1,406 thousand (prior year: EUR 597 thousand) in corporation tax expenses (including solidarity surcharge and withholding tax). Furthermore, it includes expenses relating to foreign taxes in the amount of EUR 1,711 thousand (prior year: EUR 767 thousand), as well as deferred taxes in the amount of EUR 5,128 thousand (prior year: EUR 3,867 thousand).

Contingent Liabilities and Other Financial Obligations

Contingent Liabilities

The following contingent liabilities exist in the Group as at the Balance Sheet Date:

Letters of Comfort/Assumption of Debt for the Group's Companies

The Letter of Comfort dated May 19, 2004, of Wepa Hygieneprodukte GmbH, Arnsberg, to Sachsen Bank in connection with subsidies and allowances under the Framework Financing Agreement of February 16, 2004 in the amount of EUR 20,000 thousand, in connection with the compensation for any shortfalls in small grants approved or cost overruns of the entire investment amount in connection with the mentioned Loan Agreements as well as any demands for repayment relating to the entire investment. Wepa Hygieneprodukte GmbH, Arnsberg, has made a commitment not to undertake any measures which might result in the minimum equity-to-assets ratio falling below 20%. Furthermore, shares may neither be transferred nor encumbered.

Assumption of debt dated February 16, 2004, of Wepa Hygieneprodukte GmbH, Arnsberg, with regard to all obligations of Wepa Papierfabrik Sachsen GmbH, Kriebstein, under the Framework Financing Agreement with Sachsen Bank in the amount of EUR 20,000 thousand dated February 16, 2004.

Letter of comfort dated September 04, 2006, of Wepa Hygieneprodukte GmbH, Arnsberg, to Sachsen Bank regarding a bank loan to pre-fund the investment premium of EUR 2,000 thousand, regarding the compensation for any shortfalls in small grants approved or cost overruns of the entire investment amount of EUR 11,500 thousand as well as any demands for repayment relating to the entire investment. Wepa Hygieneprodukte GmbH, Arnsberg, has made a commitment not to undertake any measures which might result in the minimum equity-to-assets ratio of the Wepa Sachsen GmbH, falling below 20%.

Assumption of debt dated August 30, 2006, of Wepa Hygieneprodukte GmbH, Arnsberg, with regard to all obligations of Wepa Papierfabrik Sachsen GmbH, Kriebstein, under the Framework Financing Agreement with Sachsen Bank in the amount of EUR 11,000 thousand dated August 30, 2006.

Assumption of debt dated July 25, 2011, of Wepa Sachsen Grundbesitz GmbH & Co. KG, Arnsberg, for all present and future liabilities, whether conditional or time-bound or legal in nature, of Wepa Papierfabrik Sachsen GmbH, Kriebstein, arising from or in connection with the Framework Financing Agreement dated August 30, 2006 (including the first addendum of December 27, 2006/January 8, 2007 and the second addendum of January 26, 2007/February 15, 2007) and the Framework Financing Agreement dated February 16/18, 2004 (including the addendum of February 27/March 4, 2010).

Assumption of debt dated October 5, 2009, of Wepa Hygieneprodukte GmbH, Arnsberg, covering all obligations of Wepa Leuna GmbH, Arnsberg, as borrower under the agreement regarding a loan with a benchmark interest rate with Commerzbank AG with an amount of EUR 2,300 thousand dated October 5, 2009.

Assumption of debt dated October 30, 2009, of Wepa Hygieneprodukte GmbH, Arnsberg, regarding all obligations of Wepa Leuna GmbH, Arnsberg, as borrower under the Syndicated Loan Agreement in the amount of EUR 46,016 thousand and the Operating Funds Loan Agreement in the amount of EUR 10,000 thousand with Commerzbank AG, transferred to Wepa Leuna GmbH, Arnsberg, based on the Transfer Agreement of October 30, 2009, revised on October 21, 2012.

Assumption of debt dated October 21, 2011, of Leuna Grundbesitz GmbH & Co. KG, Arnsberg, regarding all obligations of Wepa Leuna GmbH, Arnsberg, as borrower under the Syndicated Loan Agreement in the amount of EUR 46,016 thousand and the Operating Funds Loan Agreement in the amount of EUR 10,000 thousand with Commerzbank AG, transferred to Wepa Leuna GmbH, Arnsberg, based on the Transfer Agreement of October 30, 2009, revised on October 21, 2011.

Letter of comfort of Wepa Hygieneprodukte GmbH, Arnsberg, from a Loan Agreement with WestLB AG (now Portigon AG), Commerzbank Aktiengesellschaft and IKB Deutsche Industriebank AG regarding a syndicated loan for Wepa International GmbH, Arnsberg totaling EUR 15,000 thousand.

Guarantee of Wepa Hygieneprodukte GmbH, Arnsberg, dated November 23, 2007, in connection with the transfer of shares held with GC & WEPA S.L., Zaragoza, Spain, to Wepa International GmbH, Arnsberg, regarding all financial obligations of Wepa International GmbH, Arnsberg, towards GC & WEPA S.L., Zaragoza, Spain, and its shareholders, as well as the unlimited fulfillment of all duties that Wepa Hygieneprodukte GmbH, Arnsberg, had assumed towards the beneficiaries as part of the investment in GC & WEPA S.L., Zaragoza, Spain.

Guarantee of Wepa Hygieneprodukte GmbH, Arnsberg, dated July 30, 2009, regarding all obligations of WEPA LUCCA SRL, Capannori (Lucca), Italy, under its Factoring Contracts totaling EUR 10,000 thousand with UniCredit Factoring S.p.A., Italy, dated October 8 and 9, 2008 respectively, and amended from time to time.

Guarantee of Wepa Hygieneprodukte GmbH, Arnsberg, dated March 23, 2010, regarding all obligations of WEPA LUCCA SRL, Capannori (Lucca), Italy, under its Credit Contract totaling EUR 3,500 thousand with Banca Popolare di Vicenza, Italy (previously Banca Cariprato, Italy), last amended on January 17, 2012.

Contingent liabilities relate to potential future events, the occurrence of which would result in an obligation. Based on the existing overall financing scheme, Wepa Hygieneprodukte GmbH assesses the risk of a potential claim to be unlikely.

Guarantees

Guarantee with a maximum amount of up to EUR 365 thousand towards HSH Nordbank AG, Hamburg, for certain leasing obligations of Marsberger Kraftwerk GmbH, Arnsberg-Müschede.

Guarantee of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 03, 2012 towards Sparkasse Arnsberg-Sundern in respect of obligations exceeding the own cash flow, resulting out of interest obligations that the Marsberger Kraftwerk GmbH, Arnsberg has relating to two credit contracts in the amount of EUR 4,000 thousand and EUR 17,000 thousand dated August 03, 2012.

Other Financial Obligations

The total amount of other financial obligations (obligations under rental, tenancy, and leasing agreements) as at December 31, 2012, is EUR 2,636 thousand. Of this amount, EUR 868 thousand relate to leasing obligations and EUR 1,768 thousand to rental obligations.

A total of EUR 1,373 thousand is due within a year.

Purchase commitments as of the balance sheet date amount to EUR 2,463 thousand.

As a result of the takeover of fixed assets, the obligations of Kartogroup Deutschland GmbH regarding investment subsidies and allowances granted in previous years, have passed on to Wepa Leuna GmbH. As at the balance sheet date, no events had occurred that might result in a repayment obligation.

Derivative Financial Instruments

Derivative financial instruments are used to hedge interest rate, currency, and raw materials procurement risks from booked, pending and planned underlying transactions. Hedging of currency and raw materials procurement risks takes place based on largely centralized purchasing of raw materials and exclusively in the name and on the account of Wepa Hygieneprodukte GmbH. Hedging measures, therefore, also cover other Group companies.

Interest rate derivatives are in principle taken out for the Group company in which the underlying transaction is taking place.

The booked and pending underlying transactions are summarized together with the hedging transactions as a micro hedge and portfolio hedge in German Commercial Code valuation units, separated into commodity, currency and interest rate hedging instruments. The same applies to planned transactions underlying a macro or portfolio hedge. The German Commercial Code valuation units are valued individually as at the balance sheet date. The valuation methods and assumptions on which the calculation of market value is based are detailed below:

Forward exchange contracts and swaps are valued at the forward exchange rate at the balance sheet date. Options are valued using the Black-Scholes or binomial models depending on their structure. Instruments designed to hedge interest rate and commodity risks are valued by discounting future cash flows. discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against income at the time of payment or when accrued at the balance sheet date.

According to the principles of valuation under commercial law, a negative valuation result of the relevant hedging transaction leads to the creation of a provision for anticipated losses from pending transactions, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

The WEPA Group strives to achieve a balanced risk/opportunity relationship. Depending on the assessment of the market situation, 50% to 100% of total currency or financing requirements are therefore hedged, in order to be able to respond to unforeseen developments in interest rates and currencies when calculating prices. In the case of raw materials, purchase prices are secured not only by entering into fixed price contracts, but also via commodity swaps; here, too, depending on the market situation, a hedging position of between 30% and 100% is aimed for.

The primary goal in this process is to hedge the calculation rates on which planning is based.

As at the balance sheet date the following derivative financial positions existed:

	Nominal Amount/Volume	Market Value
Interest rate derivatives	EUR 404,312 thousand	EUR −27,968 thousand
Currency derivatives	EUR 76,247 thousand	EUR 816 thousand
		EUR −970 thousand
Commodity derivatives	54,000 MT	EUR 1,296 thousand

MT = metric tons

Provisions of EUR 318 thousand (prior year: EUR 131 thousand) were created for negative market values for which no valuation units exist. Nominal amounts of the derivative financial transactions are equivalent to the purchase- or sale amounts or the contract values of the hedged underlying transactions.

If a direct hedging relationship exists, the derivative financial instruments are summarized as a valuation unit with an underlying or planned transaction. The Wepa Group has opted for the so-called net hedge presentation method in reflecting the valuation units in the balance sheet.

Of the hedging volume mentioned above, the volumes of valuation units shown below were combined with the underlying transactions:

Hedging of interest rate risk for liabilities to banks via payer swaps:

	Volume	Maturity	Type of valuation unit	Volume of hedging instrument	Maturity to no later than	Market value of hedging instruments
Finance loans	132,744,459	maximal 30.12.2019	Portfolio-Hedge	176,668,242	30.12.2019	−9,862,229
Finance loans	1,205,275	maximal 30.06.2014	Micro-Hedge	1,250,000	30.06.2014	−38,312
Working capital financing	156,000,000	minimum 30.06.2017	Portfolio-Hedge	214,505,000(2)	30.06.2017	−17,468,482

Comments:

(1) Of this amount EUR 43,812,400 relates to the second half of the term of the underlying transaction; the nominal volume of the underlying transaction and the hedging instrument coincide over the term.

(2) Of this amount swaps totaling EUR 58.7 million expire in June of 2014; this volume will then be replaced by equivalent forward swaps with a start date of June 30, 2014, so that EUR 155.8 million in payer swaps will exist throughout as of September 30, 2012.

Hedging of interest rate risk for liabilities to banks by via interest rate caps:

	Volume	Maturity no later than	Type of valuation unit	Volume of hedging instrument	Maturity to no later than	Market value of hedging instruments
Leasing	11,604,294	19.12.2017	Portfolio-Hedge	11,604,294	19.12.2017	−590,387

Hedging of price change risk (month- 0 PIX-FOEX) via payer swaps:

	Planned volume for 2013 Hedged until now	Volume of hedged instruments	Type of valuation unit	Maturity of hedged instruments	Market value of hedging instruments
1. Pulp BHKP	37,800 mt	37,800 mt	Portfolio-Hedge	Dec 13	1,166,290

	Planned volume 2012	Volume of hedging instrument	Type of valuation unit	Maturity of hedging instruments	Market value of hedging instruments
2. Pulp NBSK	16,200 mt	16,200 mt	Portfolio-Hedge	Dec 13	130,101

Hedging of of the Foreign Exchange Rate Risk regarding the Procurement of Pulp/Semi-Finished Goods with:

	Planned Volume	Type of Valuation Unit	Volume of Hedging Instrument	Maturity of Hedging Instruments no later than	Market Value of Hedging Instruments
Forward Exchange Transaction a.	65,525,000 USD	Portfolio-Hedge	62,525,000 USD	Dec 13	−961,665
FX-Swaps					7,889

Hedging of of the Foreign Exchange Rate Risk regarding the Procurement of Machines with:

	Planned Volume	Type of Valuation Unit	Volume of Hedging Instrument	Maturity of Hedging Instruments no later than	Market Value of Hedging Instruments
Forward Exchange Transaction a. FX-Swaps	411,000 USD	Micro-Hedge	411,000 USD	Jun 13	−7,849

Due to the fact that the key features of the designated underlying transactions and hedging instruments coincide in a valuation unit, the changes in value or cash flow streams offset one another. The hedge always exists for the entire term of the underlying transaction. The effectiveness of the valuation unit is proven prospectively using the "Critical Term Match" method, i.e. all parameters that define the value of the underlying transaction and the hedge are reviewed to ensure they match. The effectiveness of the valuation unit is reviewed retrospectively based on the mark-to-market valuations of the underlying transaction and hedging tool. This process involves a comparison of the changes in value of the underlying transaction and the hedge instrument. The transactions planned with a high probability of materializing, included as underlying transactions in a valuation unit, involve future commodity purchases, as well as future working capital requirements.

Disclosures Regarding the Cash Flow Statement

The Financing Purposes Fund is defined as cash holdings and deposits with banks with a maturity of less than three months. It is equivalent to the balance sheet item "Cash on Hand, Deposits with Banks and Checks".

Other Disclosures

Average Number of Employees

In financial year 2012, 2,663 (prior year: 2,728) employees, (of which 2,110 (prior year: 2,139) industrial workers and 553 (prior year: 589) salaried employees) were employed on average. In addition 113 (prior year: 86) trainees were being prepared for their future professions.

Auditor Fee

The total fee invoiced by the auditor for financial year 2012 is:

(a) Audit services: EUR 519 thousand
(b) Tax consultancy services: EUR 209 thousand
(c) Other services: EUR 376 thousand

Shareholdings/Significant Investments

The Company has direct or indirect material holdings in the following limited liability companies not included in the Consolidated Financial Statements:

(a)	Wepa Produktion Verwaltungs-GmbH, Arnsberg		
	Investment (12/31/2012)/(prior year):	100%	(100%)
	Equity (12/31/2012)/(prior year):	*	(EUR 25 thousand)
	Net income for 2012/(prior year: Net income):	*	(EUR 1 thousand)
(b)	Westfälische Sportmarketing GmbH, Arnsberg		
	Investment (12/31/2012)/(prior year):	100%	(100%)
	Equity (12/31/2012)/(prior year):	*	(EUR 77 thousand)
	Net loss for 2012/(prior year):	*	(EUR 30 thousand)
(c)	Contreda Papier GmbH, Bad Oeynhausen		
	Investment (12/31/2012)/(prior year):	49.5%	(49.5%)
	Equity (12/31/2012)/(prior year):	*	(EUR 611 thousand)
	Net loss for 2012/(prior year):	*	(EUR −15 thousand)
(d)	WEPA UK Ltd., Harrow, Middlesex, United Kingdom**		
	Investment (12/31/2012)/(prior year):	100%	(100%)
	Equity (12/31/2012)/(prior year):	*	(GBP 3,047)
	Net income for 2012/(prior year):	*	(GBP 0)

* Financial Statements 12/31/2012 are not yet available.

** Exchange rate 12/31/2011: 0.8353 GBP/EUR.

The GC & WEPA S.L. investment is included "at equity" in the Consolidated Financial Statements.

The accounting and valuation methods applied by GC & WEPA S.L. are in accordance with the Spanish accounting regulations. The summarized balance sheet as at December 31, 2012, and the summarized P&L Statement for 2012 are shown below:

Balance Sheet

Assets	12/31/2012 EUR K	12/31/2012 EUR K	Liabilities
Fixed Assets	30,456	30,338	Net Assets
Current Assets	29,723	29,841	Current Liabilities
	60,179	60,179	

P&L

	2012 EUR K
Earnings from Ordinary Activities	2,334
Financial Income/Expenses	−148
Earnings before Taxes	2,186
Income Taxes	−837
Net Income for the Period	1,349

Management Board

Wepa Hygieneprodukte GmbH's Management Board is composed of the following individuals:

Martin Krengel, Arnsberg, (Chairman/CEO); Chairman of the Executive Board of WEPA Industrieholding SE, Director.

Robert Neid, Soest, Director North East Region until May 9, 2012.

Stephan Schilling, Alzenau, Director of Finance until August 20, 2012.

The Managing Director, Martin Krengel, has sole power of representation and he is therefore exempt from the restrictions under section 181 of the German Civil Code.

Since two of the directors have received no remuneration, no such disclosure regarding remuneration is made here in reference to section 286 paragraph 4 of the German Commercial Code.

Consolidated Financial Statements

The Company prepares its own Sub-Group Financial Statements in accordance with section 290 et seq. of the German Commercial Code. The Consolidated Financial Statements are published in the German Electronic Federal Gazette.

Wepa Hygieneprodukte GmbH, Arnsberg, and its affiliated companies were also included in the Consolidated Financial Statements of WEPA Industrieholding SE, Arnsberg. These Consolidated Financial Statements are published in the German Electronic Federal Gazette.

Arnsberg, February 22, 2013

Wepa Hygieneprodukte GmbH, Arnsberg

Management Board

Martin Krengel

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

STATEMENT OF CHANGES IN FIXED ASSETS BETWEEN 01/01 AND 12/31/2012

APPENDIX 1 TO NOTES

	accumulated acquisition or production costs						accumulated amortization and depreciation						Book value	
	01/01/2011	Additions	Disposals	Reclassification	Currency adjustment	12/31/2012	01/012012	Amort. & dep. in fiscal year	Disposals	Reclassification	Currency adjustment	12/31/2012	12/31/2012	12/31/2011
	€	€	€	€	€	€	€	€	€	€	€	€	€	€
A. Fixed assets														
I. Intangible assets														
1. Concessions, industrial property rights and similar rights and licences to such rights acquired for a consideration . . .	13,816,712.84	461,208.15	628,431.82	1,072,743.82	3,816.34	**14,726,049.86**	7,207,621.06	2,331,291.86	160,000.00	9,576.15	2,519.29	**9,391,009.36**	**5,335,039.97**	**6,609,091.78**
2. Goodwill	5,686,298.09	0.00	0.00	0.00	0.00	**5,686,298.09**	4,200,650.38	160,693.84	0.00	0.00	0.00	**4,361,344.22**	**1,324,953.87**	**1,485,647.71**
3. Advance payments	1,457,397.24	1,838,401.17	0.00	−889,000.00	0.00	**2,406,798.41**	0.00	0.00	0.00	0.00	0.00	**0.00**	**2,406,798.41**	**1,457,397.24**
	20,960,408.17	**2,299,609.32**	**628,431.82**	**183,743.82**	**3,816.34**	**22,819,145.83**	11,408,271.44	2,491,986.70	160,000.00	9,576.15	2,519.29	**13,752,353.58**	**9,066,792.25**	**9,552,136.73**
II. Tangible assets														
1. Land and rights equivalent to real property and buildings including buildings on leased land	113,669,121.27	14,181,433.45	1,073,991.13	3,924,269.48	1,014,221.56	**131,715,054.83**	28,482,709.14	3,875,506.69	461,058.83	−42,59	312,901.66	**32,210,016.07**	**99,505,038.56**	**85,186,412.13**
2. Technical equipment and machinery . .	506,115,247.06	1,228,495.22	8,563,716.00	11,186,383.62	1,781,908.94	**511,748,318.84**	285,885,481.02	21,118,282.67	5,718,898.33	−69,879.84	1,043,504.32	**302,258,489.84**	**209,489,829.00**	**220,229,766.04**
3. Other equipment, office furniture and fittings	13,947,258.75	347,305.29	648,522.40	119,555.71	56,813.01	**13,822,410.36**	8,303,271.09	1,599,638.77	137,930.58	60,346.28	34,739.22	**9,860,064.78**	**3,962,345.58**	**5,643,987.66**
4. Advance payments made and plant under construction	9,682,330.19	14,367,858.80	0,00	−15,413,952.63	624,160.25	**9,260,396.61**	28,094.88	2,622,739.78	0.00	0,00	2,648.12	**2,653,482.78**	**6,606,913.83**	**9,654,235.31**
	643,413,957.27	**30,125,092.76**	**10,286,229.53**	**−183,743.82**	**3,477,103.76**	**666,546,180.44**	322,699,556.13	29,216,167.91	6,317,887.74	−9,576.15	1,393,793.32	**346,982,053.47**	**319,564,126.97**	**320,714,401.14**
III. Financial assets														
1. Shares in affiliated companies	75,149.31	0.00	1.00	0.00	0.00	**75,149.31**	0.00	0.00	0.00	0.00	0.00	**0.00**	**75,148.31**	**75,149.31**
2. Shares in associated companies	18,426,493.11	660,978.99	0.00	0.00	0.00	**19,087,472.10**	3,704,043.34	0.00	0.00	0.00	0.00	**3,704,043.34**	**15,383,428.76**	**14,722,449.77**
3. Loans to associated companies	5,560,000.00	0.00	0.00	0.00	0.00	**5,560,000.00**	0.00	0.00	0.00	0.00	0.00	**0.00**	**5,560,000.00**	**5,560,000.00**
4. Other loans	146,005.01	1,300,000.00	11,000.00	0.00	0.00	**1,435,005.01**	0.00	0.00	0.00	0.00	0.00	**0.00**	**1,435,005.01**	**146,005.01**
	24,207,647.43	**1,960,978.99**	**11,001.00**	**0.00**	**0.00**	**26,157,625.42**	3,704,043.34	0.00	37,605.29	0.00	0.00	**3,704,043.34**	**22,453,582.08**	**20,503,604.09**
Total fixed assets	**688,582,012.87**	**34,385,681.07**	**10,925,662.35**	**0.00**	**3,480,920.10**	**715,522,951.69**	337,811,870.91	31,708,154.61	6,477,887.74	0.00	1,396,312.61	**364,438,450.39**	**351,084,501.30**	**350,770,141.96**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

APPENDIX 2 TO NOTES

			as at 12/31/2012 (12/31/2011)	up to 1 year	of which with a remaining term of up to 5 years	over 5 years
			€	€	€	€
1.	Liabilities to banks		276,698,116.62 (309,384,782.52)	135,723,824.17 (152,101,447.41)	123,324,029.36 (109,518,750.89)	17,650,263.09 (47,764,584.22)
2.	Trade payables		74,129,405.80 (81,650,721.41)	74,129,405.80 (81,650,721.41)	0.00 (0.00)	0.00 (0.00)
3.	Liabilities to affiliated companies		16,176.61 (106,807.11)	16,176.61 (57,896.79)	0.00 (0.00)	0.00 (48,910.32)
	— of which related to trade payables	16,176.61 (57,896.79)				
4.	Liabilities to associated companies		12,978,732.99 (13,708,110.02)	12,978,732.99 (13,708,110.02)	0.00 (0.00)	0.00 (0.00)
	— of which related to trade payables	12,978,732.99 (13,708,110.02)				
5.	other liabilities to associated companies		18,457,034.46 (17,679,822.39)	17,492,482.52 (16,012,320.08)	701,139.45 (1,364,584.18)	263,412.49 (302,918.13)
	— of which related to taxes	7,077,629.35 (3,546,811.52)				
	— of which related to social security	1,914,989.81 (2,925,362.31)				
			382,279,466.48 (422,530,243.45)	240,340,622.09 (263,530,495.71)	124,025,168.81 (110,883,335.07)	17,913,675.58 (48,116,412.67)

Wepa Hygieneprodukte GmbH, Arnsberg

Consolidated financial statements
for the financial year from
January 1, 2011 to December 31, 2011

—English Translation of the German Original—

The following audit opinion is a translation of the German-language audit' opinion (Bestätigungsvermerk), which refers to the consolidated financial statements of Wepa Hypieneprodukte GmbH, prepared on the basis of accounting principles generally accepted in Germany (German GAAP) as of and for the year ending December 31, 2011 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages. The group management report is neither included nor incorporated by reference in this offering memorandum.

Audit Opinion

We audited the consolidated financial statements, consisting of balance sheet, income statement, cash flow statement and statement of changes in equity, as well as the Group management report, of WEPA Hygieneprodukte GmbH, Arnsberg, for the fiscal year from January 1 to December 31, 2011. It is the responsibility of the parent company's legal representatives to prepare the consolidated financial statements and Group management report in accordance with German rules of commercial law. Our responsibility is to express an opinion on the consolidated fmancial statements and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code and the generally accepted auditing standards promulgated by the IDW (Institut der Wirtschaftsprüfer—German Institute of Public Accountants). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation view of the Company's net assets, financial position and results of operations, as conveyed by the consolidated financial statements taking into account principles of proper bookkeeping and by the Group management report, are detected with reasonable assurance. Knowledge of the Group's business activities and its economic and legal environment, as well as expectations as to possible misstatements, is taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated fmancial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the individual financial statements included in the consolidated fmancial statements, of the demarcation of the scope of consolidation, of the consolidation principles applied and of significant estimates made by the legal representatives of the parent company, as well as an evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our assessment, based on knowledge gained during the audit, the consolidated financial statements are in accordance with legal requirements and the supplementary provisions of the articles of association and convey a true and fair view of the net assets, financial position and results of operations of Wepa Hygieneprodukte GmbH, Arnsberg, while observing principles of proper accounting. The Group management report is in line with the annual fmancial statements and conveys an accurate view of the Company's position and the risks and opportunities of future development.

Dortmund, August 21, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Fischer	Lensing
Auditor	Auditor

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2011

Assets

				12/31/2011	12/31/2010
				€	€
A.			Expenses for start-up and expansion of business operations	0.00	1,400,000.02
B.	I.		**Fixed assets**		
		1.	Concessions, industrial property rights and similar rights and licenses to such rights acquired for consideration	6,609,091.78	6,500,880.42
		2.	Goodwill	1,485,647.71	4,487,498.80
		3.	Advance payments	1,457,397.24	0.00
				9,552,136.73	10,988,379.22
	II.		**Tangible assets**		
		1.	Land, rights equivalent to real property and buildings including buildings on leased land	85,186,412.13	89,104,767.49
		2.	Technical equipment and machinery	220,229,766.04	228,408,097.79
		3.	Other equipment, office furniture and fittings	5,643,987.66	5,468,423.04
		4.	Advance payments made and plant under construction	9,654,235.31	7,681,592.80
				320,714,401.14	330,662,881.12
	III.		**Financial assets**		
		1.	Shares in affiliated companies	75,149.31	120,150.31
		2.	Shares in associated companies	14,772,449.77	12,541,579.24
		3.	Loans to associated companies	5,560,000.00	5,560,000.00
		4.	Other loans	146,005.01	158,005.01
				20,503,604.09	18,379,734.56
				350,770,141.96	360,030,994.90
C.			**Current assets**		
	I.		Inventory		
		1.	Raw materials and supplies	59,642,047.00	64,181,236.94
		2.	Goods and services in progress	19,680,534.52	24,959,164.74
		3.	Finished goods and merchandise	34,752,437.50	40,523,815.44
		4.	Advance payments	190,295.48	1,420,775.95
				114,265,314.50	131,084,993.07
	II.		Receivables and other assets		
		1.	Trade receivables	109,384,400.95	143,314,424.47
		2.	Receivables from affiliated companies	622,386.79	517,468.01
		3.	Receivables from associated companies	374,018.19	1,914,666.43
		4.	Receivables from shareholders	5,322,041.30	0.00
		5.	Other assets	26,602,729.49	25,543,069.25
				142,305,576.72	171,289,628.16
	III.		Cash on hand, deposits with banks and checks	3,940,340.12	6,527,002.90
				260,511,231.34	308,901,624.13
D.			**Prepaid expenses**	2,123,725.30	3,155,892.33
E.			**Deferred tax assets**	6,485,815.34	5,622,614.32
				619,890,913.94	**679,111,125.70**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED BALANCE SHEET (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

Liabilities

			12/31/2011	12/31/2010
			€	€
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,000.00
	II.	Capital reserve	98,591,532.11	1,498,468.42
	III.	Retained earnings	17,252,483.36	17,252,483.36
	IV.	Net income carried forward	28,831,315.70	28,323,230.11
	V.	Net loss (prior year: net income)	−23,288,196.78	2,508,085.59
	VI.	Difference in equity from currency translation	−3,539,683.00	−1,263,067.09
	VII.	Outstanding profit-sharing rights	5,000,000.00	10,000,000.00
			130,947,451.06	64,419,210.39
B.		**Difference from capital consolidation**	2,900,747.33	3,247,940.79
C.		**Special item for investment subsidies**	314,757.49	145,800.26
D.		**Provisions**		
	1.	Provisions for pensions and similar obligations	10,150,279.88	10,217,759.65
	2.	Tax provisions	2,648,083.50	3,463,296.25
	3.	Other provisions	38,659,206.35	39,175,802.90
			51,457,569.73	52,856,858.80
E.		**Liabilities**		
	1.	Liabilities to banks	309,384,782.52	318,515,027.87
	2.	Trade payables	81,650,721.41	105,905,247.55
	3.	Liabilities to affiliated companies	106,807.11	110,285.96
	4.	Liabilities to shareholders	0.00	94,480,341.75
	5.	Liabilities to associated companies	13,708,110.02	7,344,716.79
	6.	Other liabilities	17,679,822.39	23,872,624.24
		—of which taxes: €3,546,811.52 (prior year: €9,963,236.17)		
		—of which social security: €2,925,362.31 (prior year: €3,138,166.10)		
			422,530,243.45	550,228,244.16
F.		**Prepaid income**	174,113.78	1,246,838.58
G.		**Deferred tax liabilities**	11,566,031.10	6,966,232.72
			619,890,913.94	**679,111,125.70**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

		2011	2010
		€	€
1.	Sales revenue	880,368,302.56	859,492,913.36
2.	Increase or decrease of inventory of finished goods and goods-in-progress	−11,310,568.96	12,234,386.53
3.	Total operating performance	869,057,733.60	871,727,299.89
4.	Other internally produced and capitalized assets	415,505.04	245,676.26
5.	Other operating income	12,580,021.24	16,408,857.87
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	424,987,601.05	406,623,808.91
	(b) Third-party service costs	122,638,399.68	119,635,289.16
		547,626,600.73	526,259,098.07
7.	Personnel expense		
	(a) Salaries and wages	105,570,750.86	99,405,181.55
	(b) Social security contributions and retirement and assistance costs	25,105,193.36	31,997,762.04
	— of which for retirement costs: €1,662,691.57 (prior year: €1,546,828.07)	130,675,944.22	131,402,943.59
8.	Amortisation and depreciation on intangible and tangible fixed assets as well as capitalized expenses for the start-up and expansion of business operations	32,380,662.45	30,949,382.22
9.	Other operating expenses	153,728,384.50	153,957,579.34
10.	Earnings from associated companies	740,693.53	378,000.00
11.	Income from loans under financial assets	189,647.75	0.00
12.	Other interest and similar income	105,884.35	263,391.61
13.	Interest and similar expenses	26,200,592.29	28,164,036.83
14.	Compensation for outstanding profit-sharing rights	1,075,000.01	1,612,500.00
15.	Earnings from ordinary activities	−8,597,098.69	16,677,685.58
16.	Extraordinary income	2,941,671.33	0.00
17.	Extraordinary expenses	7,778,841.20	7,232,725.18
18.	Extraordinary income/expenses	−4,837,169.87	−7,232,725.18
19.	Income taxes	6,808,863.46	4,257,580.94
20.	Other taxes	3,045,064.76	2,679,293.97
21.	Net loss for the period (prior year net income)	−23,288,196.78	2,508,085.59

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 2

Classification Plan II ("indirect method")

Information in € thousands			**2011**	**2010**
			€	**€**
1.		Consolidated profit/loss before extraordinary items	−18,451	9,490
2.	+/−	Write-downs/write-ups of fixed asset items and capitalized expenses for start-up of business operations	32,381	30,949
3.	+/−	Increase/decrease in provisions	−1,221	−5,224
4.	+/−	Other non-cash expenses/income	−1,867	−738
5.	−/+	Gains/losses from disposals of fixed asset items	−139	−57
6.	−/+	Increase/decrease in inventories, trade receivables and other assets	49,969	−55,450
7.	+/−	Increase/decrease in trade payables and other liabilities	−19,632	31,983
8.	+/−	Receipts and payments under extraordinary items	−4,837	−6,982
9.	**=**	**Cash inflow/outflow from operating activities**	36,203	3,971
10.		Receipts from disposals of fixed asset items	760	946
11.	−	Payments for fixed asset expenditures	−23,279	−29,944
12.	−	Changes in fixed assets due to exchange rates	−2,196	0
13.	**=**	**Cash inflow/outflow from investment activities**	−24,716	−28,998
14.		Payments to company owners (dividends, capital repayments, other distributions)	0	−1,666
15.	+	Receipts from granting of loans and taking out (financial) credits	0	87,325
16.	−	Payments for the repayment of loans and of (financial) credits	−14,130	−71,796
17.	**=**	**Cash inflow/outflow from financing activities**	−14,130	13,863
18.		Cash changes in funds level	−2,642	−11,164
19.	+	Changes in level of funds due to changes in exchange rates, scope of consolidation and valuation methods	55	943
20.	+	Level of funds at the beginning of the period	6,527	16,748
21.	**=**	**Level of funds at the end of the period**	3,940	6,527

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Subscribed capital	Capital reserve	Retained earnings	Group equity generated	Difference in equity from currency translation	Shares of other shareholders	●	Outstanding profit-sharing rights	Total
	€	€	€	€	€	€	€	€	€
As at 12/31/2009	**8,100,000.00**	**13,531,579.15**	**35,495,840.07**	**10,127,123.46**	**−2,049,192.43**	**33,711.87**	**−9,469.85**	**15,000,000.00**	**80,229,592.27**
Payments	0.00	−1,666,079.44	0.00	0.00	0.00	0.00	0.00	−5,000,000.00	−6,666,079.44
Transfers between accounts	0.00	4,328,179.53	2,968,834.91	−5,016,084.97	786,135.34	−33,711.87	9,469.85	0.00	3,042,822.79
Other changes	0.00	0.00	−21,212,191.62	21,212,191.62	0.00	0.00	0.00	0.00	0.00
Consolidated net income	0.00	0.00	0.00	2,508,085.59	0.00	0.00	0.00	0.00	2,508,085.59
Conversion to loan	0.00	−14,695,210.82	0.00	0.00	0.00	0.00	0.00	0.00	−14,695,210.82
As at 12/31/2010	**8,100,000.00**	**1,498,468.42**	**17,252,483.36**	**28,831,315.70**	**−1,263,057.09**	**0.00**	**0.00**	**10,000,000.00**	**64,419,210.39**
Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	−5,000,000.00	−5,000,000.00
Transfer between accounts	0.00	97,093,063.69	0.00	0.00	−2,276,626.24	0.00	0.00	0.00	94,816,437.45
Consolidated net loss	0.00	0.00	0.00	−23,288,196.78	0.00	0.00	0.00	0.00	−23,288,196.78
Conversion to loan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at 12/31/2011	**8,100,000.00**	**98,591,532.11**	**17,252,483.36**	**5,543,118.92**	**−3,539,683.33**	**0.00**	**0.00**	**5,000,000.00**	**130,947,451.06**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

General information regarding the consolidated financial statements

The present consolidated financial statements were prepared in accordance with sections 298, paragraph 1, in conjunction with sections 242 et seq. and sections 264 et seq. of the German Commercial Code.

The consolidated income statement is set up according to the cost of production method (section 298, paragraph 1 and section 275, paragraph 2 of the Commercial Code).

Disclosures that may be included in either the consolidated balance sheet, consolidated income statement or in the Notes are all included in the Notes.

The fiscal year is the calendar year.

Information on the scope of consolidation

Parent company

Wepa Hygieneprodukte GmbH, Arnsberg, is the parent company and therefore prepares the consolidated financial statements.

The consolidated financial statements are published in the electronic federal gazette.

Scope of consolidation

The following are included in the consolidated financial statements as fully consolidated and therefore exempted from preparing separate financial statements.

- Wepa Papierfabrik Sachsen GmbH Registered headquarters: Kriebstein Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2002)
- Wepa Professional GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100% (Time of first consolidation: January 1, 2010)
- Wepa Clean & Care GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: July 27, 2010)
  Based on a merger agreement dated March 8, 2012, Wepa Clean & Care GmbH, Arnsberg, was merged with Wepa Hygieneprodukte GmbH with retroactive effect to January 1, 2012.
- Wepa Produktion GmbH & Co. KG
  Registered headquarters: Arnsberg Investment of Wepa
  Hygieneprodukte GmbH: 100%
  (Time of first consolidation: July 23, 2010)
- Wepa Professional Piechowice S.A.
  Registered headquarters: Piechowice, Poland
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: December 31, 2007)
- Wepa International GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2007)
- WEPA LUCCA SRL
  Registered headquarters: Capannori (Lucca)
  formerly: San Paolo (BZ), Italy Investment of Wepa International GmbH: 100%
  (Time of first consolidation: August 1, 2008)

- WEPA ITALY SRL
  Registered headquarters: San Paolo (BZ), Italy Investment of Wepa International GmbH: 100%
  (Time of first consolidation: May 1, 2008)
- WEPA LILLE S.A.S. (formerly: WEPA Lille S.A.R.L.)
  Registered headquarters: Bousbecque,
  France Investment of WEPA LUCCA SRL: 100%
  (Time of first consolidation: October 1, 2008)
- Wepa Leuna GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: June 1, 2008)
- TIGNARIS Beteiligungsgesellschaft mbH & Co.
  Objekt Giershagen KG Registered headquarters: Grunwald
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2010)
- Nosean Grundstiicksverwaltungsgesellschaft mbH & Co.
  Vermietungs KG Registered headquarters: Mainz
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: January 1, 2010)
- Wepa Grundbesitz GmbH & Co. KG
  Registered headquarters: Arnsberg Investment of
  Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: July 23, 2010)
- Wepa Leuna Grundbesitz GmbH & Co. KG
  Registered headquarters: Arnsberg Investment of
  Wepa Leuna GmbH: 100%
  (Time of first consolidation: July 23, 2010)
- Wepa Sachsen Grundbesitz GmbH & Co. KG
  Registered headquarters: Arnsberg
  Investment of Wepa Papierfabrik Sachsen GmbH: 100%
  (Time of first consolidation: July 23, 2010)

* The company has met the conditions of the exemption rule under section 264, paragraph 3 of the German Commercial Code and has therefore dispensed with the preparation of a management report.

Included in the consolidated financial statements using the equity method:

- GC & WEPA S.L.
  Registered headquarters: Ejea de los Caballeros, Zaragoza province, Spain Investment of Wepa International GmbH: 49.00% (prior year: 44.57%) (equivalent to share of voting rights)
  (Time of first consolidation: January 1, 2004)

The following companies were not included in the consolidated financial statements due to their minor importance with respect to the Group's net assets, financial situation and results of operations:

- Westfalische Sportmarketing GmbH,
- Wepa Produktion Verwaltungs-GmbH,
- Wepa UK Limited,
- Contreda Papier GmbH.

Disclosures regarding consolidation methods

The financial statements of the individual companies have been prepared according to uniform accounting and measurement principles in order to be included in the consolidated financial statements.

Capital consolidation before 2010 was undertaken according to the book value method by offsetting the acquisition costs of the investment against the Group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries that could be recorded were reflected at their book values regardless of the level of the minority share.

The first-time capital consolidation as of fiscal 2010 is undertaken by offsetting the acquisition costs of the investment against the Group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with section 301, paragraph 1 of the German Commercial Code. Reportable assets, liabilities and contingent liabilities of the subsidiaries are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation were disclosed and accounted for in accordance with the underlying assets and liabilities.

Remaining asset differences (goodwill) are capitalized and amortized or, if necessary, written off.

Remaining differences on the liabilities side are treated in accordance with section 309, paragraph 2 of the German Commercial Code.

Differences on the liabilities side in the original amount of EUR 2,901 thousand have resulted from capital consolidation.

The differences in liabilities from the first-time consolidation relate to the following companies:

- TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG (EUR 2,840 thousand)
- Nosean Grundsticksverwaltungsgesellschaft mbH & Co. Vermietungs KG (EUR 61 thousand)

Significant investments are in principle recorded according to the equity method (book value method), if the Company holds 20.0% to 50.0% of voting rights and thereby is in a position to exercise considerable influence on the company invested in. The book value of the consolidated associated companies according to the equity method is recorded in line with the share in equity of the investment company.

In exercise of the option of section 312, paragraph 5 of the German commercial code, the group-wide valuation is not adopted by the consolidated associated companies that are recognized by the equity method.

The difference between the book value and the share in equity from the 'at equity' consolidation of GC & WEPA S.L. is EUR 294 thousand. In the year under review, 2011, additional shares in GC & WEPA S.L. were acquired. The asset difference between the purchase price and the equity share is EUR 190 thousand.

Shares in unconsolidated companies are measured at the lower of acquisition or fair market value.

Inter-Group interim profits, sales, expenses and income, as well as all receivables and liabilities between the consolidated companies, are eliminated.

Annual financial statements of consolidated companies denominated in foreign currency are translated based on section 308a of the German Commercial Code.

Since all companies included in the consolidated financial statements run their business activities autonomously from a financial, economic and organizational perspective, the functional currency is in principle the same as the relevant local currency. Assets and liabilities are, therefore, translated at the rate at the balance sheet date, equity items at historical rates and income and expense at the average annual rate. Any translation differences that arise are reported under equity in the item 'Difference in equity from currency translation' without impacting income.

Receivables and liabilities in foreign currency in the financial statements of individual Group companies are translated at the current rates on the balance sheet cut-off date.

Disclosures on accounting and valuation methods

The structure of the balance sheet according to sections 265, 266 of the German Commercial Code was expanded in accordance with section 265, paragraph 5 of the Commercial Code. This affects the following balance sheet items:

- Shares in associated companies,
- Loans to associated companies,
- Receivables from associated companies,
- Receivables from shareholders,
- Outstanding profit-sharing rights,
- Liabilities to associated companies,
- Liabilities to shareholders.

The structure of the income statement according to section 275 of the German Commercial Code was expanded by the following items in accordance with section 265, paragraph 5 of the Commercial Code.

- Earnings from associated companies,
- Compensation for outstanding profit-sharing rights.

The following accounting and valuation methods were key in preparing the consolidated financial statements.

Start-up costs related to operations of WEPA LUCCA SRL were capitalized in accordance with section 269, paragraph 1, clause 1 of the German Commercial Code in 2008. These expenses were related to the development of business operations and were written off in full in the year under review due to the restructuring measures planned by the Company.

Intangible assets acquired for a consideration are capitalized at acquisition cost and, if subject to wear and tear, amortized over the expected useful life of the asset using the straight-line method. Other capitalized internally generated items in the amount of EUR 416 thousand were incurred in connection with the introduction of uniform ERP software for the Group.

Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, since we assume long-term use of the acquired value according to our plans. Current developments are reflected by write-offs, if necessary.

Tangible fixed assets are valued at acquisition cost, taking into account scheduled depreciation.

Write-offs are allowed for in the case of permanent impairment.

Additions during the fiscal year are depreciated pro rata temporis. Asset items of domestic subsidiaries included in consolidation with acquisition costs of between EUR 150.00 and EUR 1,000.00 a year are collected in a summary item and depreciated over a period of five years. Low-value items up to a value of EUR 150.00 are written off in full in the year of acquisition.

A fixed value has been established for palettes in accordance with section 240, paragraph 3 of the HGB. This is recorded at 33⅓% of acquisition costs and now amounts to EUR 737 thousand.

Financial assets—with the exception of shares in associated companies—are measured at acquisition cost. If the fair value of the financial assets at the balance sheet date is below acquisition cost, then the former is recorded.

A stock-take of **inventories** was conducted as at December 31, 2011, for the subsidiaries included. Finished goods were valued using the reverse costing method. In principle the average sales price of the last quarter of 2011 was used as the basis. A discount for unit and overhead distribution costs, freight, commissions and advertising cost allowance, as well as the profit margin, was applied. Goods are valued at acquisition cost.

Raw materials and supplies, as well as goods-in-progress, were in principle valued at the lower of acquisition or production cost. Production costs of goods-in-progress include, in addition to direct manufacturing and material costs, appropriate portions of production and material overhead costs, wear and tear on fixed assets and administrative costs attributable to production. Interest on debt is not included in production costs. Reductions in value due to obsolescence, quality defects or limited mobility are applied as necessary.

The valuation of the spare parts and warehouse inventory was based on individual measurement and, in the case of similar inventory assets, on a weighted average figure. Obsolescence, quality defects or limited turnover are reflected by the appropriate reductions.

Receivables and other assets are valued at the lower of nominal value or the fair value at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks. There are no receivables that bear little or no interest with terms exceeding a year.

Share capital has been fully paid in and is reported at nominal value.

Pension provisions for entitlements and current pension obligations are calculated using the projected unit credit method in application of IAS 19. They are calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2 and section 246, paragraph 2 of the German Commercial Code. Actuarial opinions have been furnished. Calculations are based on the "Guide tables 2005 G" of Professor Klaus Heubeck and an interest rate of 5.14% (prior year: 5.15%).

Anticipated salary and pension increases were reflected at a rate of 2.5% and 2.0%, respectively. A fluctuation rate of 0% was used.

By exercising the option under article 67, paragraph 1, clause 1 of the Introductory Act to the German Commercial Code, the allocation amount of EUR 489 thousand resulting from the change in accounting for provisions under the German Accounting Law Modernization Act may be spread out equally over a maximum of 15 years. As at December 31, the amount not yet allocated is EUR 424 thousand.

Assets (coverage assets) to be used only to meet pension obligations and protected from access by all other creditors are offset against the provisions at their fair market value.

Pension-like obligations are calculated according to country-specific circumstances according to IAS 19.

Pension-like obligations on the part of WEPA LUCCA SRL were measured based on the ISTAT 2002 of the Istituto Nazionale di Statistica and an interest rate of 5.16% as at December 31, 2010, and 5.14% as at December 31, 2011. Anticipated salary and pension increases were reflected at a rate of 2.0% and 3.0%, respectively.

Calculations of pension-like provisions of WEPA LILLE S.A.S. are based on the guidelines of the Institut national de la statistique et etudes economiques TF 00-02 or TH 00-02 and an interest rate of 4.60%. Anticipated salary and pension increases were both reflected at a rate of 1.5%.

Tax and other provisions were created for all identifiable risks and uncertain liabilities. They were recorded at an amount in line with a reasonable business assessment. Provisions with a remaining term in excess of a year are discounted at the average market interest rate as published by the German Central Bank commensurate with the remaining term.

The partial retirement provision is calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2, and section 246, paragraph 2 of the German Commercial Code. The partial retirement provision was calculated based on an IDW (German Institute of Public Accountants) opinion (IDW RS HFA 3). Calculations are based on an interest rate of 4.49% as at December 31, 2011. Anticipated salary increases are reflected at a rate of 2.0%.

Liabilities have been stated at their repayment value.

Foreign currency liabilities and assets are recorded at the foreign currency account rate on the day of the business transaction. Assets and liabilities denominated in foreign currency are translated at the mid-rate on the balance sheet date. If the remaining term exceeds a year the realization principle (section 252, paragraph 1, no. 4, clause 2 of the HGB) and the cost method (section 253, paragraph 1, clause 1 of the HGB) are applied.

In order to calculate **deferred taxes** due to temporary or quasi-permanent differences between accounting for assets and liabilities for commercial law purposes and for tax purposes or due to tax loss carryforwards, the amounts of the resulting tax charges or reductions are measured using the tax rates of the individual companies over the time that the differences are phased out and not discounted. Deferred tax assets and liabilities are not offset against each other. Deferred taxes were capitalized in the individual financial statements of the companies included in application of the existing accounting option.

Comments on individual items in the balance sheet

Expenses related to the start-up of business operations

In 2008 start-up expenses in the amount of EUR 2,800 thousand were capitalized. These stem primarily from personnel expenses of EUR 2,400 thousand. The capitalization option was written off in full during the year under review.

Fixed assets

Changes in individual fixed asset items are reflected in the consolidated fixed assets register (Attachment 1 to the Notes) including depreciation and amortization during the fiscal year.

Amortization and depreciation in the past fiscal year amounted to EUR 32,381 thousand.

In the year under review EUR 834 thousand was reclassified from advance payments to software licenses. This relates to the new JD Edwards ERP software. In fiscal year 2011 the following companies transitioned to this software:

- Wepa International GmbH, Arnsberg
- Wepa Produktion GmbH & Co. KG, Arnsberg
- Wepa Grundbesitz GmbH & Co. KG, Arnsberg
- Wepa Sachsen Grundbesitz GmbH & Co. KG, Arnsberg

Differences on the asset side arise from the capital consolidation, are reported under goodwill in the amount of EUR 1,402 thousand as at the balance sheet date and are distributed as follows over the fully consolidated subsidiaries: Wepa Professional Piechowice S.A. EUR 437 thousand, Wepa Papierfabrik Professional GmbH & Co. KG EUR 383 thousand, WEPA LILLE S.A.S. EUR 19 thousand, WEPA ITALY SRL EUR 259 thousand, Wepa Leuna GmbH EUR 284 thousand and Wepa Papierfabrik Mainz GmbH & Co. KG EUR 19 thousand. During fiscal year 2011 amortization amounted to EUR 350 thousand. The goodwill related to the residual book value of WEPA LUCCA SRL as at December 31, 2011 (EUR 2,631 thousand) was written off, since there is no recoverability due to the expected earnings situation.

Goodwill is amortized based on a term of useful life of 15 years.

Shares in associated companies relate to shares in Wepa Produktion Verwaltungs-GmbH (EUR 25 thousand), in Contreda-Papier GmbH (EUR 25 thousand) and in Westfälische Sportmarketing GmbH (EUR 25 thousand).

Loans to associated companies relate to a shareholder loan made by Wepa International GmbH to GC & Wepa S.L.

Inventories

Inventories are composed of raw materials and supplies in the amount of EUR 59,642 thousand, finished goods and merchandise amounting to EUR 34,752 thousand, goods-in-progress of EUR 19.681 thousand and advance payments of EUR 190 thousand. Spare parts and warehouse inventory of

EUR 34,746 thousand (previous year: EUR 27,902 thousand) were reported under the raw materials and supplies item as at the balance sheet date. The rise is due to an increase in spare parts in inventory.

Receivables and other assets

Specific bad debt allowances and a general provision for bad debt in the amount of EUR 3,415 thousand (prior year: EUR 2,622 thousand) was created for receivables. A general provision for default and credit risk of EUR 194 thousand (1.5%) on net receivables was created due to the specific customer structure.

The following receivables-based financing is in place:

EUR 40,000 thousand Compass ABSproM Limited (contractual agreement until December 19, 2014)
EUR 15,000 thousand GE Capital Bank AG (contractual agreement until December 30, 2014)
EUR 5,000 thousand GE Capital Bank AG (contractual agreement until December 30, 2014)
EUR 10,000 thousand UniCredit Factoring S.p.A. (entered into for an indefinite period of time)
EUR 6,000 thousand FactorCOOP S.p.A. (entered into for an indefinite period of time)
EUR 20,000 thousand GE Factofrance SNC (entered into for an indefinite period of time)

Wepa Hygieneprodukte GmbH	EUR 40,000 thousand Compass ABSproM Limited (contractual agreement until December 19, 2014)
Wepa Hygieneprodukte GmbH	EUR 15,000 thousand GE Capital Bank AG (contractual agreement until December 30, 2014)
Wepa Professional GmbH	EUR 5,000 thousand GE Capital Bank AG (contractual agreement until December 30, 2014)
WEPA LUCCA SRL	EUR 10,000 thousand UniCredit Factoring S.p.A. (entered into for an indefinite period of time)
WEPA LUCCA SRL	EUR 6,000 thousand FactorCOOP S.p.A. (entered into for an indefinite period of time)
WEPA LILLE S.A.S.	EUR 20,000 thousand GE Factofrance SNC (entered into for an indefinite period of time)

Gross receivables of EUR 46,166 thousand (prior year: EUR 40,377 thousand) arise from the ABS transactions of the Group's parent, Wepa Hygieneprodukte GmbH, with Compass ABSproM Limited and WestLB as administrator (with a maximum consumption limit of EUR 40,000 thousand). Since non-recourse factoring is involved in this case, a reduction in trade receivables of EUR 46,166 thousand resulted as at the balance sheet date. Receivables from ABS (asset-backed securities) discounts in the gross amount of EUR 6,166 thousand (prior year: EUR 5,378 thousand) are shown under other assets. These receivables reflect three types of reserves: default reserve, dilution reserve and transaction cost reserve. The default reserve amounts to 3% of gross receivables. The value of the default reserve in the amount of EUR 1,385 thousand (prior year: EUR 1,211 thousand) was fully adjusted.

WEPA LUCCA SRL had a factoring line with a maximum of EUR 10,000 thousand with UniCredit Factoring S.p.A. as at December 31, 2011. Utilization as at the balance sheet date was EUR 7,759 thousand. Furthermore, a factoring line of EUR 6,000 thousand existed as at December 31, 2011, with FactorCOOP S.p.A. As at the balance sheet date the line had been utilized to the amount of EUR 5,988 thousand. Only receivables from the Italian COOP companies are purchased under this financing arrangement.

WEPA LILLE S.A.S. had a factoring line of EUR 20,000 thousand with GE Factofrance SNC (GE Group) as at December 31, 2011. Utilization as at the balance sheet date was EUR 15,861 thousand.

Wepa Hygieneprodukte GmbH and Wepa Professional GmbH each agreed a factoring line with GE Capital Bank AG, Mainz, during 2011. The overall limit of EUR 20,000 thousand can be utilized by either company in accordance with the contractual agreements. Since non-recourse factoring is involved in this case, a reduction in trade receivables of EUR 15,046 thousand resulted as at the balance sheet date.

Receivables from shareholders relate to affiliated companies as well.

The receivables from associated companies involve GC & WEPA S.L.

The receivables have a remaining term of up to one year.

Prepaid expenses

Prepaid expenses contain disagio costs of EUR 310 thousand (prior year: EUR 510 thousand). This item is to be liquidated in equal installments until January 2013 and January 2016, respectively.

The prepaid expense item includes EUR 323 thousand in accrued commissions and fees, EUR 237 thousand (prior year: EUR 556 thousand) in commissions for hedging transactions and EUR 536 thousand for commodity SWAP transactions.

Deferred tax assets

Deferred tax assets as at December 31, 2011, relate to the following balance sheet items:

- Tangible assets (EUR 1,074 thousand)
- Inventory (EUR 186 thousand)
- Trade receivables (EUR 83 thousand)
- Interest and loss carryforwards and tax credits (EUR 4,619 thousand)
- Pension provisions (EUR 22 thousand)
- Other provisions (EUR 201 thousand)
- Other liabilities (EUR 288 thousand)
- Prepaid expenses (EUR 13 thousand)

The calculation is based on company-specific tax rates. Deferred tax assets were calculated on interest and loss carryforwards and the tax credit in Poland from the realizable loss carryforwards and tax credits derived from tax planning statements based on a planning period of five years.

Equity

Share capital is EUR 8,100,000.00.

Profit-sharing rights as at December 31, 2011, amount to EUR 5,000 thousand (prior year: EUR 10,000 thousand) and are to be repaid in 2012.

Furthermore, equity includes a negative difference of EUR −3,540 thousand of Wepa Professional Piechowice S.A. calculated according to section 308 (a) of the German Commercial Code and reported in the item 'Difference in equity from currency translation'.

On September 30, 2011, a miscellaneous payment in the form of the collection of a loan by WEPA Industrieholding SE was added to the capital reserve in accordance with section 272, paragraph 2, no. 4 of the German Commercial Code in the amount of EUR 97,093,063.69.

For further details, reference is made to the Group's statement of changes in equity.

Difference from capital consolidation

Of the difference on the liabilities side in the amount of EUR 3,595 thousand arising from the capital consolidation of TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG and Nosean Grundstiicksverwaltungsgesellschaft mbH & Co. Vermietungs KG as at January 1, 2010, EUR 347 thousand (prior year: EUR 347 thousand) was amortized in 2011 and liquidated against the disclosed hidden reserves in property, plant and equipment. Differences were reported separately under equity in accordance with section 301, paragraph 3 of the German Commercial Code.

Special item for investment subsidies

The Company exercised the option to record investment subsidies separately under liabilities, rather than to offset them against the capitalized assets subsidized. The special item will in future be liquidated in line with the depreciation of the subsidized assets.

Provisions

	31.12.2011	31.12.2010
	EUR in thousands	EUR in thousands
Provisions for pensions and similar obligations	10,150	10,218
Provisions for taxes	2,648	3,463
Other provisions	38,660	39,176
	51,458	52,857

Provisions for pensions and similar obligations consist of pension obligations of EUR 3,351 thousand (prior year: EUR 3,331 thousand) and provisions for similar obligations amounting to EUR 6,799 thousand (prior year: EUR 6,887 thousand).

Tax provisions contain anticipated trade tax payments to be made for 2010 and 2011 (EUR 1,863 thousand), domestic corporation tax in the amount of EUR 102 thousand and foreign income taxes in the amount of EUR 683 thousand (prior year: EUR 281 thousand).

Other provisions reflect personnel provisions in the amount of EUR 1,331 thousand (prior year: EUR 1,517 thousand), primarily for partial retirement obligations, vacation claims/flexitime credits in the amount of EUR 4,842 thousand (prior year: EUR 4,184 thousand), various obligations for bonus and premium claims of EUR 1,439 thousand (prior year: EUR 726 thousand), as well as contributions to the employers' liability insurance association in the amount of EUR 1,166 thousand (prior year: EUR 1,083 thousand). The partial retirement provision includes provisions for potential partial retirement employees in the amount of EUR 307 thousand. These are discounted at an interest rate that reflects their remaining term.

Funds invested with Allianz Lebensversicherungs-AG are to be used for insolvency insurance for employee entitlements to partial retirement. These deposits are, therefore, not reported under financial assts, but are offset against provisions for partial retirement obligations in the amount of their fair value in accordance with section 246, paragraph 2 of the German Commercial Code (see table below).

Acquisition costs of offset asset items (total amount)	Fair value of offset asset items (total amount)	Fulfillment amount of offset liabilities (total amount)
EUR 2,402 thousand	EUR 2,628 thousand	EUR 4,652 thousand

Provisions for invoices still outstanding for goods already received in the amount of EUR 12,431 thousand (prior year: EUR 14,709 thousand) and a provision for still outstanding sales reductions of EUR 10,839 thousand (prior year: EUR 11,756 thousand) are included here.

Liabilities

The breakdown and terms of the liabilities are reflected in the consolidated payables aging report (Attachment 2 to the Notes).

Liabilities to associated companies relate to GC & WEPA S.L.

Deferred tax liabilities

Deferred tax liabilities as at December 31, 2011, relate to the following balance sheet items:

- Tangible assets (EUR 10,806 thousand)
- Inventory (EUR 44 thousand)

- Pension-like provisions (EUR 619 thousand)
- Other provisions (EUR 6 thousand)
- Accruals (EUR 91 thousand)

The calculation is based on company-specific tax rates.

Collateral

Loans in the amount of EUR 263,000 thousand were taken out based on a loan agreement dated June 5, 2009 (last amended by modification contract of April 21, 2011), between Wepa Hygieneprodukte GmbH, Arnsberg (legal successor of WEPA Papierfabrik P. Krengel GmbH & Co. KG), together with other affiliated companies, and Commerzbank AG, UniCredit Luxembourg, the Kreditanstalt kir Wiederaufbau (Bank for Reconstruction) and WestLB (hereinafter termed "**overall financing**").

The following collateral is provided to the banks to cover these liabilities:

- EUR 263,000 thousand land charge—without deed—in addition to 15% annual interest for Commerzbank AG, Frankfurt am Main. Immediately enforceable according to section 800 of the Code of Civil Procedure (ZPO). Joint liability exists in the land register of Miischede page 2200 (district court of Arnsberg), Giershagen page 646 (district court of Marsberg) and Mainz page 12643 (district court of Mainz). Additional co-liability exists in Kriebethal (district court of Hainichen) pages 327, 328, 329, 332 and 335 and in Spergau (district court of Merseburg) pages 859 and 1066.

The preferential land charges are entered in the relevant land register in the amounts that follow:

Land register of Miischede page 2200 district of Miischede:

Preferential land charges in the amount of EUR 3,000 thousand are, at present, entered in the land register, but they will be removed in the near future, since they have already been attributed to the loans they collateralize.

Land register of Giershagen, page 646 district of Giershagen/Bredelar:

Preferential land charges in the amount of EUR 3,050 thousand are, at present, entered in the land register, but they will be removed in the near future, since they have already been attributed to the loans they collateralize.

Land register of Spergau, page 1066 district of Spergau:

Preferential land charges in the amount of EUR 56,016 thousand.

Preferential land charges of EUR 45,000 thousand have been entered into the land register of Kriebethal, page 327, 328, 329, 332, district of Kriebethal and in the partial ownership land register of Kriebethal, page 335, district of Kriebethal; joint liability pertains to the aforementioned land register pages.

- Collateral of June 18, 2010, covering all material immovable assets, especially first-rank property liens in the amount of EUR 10,140 thousand plus incidental costs on the company premises of WEPA Lille S.A.S., Bousbecque, France.
- Pledging of all shares in Wepa Papierfabrik Sachsen GmbH, Kriebstein, Wepa International GmbH, Arnsberg, Wepa Leuna GmbH, Arnsberg, Wepa Produktion Verwaltungs-GmbH, Arnsberg, Wepa Produktion GmbH & Co. KG, Arnsberg, Wepa Professional GmbH, Arnsberg, and Wepa Professional Piechowice S. A., Piechowice, Poland, Wepa Grundbesitz GmbH & Co.KG, Arnsberg, through Wepa Leuna Grundbesitz GmbH & Co.KG, Arnsberg, Wepa Sachsen Grundbesitz GmbH & Co.KG, Arnsberg through Wepa Papierfabrik Sachsen GmbH, Arnsberg, WEPA Lucca SRL, Capannori (Lucca), Italy, through Wepa International GmbH, Arnsberg, and WEPA LILLE S.A.S., Bousbecque, Frankreich through WEPA Lucca SRL, Capannori (Lucca), Italy, via pledge agreements dated August 28, 2009, September 2, 2009, September 4, 2009, February 17, 2010, December 11, 2009, August 25, 2010, August 27, 2010, November 8, 2010, April 20, 2011, and May 18, 2011, respectively.

- Global cession of trade receivables, insurance and internal Group loans of Wepa Hygieneprodukte GmbH, Arnsberg, Wepa Papierfabrik Sachsen GmbH, Kriebstein, Wepa International GmbH, Arnsberg, Wepa Produktion GmbH & Co. KG, Arnsberg, Wepa Professional GmbH, Arnsberg, Wepa Grundbesitz GmbH & Co.KG, Arnsberg, Wepa Leuna Grundbesitz GmbH & Co.KG, Arnsberg, Wepa Sachsen Grundbesitz GmbH & Co.KG, Arnsberg and Wepa Clean & Care GmbH, Arnsberg, dated August 31, 2009, December 11, 2009, August 27, 2010, and April 15, 2011.
- Cession of receivables from insurance, trade receivables and receivables under purchase agreement documents dated August 31, 2009, February 17, 2010 and June 17, 2010, respectively on the part of WEPA Lucca SRL, Capannori (Lucca), Italy.
- Cession of receivables from insurance and intra-group loans, as well as rights under insurance and trade agreements dated October 29, 2010, on the part of Wepa Professional Piechowice S.A., Piechowice, Poland.
- Cession of receivables from insurance dated August 12, 2009, and August 31, 2009, on the part of WEPA LILLE S.A.S., Bousbecque, France, as well as framework agreement for cession as collateral of receivables under French law dated February 17, 2010.
- Pledging of all domestic and foreign accounts by collateral agreements dated June 5, 2009, August 6, 2009, August 31, 2009, December 11, 2009, February 17, 2010, February 18, 2010, June 17, 2010, August 27, 2010, October 29, 2010 and April 20, 2011.
- Assignment as security of fixed and current assets of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 31, 2009, Wepa Professional GmbH dated August 27, 2010 and Wepa Clean & Care GmbH, Arnsberg, dated April 15, 2011.
- Assignment as security of current asset items of Wepa Papierfabrik Sachsen GmbH, Kriebstein, dated April 15, 2010.
- Pledging of business operations under French law, as well as inventory under French law, of WEPA LILLE S.A.S., Bousbecque, France, dated February 17, 2010.
- Transfer and cession as collateral of industrial property rights of Wepa Hygieneprodukte GmbH, Arnsberg, WEPA LUCCA SRL, Lucca SRL, Capannori (Lucca), Italy, dated August 31, 2009, February 17, 2010, and March 8, 2010, as well as of Wepa Professional GmbH dated August 27, 2010.
- Acknowledgement of debt subject to immediate execution of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 28, 2009.

According to the acknowledgment of debt subject to immediate execution of August 28, 2009, Wepa Hygieneprodukte GmbH, Arnsberg, and the other companies included in the loan agreement dated June 5, 2009, assume personal liability for all land charges mentioned in the capacity of joint debtors and become subject to immediate execution under this document and all its assets due to liability under the acknowledgment of debt.

In accordance with the subordination agreement of December 18, 2009, Wepa Hygieneprodukte GmbH, Arnsberg, has assumed an independent duty to perform with respect to all claims from banks in connection with the so-called Leuna financing arrangement.

In addition, preferential land charges are recorded against the same lots; they should, however, be eliminated in the short term, since they have been reduced by the secured loans in the interim.

The following collateral exists in favor of Sachsen Bank in addition to the 80% federal/provincial default guarantee with respect to the framework loan agreements from 2002, 2004 and 2006:

- First-rank land charges in the amount of EUR 15,000 thousand and second-rank land charges in the amount of EUR 30,000 thousand on the plot of land in Kriebstein.
- Assignment as security of all machinery and equipment, as well as current assets, on the company premises in Kriebstein.

- Assignment of claims under key supply agreements related to the co-financed machinery.
- All claims under different insurance policies.
- Cession as collateral of all customer receivables.

The following collateral exists in favor of Commerzbank AG in addition to the 78% federal/provincial default guarantee with respect to the investment credit agreement dated November 28, 2003, and the capital equipment loan agreement dated August 10, 2004:

- First-rank land charges in the amount of EUR 56,016 thousand on the plot of land in Spergau.
- Security purpose declaration on the land charge with assignment of entitlements to restitution.
- Assignment of all machinery and technical equipment as collateral.
- Assignment of insurance claims.
- Assignment as security of inventories and warehouse.
- Global assignment of all trade receivables.
- Assignment of claims under trade credit insurance (if relevant, not yet assigned).

The following collateral are subordinate with regard to the loan agreement dated September 4, 2009, with a benchmark interest rate, entered into with Commerzbank AG:

- First-rank land charge on the plot of land in Spergau (EUR 56,016 thousand).
- Assignment of all machinery and technical equipment as collateral.
- Assignment of insurance claims.
- Assignment as collateral of inventories and stocks of raw materials and supplies, semi-finished and finished goods.
- Global assignment of all trade receivables.

Land charges in the amount of EUR 12,168 thousand exist on the land holdings of WEPA LILLE S.A.S., Bousbecque, France, in favor of different banks.

The hereditary building right of Wepa Professional Piechowice S.A., Piechowice, Poland, is encumbered with land charges in the amount of EUR 25,600 thousand in favor of Commerzbank AG.

Land charges in the amount of EUR 3,545 thousand exist on the land holdings of Nosean Grundstiicksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, as collateral for liabilities under a loan in favor of Mainzer Volksbank eG and Sparkasse Arnsberg-Sundern. Furthermore, the high-bay warehouse and other movable parts of this leased object are ceded to the bank as collateral.

Land charges in the amount of EUR 13,500 thousand on land holdings in Miischede (land register of Miischede, page 2074, district of Miischede) exist in favor of HSH Nordbank AG.

Land charges in the amount of EUR 17,200 thousand on land holdings in Giershagen (land register of Giershagen, page 637, district of Giershagen) exist in favor of Commerzbank AG.

Pledging of shares in GC & WEPA S.L., Zaragoza, Spain, as well as assignment of loans granted to this company to secure the syndicated loan totaling EUR 15,000 thousand under the loan agreement with WestLB AG, Commerzbank Aktiengesellschaft and IKB Deutsche Industriebank AG maturing on December 30, 2016.

First-rank pledging of various German accounts at Sparkasse Arnsberg-Sundern and WestLB to secure receivables of Compass ABSproM Limited under the framework receivables purchase agreement dated December 23, 2004, as modified from time to time.

First-rank pledging of two German accounts at Commerzbank AG Arnsberg-Neheim branch dated July 21/22, 2011, to collateralize receivables of GE Capital Bank AG, Mainz, under the factoring framework agreement with Wepa Hygieneprodukte GmbH, Arnsberg, and Wepa Professional GmbH, Arnsberg.

The following receivables have been sold as security for the receivables-based financing framework already mentioned:

Wepa Hygieneprodukte GmbH, Arnsberg	EUR 46,166 thousand Compass ABSproM Limited
Wepa Hygieneprodukte GmbH, Arnsberg	EUR 14,571 thousand GE Capital Bank AG
Wepa Professional GmbH, Arnsberg	EUR 3,799 thousand GE Capital Bank AG
WEPA Lucca SRL, Capannori (Lucca), Italy	EUR 10,075 thousand UniCredit Factoring S.p.A.
WEPA Lucca SRL, Capannori (Lucca), Italy	EUR 8,465 thousand FactorCOOP S.p.A.
WEPA Lille S.A.S., Bousbecque, France	EUR 19,938 thousand GE Factofrance SNC

Comments on individual income statement items

Sales revenues

Sales revenues can be broken down by specific geographical markets as follows:

	2011	2010
	EUR in thousands	EUR in thousands
Sales revenues Germany	340,263	382,290
Foreign sales revenues	540,105	477,203
Total sales revenues	880,368	859,493

Other capitalized internally generated items

Capitalized internally generated items amount to EUR 416 thousand (prior year: EUR 246 thousand) and relate to the Group-wide implementation of JD Edwards ERP software.

Other operating income

Other operating income primarily includes income from other periods in the amount of EUR 4,582 thousand (prior year: EUR 4,718 thousand) from the capitalization of spare parts inventories, liquidation of provisions (EUR 1,195 thousand; prior year: EUR 1,237 thousand) and income from insurance refunds from damage events (EUR 446 thousand, prior year: EUR 2,650 thousand). In addition income from other periods in the amount of EUR 1,925 thousand that relate to the refund of energy costs are included. Furthermore, other operating income includes income from disposals of assets in the amount of EUR 124 thousand (prior year: EUR 151 thousand), as well as exchange rate differences (EUR 286 thousand, prior year: EUR 1,594 thousand).

Depreciation and amortization

The breakdown of depreciation and amortization in the fiscal year amounting to EUR 32,381 thousand is presented in the statement of fixed assets (Attachment 1 to the Notes).

Write-offs of EUR 2,801 thousand are included in depreciation and amortization. Furthermore an amount for depreciation on capitalized start-up costs of EUR 1,400 thousand is included (EUR 700 thousand of which are write-offs).

Other operating expenses

Other operating expenses include sales costs in the amount of EUR 88,679 thousand (prior year: EUR 83,909 thousand), as well as external labor (EUR 22,432 thousand, prior year: EUR 32,335 thousand). Expenses from allocations in the amount of EUR 7,531 thousand (prior year: EUR 7,886 thousand), expenses from exchange rate differences of EUR 2,289 thousand (prior year: EUR 1,614 thousand) and income from other periods of EUR 878 thousand are reflected. Expenses from other periods chiefly include invoices from 2010 that arrived subsequently.

Earnings from associated companies

This refers to a share of annual net income from GC & WEPA S.L.

Income from loans of financial assets

Interest income from the loan to GC & WEPA S.L. is reported here.

Interest and similar expenses

Interest and similar expenses include EUR 2,663 thousand (prior year: EUR 2,123 thousand) of interest to shareholders (affiliated companies) in relation to the subordinate loan liabilities vis-a-vis WEPA Industrieholding SE. The shareholder loan was paid into the capital reserve of Wepa Hygieneprodukte GmbH as at September 30, 2011. The discounting of provisions results in an amount of EUR 688 thousand (prior year: EUR 744 thousand).

Compensation for outstanding profit-sharing rights

Compensation for outstanding profit-sharing rights of EUR 1,075 thousand (prior year: EUR 1,613 thousand) stems from mezzanine capital.

Extraordinary income

Extraordinary income primarily reflects the assumption of restructuring expenses, arising chiefly from consultancy costs and costs in conjunction with the discontinuation of a business operation, on the part of WEPA Industrieholding SE.

Extraordinary expenses

Extraordinary expenses include costs incurred in the context of the Group's restructuring.

Income taxes

The figure reported here involves EUR 1,578 thousand (prior year: EUR 1,807 thousand) in trade tax expense and EUR 597 thousand (prior year: EUR 1,580 thousand) in corporation tax expense. Furthermore, it includes expenses relating to foreign taxes in the amount of EUR 767 thousand (prior year: EUR 279 thousand), as well as deferred taxes (EUR 3,867 thousand, prior year: EUR 590 thousand).

Contingent liabilities and other financial obligations

Contingent liabilities

The following contingent liabilities exist in the Group as at the balance sheet date:

Letters of comfort/suretyships for the Group's companies

Letter of comfort dated December 23, 2002, of Wepa Hygieneprodukte GmbH, Arnsberg, in connection with subsidies and allowances under the framework financing agreement of December 20/23, 2002, in the amount of EUR 42,000 thousand, in compensation for any shortfalls in funds approved or cost overruns of the entire investment amount covered by the loan agreements mentioned and any demands for repayment related to the entire investment. Wepa Hygieneprodukte GmbH, Arnsberg, has made a commitment not to undertake any measures that might result in the minimum equity-to-assets ratio falling below 20%. Furthermore, shares may neither be transferred nor encumbered.

Suretyship dated October 10, 2009, of Wepa Hygieneprodukte GmbH, Arnsberg, with regard to all obligations of Wepa Papierfabrik Sachsen GmbH, Kriebstein, under the framework financing agreement with Sachsen Bank in the amount of EUR 42,000 thousand dated December 20/23, 2002.

Letter of comfort dated May 19, 2004, of Wepa Hygieneprodukte GmbH, Arnsberg, vis-à-vis Sachsen Bank in connection with subsidies and allowances under the framework financing agreement of December 20/23, 2002, in the amount of EUR 42,000 thousand and the framework agreement dated February 16, 2004, in the amount of EUR 20,000 thousand in compensation of any shortfalls in funds approved or cost overruns of the entire investment amount covered by the loan agreements mentioned and any demands for repayment related to the entire investment. Wepa Hygieneprodukte GmbH, Arnsberg, has made a commitment not to undertake any measures that might result in the minimum equity-to-assets ratio falling below 20%. Furthermore, shares may neither be transferred nor encumbered.

Suretyship dated February 16, 2004, of Wepa Hygieneprodukte GmbH, Arnsberg, with regard to all obligations of Wepa Papierfabrik Sachsen GmbH, Kriebstein, under the framework financing agreement with Sachsen Bank in the amount of EUR 20,000 thousand dated February 16, 2004.

Letter of comfort dated September 4, 2006, of Wepa Hygieneprodukte GmbH, Arnsberg, vis-a-vis Sachsen Bank for a local bank loan for advance financing of investment subsidies in the amount of EUR 2,000 thousand, for compensating any shortfalls in funds approved or cost overruns of the entire investment amount of EUR 11,500 thousand and any demands for repayment related to the entire investment. Wepa Hygieneprodukte GmbH, Arnsberg, has made a commitment not to undertake any measures that might result in Wepa Papierfabrik Sachsen GmbH's minimum equity-to-assets ratio falling below 20%.

Suretyship dated August 30, 2006, of Wepa Hygieneprodukte GmbH, Arnsberg, with regard to all obligations of Wepa Papierfabrik Sachsen GmbH, Kriebstein, under the framework financing agreement with Sachsen Bank in the amount of EUR 11,000 thousand dated August 30, 2006.

Suretyship dated July 25, 2011, of Wepa Sachsen Grundbesitz GmbH & Co. KG, Arnsberg, for all present and future liabilities, whether conditional or time-bound or legal in nature, of Wepa Papierfabrik Sachsen GmbH, Kriebstein, arising from or in connection with the framework financing agreement dated August 30, 2006 (including the first addendum of December 27, 2006/January 8, 2007 and the second addendum of January 26, 2007/February 15, 2007), the framework financing agreement dated February 16/18, 2004 (including the addendum of February 27/March 4, 2010) and the framework financing agreement dated December 20/23, 2002 (including the addendum of January 14, 2003) entered into with Sachsen Bank.

Suretyship dated October 5, 2009, of Wepa Hygieneprodukte GmbH, Arnsberg, covering all obligations of Wepa Leuna GmbH, Arnsberg, as borrower under the agreement regarding a loan with a benchmark interest rate with Commerzbank AG in the amount of EUR 2,300 thousand dated October 5, 2009.

Suretyship dated October 30, 2009, of Wepa Hygieneprodukte GmbH, Arnsberg, regarding all obligations of Wepa Leuna GmbH, Arnsberg, as borrower under the syndicated loan agreement in the amount of EUR 46,016 thousand and the operating funds loan agreement in the amount of EUR 10,000 thousand with Commerzbank AG, transferred to Wepa Leuna GmbH, Arnsberg, based on the transfer agreement of October 30, 2009, revised on October 21, 2011.

Suretyship dated October 21, 2011, of Leuna Grundbesitz GmbH & Co. KG, Arnsberg, regarding all obligations of Wepa Leuna GmbH, Arnsberg, as borrower under the syndicated loan agreement in the amount of EUR 46,016 thousand and the operating funds loan agreement in the amount of EUR 10,000 thousand with Commerzbank AG, transferred to Wepa Leuna GmbH, Arnsberg, based on the transfer agreement of October 30, 2009, revised on October 21, 2011.

Letter of comfort of Wepa Hygieneprodukte GmbH, Arnsberg, under a loan agreement with WestLB AG, Commerzbank Aktiengesellschaft and IKB Deutsche Industriebank AG regarding a syndicated loan for Wepa International GmbH totaling EUR 15,000 thousand with a term ending December 30, 2016.

Surety of Wepa Hygieneprodukte GmbH, Arnsberg, dated November 23, 2007, in connection with the transfer of GC & WEPA S.L., Zaragoza, Spain, shares to Wepa International GmbH, Arnsberg, regarding all financial obligations of Wepa International GmbH, Arnsberg, vis-à-vis GC & WEPA S.L., Zaragoza, Spain, and its shareholders, as well as the unlimited fulfillment of all duties that Wepa Hygieneprodukte GmbH, Arnsberg, has assumed vis-à-vis the beneficiary as part of the investment in GC & WEPA S.L., Zaragoza, Spain.

Surety of Wepa Hygieneprodukte GmbH, Arnsberg, dated July 30, 2009, regarding all obligations of WEPA Lucca SRL, Capannori (Lucca), Italy, under its factoring contracts totaling EUR 10,000 thousand with UniCredit Factoring S.p.A., Italy, dated October 8 and 9, 2008, respectively, last amended in November of 2010.

Contingent liabilities relate to potential future events, the occurrence of which would result in an obligation. Based on the existing overall financing scheme, Wepa Hygieneprodukte GmbH assesses the risk of a potential claim to be low.

Guarantees

Guarantee with a maximum amount of EUR 365 thousand vis-à-vis HSH Nordbank AG, Hamburg, for certain lease obligations of the Marsberger Kraftwerk GmbH, Arnsberg Miischede.

Other financial obligations

The total amount of other financial obligations (obligations under rental and lease agreements) as at December 31, 2011, is EUR 55,492 thousand (prior year: EUR 46,740 thousand). Of this amount EUR 48,018 thousand (prior year: EUR 42,189 thousand) relates to lease obligations and EUR 7,474 thousand (prior year: EUR 2,403 thousand) to rental obligations. Furthermore, annual obligations in the amount of EUR 16 thousand exist under a long-term service agreement and EUR 43 thousand under a long-term lease agreement.

A total of EUR 10,737 thousand is due within a year.

Open purchase orders amounted to EUR 1,670 thousand as at the balance sheet date (prior year: EUR 1,596 thousand).

As a result of the takeover of fixed assets the obligations of Kartogroup Deutschland GmbH from the investment subsidies and allowances granted in previous years have passed to Wepa Leuna GmbH. As at the balance sheet date, no events had occurred that might result in a repayment obligation.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate, currency and raw materials procurement risks from booked, pending and planned underlying transactions. Hedging of currency and raw materials procurement risks takes place based on largely centralized purchasing of raw materials and on the account of Wepa Hygieneprodukte GmbH. Hedging measures, therefore, also cover other Group companies.

Interest rate derivatives are in principle taken out by the Group company in which the underlying transaction is taking place.

The booked and pending underlying transactions are summarized together with the hedging transactions as a micro hedge and portfolio hedge in German Commercial Code valuation units, separated into commodity, currency and interest rate hedging instruments. The same applies to planned transactions underlying a macro or portfolio hedge. The German Commercial Code valuation units are valued individually as at the balance sheet date. The valuation methods and assumptions on which the calculation of market value is based are detailed below:

Forward exchange contracts and swaps are valued at the forward exchange rate at the balance sheet date. Interest rate options are valued using the Black Scholes or binomial models depending on their structure. Instruments designed to hedge interest rate and commodities risks are valued by discounting future cash flows. Discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against income at the time of payment or when accrued at the balance sheet date.

According to the principles of valuation under commercial law, a negative valuation result of the relevant hedging transaction leads to the creation of a provision for anticipated losses from pending transactions, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

The Wepa Group strives to achieve a balanced risk/opportunity relationship. Depending on the assessment of the market situation, 50% to 100% of total currency or financing requirements are therefore hedged, in order to be able to respond to unforeseen developments in interest rates and currencies when calculating prices. In the case of raw materials purchase prices are secured not only by entering into fixed price contracts, but also via commodity swaps; here, too, depending on the market situation, a hedging position of between 30% and 100% is aimed at.

The primary goal in this process is always to secure the calculated prices on which planning is based.

As at the balance sheet date the following derivative financial positions existed:

	Nominal Amount/Volume	Market Value
Interest rate derivatives	EUR 572,512 thousand	EUR 14 thousand EUR −17,951 thousand
Currency derivatives	EUR 8,512 thousand	EUR 182 thousand EUR −131 thousand
Commodity derivatives	68,400 MT	EUR 376 thousand EUR −3,536 thousand
Emission certificate swaps	17,500 units (equivalent to 17,500 MT)	EUR 66 thousand

MT = metric tons

Provisions of EUR 131 thousand (prior year: EUR 126 thousand) were created for negative market values for which no valuation units exist. Nominal amounts of the derivative financial transactions are equivalent to the purchase or sale amounts or the contract values of the hedged underlying transactions.

If a direct hedging relationship exists, the derivative financial instruments are summarized as a valuation unit with the underlying or planned transaction. The Wepa Group has opted for the so-called net hedge presentation method in reflecting the valuation units in the balance sheet.

Of the hedging volume mentioned above, the volumes of valuation units shown below were combined with the underlying transactions (unless otherwise indicated, the reported nominal amounts/volumes are in euro):

Hedging of interest rate risk for liabilities to banks via payer swaps:

	Volume	Maturity	Type of valuation unit	Volume of hedging instrument	Maturity to no later than	Market value of hedging instruments
Finance loans	155,472,186	maximal 30.12.2019	Portfolio-Hedge	199,284,586(1)	30.12.2019	−8,194,566
Finance loans	2,045,275	maximal 30.06.2014	Micro-Hedge	2,045,275	30.06.2014	−77,663
ABS	40,000,000	19.12.2014	Micro-Hedge	40,000,000	18.09.2012	−133,660
Working capital financing	156,000,000	minimum 30.06.2017	Portfolio-Hedge	214,505,000(2)	30.06.2017	−9,180,670

Comments:

(1) Of this amount EUR 43,812,400 relates to the second half of the term of the underlying transaction; the nominal volume of the underlying transaction and the hedging instrument coincide over the term.

(2) Of this amount swaps totaling EUR 58.7 million expire in June of 2014; this volume will then be replaced by equivalent forward swaps with a start date of June 30, 2014, so that EUR 155.8 million in payer swaps will exist throughout as of September 30, 2012.

Hedging of interest rate risk for liabilities to banks by via interest rate caps:

	Volume	Maturity generally to	Type of valuation unit	Volume of hedging instrument	Maturity to no later than	Market value of hedging instruments
Working capital financing	101,000,000	05.06.2014	Portfolio-Hedge	100,800,000	30.09.2012	69

Hedging of interest rate risk for contingent liabilities via payer swaps:

	Volume	Maturity no later than	Type of valuation unit	Volume of hedging instrument	Maturity to no later than	Market value of hedging instruments
Leasing	13,852,350	19.12.2017	Portfolio-Hedge	13,852,350	19.12.2017	−363,074

Hedging of price change risk (month- 0 PIX-FOEX) via payer swaps:

	Planned volume 2012	Volume of hedging instrument	Type of valuation unit	Maturity of hedging instruments	Market value of hedging instruments
Pulp	68,400 mt	68,400 mt	Portfolio-Hedge	Dec 12	375,955 −3,536,248

Due to the fact that the key features of the designated underlying transactions and hedging instruments coincide in a valuation unit, the changes in value or cash flow streams offset one another. The hedge always exists for the entire term of the underlying transaction. The effectiveness of the valuation unit is proven prospectively using the 'critical term match' method, i.e. all parameters that define the value of the underlying transaction and hedge are reviewed to ensure they match. The effectiveness of the valuation unit is reviewed retrospectively based on the mark-to-market valuations of the underlying transaction and hedging tool. This process involves a comparison of the changes in value of the underlying transaction and the hedge instrument.

The planned transactions with a high probability of materializing that are included as underlying transactions in a valuation unit involve future commodities purchases, as well as future working capital requirements.

Disclosures regarding the cash flow statement

Funds for financing purposes are defined as cash holdings and deposits with banks with a maturity of less than three months. They are equivalent to the balance sheet item "cash on hand, deposits with banks and checks".

During the year under review EUR 25,437 thousand (prior year: EUR 28,096 thousand) was paid in interest. Remittances from interest income amount to EUR 231 thousand (prior year: EUR 263 thousand).

EUR 6,839 thousand (prior year: EUR 4,151 thousand) was paid in income taxes.

Other disclosures

Average number of employees

In fiscal year 2011 2,728 employees (prior year: 2,758), of which 2,139 (prior year: 1,812) were blue-collar and 589 (prior year: 946) white-collar workers, were engaged on average. In addition 86 trainees (prior year: 88) were being prepared for their future professions.

Auditor fee

The total fee invoiced by the auditor for fiscal year 2011 is:

(a)	Audit services:	EUR 606 thousand
(b)	Tax consultancy services:	EUR 256 thousand
(c)	Other services:	EUR 54 thousand

Shareholdings/significant investments

The Company has direct or indirect material holdings in the following limited liability companies not included in the consolidated financial statements:

(a)	Wepa Produktion Verwaltungs-GmbH, Arnsberg		
	Investment (12/31/2011)/(prior year):	100%	(100%)
	Equity (12/31/2011)/(prior year):	EUR 25 thousand	EUR 24 thousand
	Net income for 2011/(prior year: net loss):	EUR 1 thousand	EUR −1 thousand
(b)	Westfalische Sportmarketing GmbH, Arnsberg		
	Investment (12/31/2011)/(prior year):	100%	(100%)
	Equity (12/31/2011)/(prior year):	EUR 77 thousand	(EUR 107 thousand)
	Net loss for 2011/(prior year: Net income for the year):	EUR −30 thousand	(EUR 30 thousand)
(c)	Contreda Papier GmbH, Bad Oeynhausen		
	Investment (12/31/2011)/(prior year):	49.5%	(49.5%)
	Equity (12/31/2011)/(prior year):	EUR 611 thousand	(EUR 626 thousand)
	Net loss for 2011/(prior year: Net income for the year):	EUR −15 thousand	(EUR 22 thousand)
(d)	WEPA UK Ltd., Harrow, Middlesex, United Kingdom		
	Investment (12/31/2011)/(prior year):	100%	(100%)
	Equity (12/31/2011)/(prior year):	GBP 3,047	(GBP 3,047)
	Net income for 2011/(prior year):	GBP 0	(GBP 40)

During fiscal year 2011 the 100% investment held to date in Wepa-Krengel Verwaltungs GmbH, Arnsberg, was merged into Wepa Hygieneprodukte GmbH. WEPA POLSKA Sp. Z.O.O. i.L., Piechowice, Poland, and Elfi-Papier Gesellschaft mit beschrankter Haftung i.L., Mainz, were liquidated.

*(1) Exchange rate: 0.8353 GBP/€.

The GC & WEPA S.L. investment is included 'at equity' in the consolidated financial statements.

The accounting and valuation methods applied by GC & WEPA S.L. are in accordance with the Spanish accounting regulations. The summarized balance sheet as at December 31, 2011, and the summarized income statement for 2011 are shown below:

Balance Sheet

Assets	12/31/2011	12/31/2011	Liabilities
	TEUR	TEUR	
Fixed assets	33,054	28,990	Net Assets
Current assets	30,311	34,375	Current Liabilities
	63,365	63,365	

Income Statement

	2011
	TEUR
Earnings from ordinary activities	3,017
Financial income/expenses	−564
Earnings before taxes	2,453
income taxes	−943
Net income for the period	1,510

Management

Wepa Hygieneprodukte GmbH's management is composed of the following individuals:

Martin Krengel, Arnsberg, (Chairman/CEO); Chairman of the Board of WEPA Industrieholding SE, Director.

Robert Neid, Soest, Director North East region until May 9, 2012.

Manfred Meier, Niederkassel, Director Strategic Supplies Purchasing until August 31, 2011.

Stephan Schilling, Alzenau, Director of Finance starting August 31, 2011.

The Managing Director, Martin Krengel, has sole power of representation, while the remaining directors are authorized to represent the Company in conjunction with another director or authorized signatory.

The directors are exempted from the restrictions under section 181 of the German Civil Code (BGB).

In the past fiscal year the directors have received remuneration in the amount of EUR 441 thousand.

Consolidated financial statements

The Company prepares its own sub-group financial statements in accordance with section 290 et seq. of the German Commercial Code. The consolidated financial statements are published in the electronic federal gazette.

Wepa Hygieneprodukte GmbH, Arnsberg, and its associated companies were also included in the consolidated financial statements of WEPA Industrieholding SE, Arnsberg. These consolidated financial statements are published in the electronic federal gazette.

Arnsberg, August 21, 2012

Wepa Hygieneprodukte GmbH, Arnsberg

Management

Martin Krengel	Stephan Schilling

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

STATEMENT OF CHANGES IN FIXED ASSETS BETWEEN 01/01 AND 12/31/2011

APPENDIX 1 TO NOTES

	accumulated acquisition or production costs						accumulated amortization and depreciation						Buchwerte	
	01/01/2011	Additions	Disposals	Reclassification	Currency adjustment	12/31/2011	01/01/2011	Amort. & dep. in fiscal year	Disposals	Reclassification	Währungs-anpassung	12/31/2011	12/31/2011	12/31/2010
	€	€	€	€	€	€	€	€	€	€	€	€	€	€
A. Expenses for starting up and expanding business operations	2,800,000.00	0.00	2,800,000.00	0.00	0.00	0.00	1,399,999.98	1,400,000.02	2,800,000.00	0.00	0.00	0.00	0.00	1,400,000.02
B. Fixed assets														
I. Intangible assets														
1. Concessions, industrial property rights and similar rights and licences to such rights acquired for a consideration	12,633,310.37	1,483,657.20	1,129,228.90	833,943.00	−4,968.84	13,816,712.84	6,132,429.95	1,923581.37	846,506.40	0.00	−1,883.86	7,207,621.06	6,609,091.78	6,500,880.42
2. Goodwill	5,686,298.09	0.00	0.00	0.00	0.00	5,686,298.09	1,198,799.29	3,001,851.09	0.00	0.00	0.00	4,200,650.38	1,485,647.71	4,487,498.80
3. Advance payments	0.00	1,457,397.24	0.00	0.00	0.00	1,457,397.24	0.00	0.00	0.00	0.00	0.00	0.00	1,457,397.24	0.00
	18,319,608.46	2,941,054.44	1,129,228.90	833,943.00	−4,968.84	20,960,408.17	7,331,229.24	4,925,432.46	845,506.40	0.00	−1,883.86	11,408,271.44	9,552,136.73	10,988,379.22
II. Tangible assets														
1. Land and rights equivalent to real property and buildings including buildings on leased land	114,669,852.24	374,848.82	159,662.43	124,435.65	−1,340,353.01	113,669,121.27	25.565.084.75	3,479,159.58	156,166.29	−28,094.88	−377,274.02	28,482,709.14	85,186,412.13	89,104,767.49
2. Technical equipment and machinery	495,302,580.95	4,689,028.74	730,052.02	9,290,411.27	−2,436,721.88	506,115,247.06	266,894,483.16	21,085,981.09	697,661.45	0.00	−1,397,321.78	285,885,481.02	220,229,766.04	228,408,097.79
3. Other equipment, office furniture and fittings	12,632,097.05	855,543.02	434,923.76	864,125.94	30,416.50	13,947,258.75	7,163,674.01	1,490,089.30	386,758.95	0.00	36,266.73	8,303,271.09	5,643,987.66	5,468,423.04
4. Advance payments made and plant under construction	7,681,592.80	13,394,397.20	242,474.36	−11,112,915.86	−38,269.59	9,682,330.19	0.00	0.00	0.00	28,094.88	0.00	28,094.88	9,654,235.31	7,681,592.80
	630,286,123.04	19,313,817,78	1,567,112.57	−833,943.00	−3,784,927.98	643,413,957.27	299,623,241.92	26,055,229.97	1,240,586.69	0.00	−1,738,329.07	322,699,556.13	320,714,401.14	330,662,881.12
III. Financial assets														
1. Shares in affiliated companies	157,755.60	0.00	82,606.29	0.00	0.00	75,149.31	37,605.29	0.00	37,605.29	0.00	0.00	0.00	75,149.31	120,150.31
2. Shares in associated companies	16,245,622.58	2,180,870.53	0.00	0.00	0.00	18,426,493.11	3,704,043.34	0.00	0.00	0.00	0.00	3,704,043.34	14,722,449.77	12,541,579.24
3. Loans to associated companies	5,560,000.00	0.00	0.00	0.00	0.00	5,560,000.00	0.00	0.00	0.00	0.00	0.00	0.00	5,560,000.00	5,560,000.00
4. Other loans	158,005.01	0.00	12,000.00	0.00	0.00	146,005.01	0.00	0.00	0.00	0.00	0.00	0.00	146,005.01	158,005.01
	22,121,383.19	2,180,870.53	94,606.29	0.00	0.00	24,207,647.43	3,741,648.63	0.00	37,605.29	0.00	0.00	3,704,043.34	20,503,604.09	18,379,734.56
Total fixed assets	670,727,114.69	24,435,742.75	2,790,947.76	0.00	−3,789,896.82	688,582,012.87	310,696,119.79	30,980.662.43	2,124,698.38	0.00	−1,740,212.93	337,811,870.91	350,770,141.96	360,030,994.90

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

GROUP PAYABLES AGING REPORT DECEMBER 31, 2011

APPENDIX 2 TO NOTES

			as at Dec 31, 2011 (Dec 31, 2010)	up to 1 year	of which with a remaining term of up to 5 years	over 5 years
			€	€	€	€
1.	Liabilities to banks		309,384,782.52	152,101,447.41	109,518,750.89	47,764,584.22
2.	Trade payables		(318,515,027.87)	(129,939,462.67)	(123,206,111.32)	(65,369,453.89)
3.	Liabilities to affiliated companies		106,807.11	57,896.79	0.00	48,910.32
			(110,285.96)	(110,285.96)	(0.00)	(0.00)
	— of which related to trade payables	57,896.79				
		(110,285.96)				
4.	Liabilities to shareholders		0.00	0.00	0.00	0.00
			(94,480,341.75)	(1,010,478.71)	(0.00)	(93,469,863.04)
5.	Liabilities to associated companies		13,708,110.02	13,708,110.02	0.00	0.00
			(7,344,716.79)	(7,344,716.79)	(0.00)	(0.00)
	— of which related to trade payables	13,708,110.02				
		(7,344,716.79)				
6.	Other liabilities		17,679,822.39	16,012,320.08	1,364,584.18	302,918.13
			(23,872,624.24)	(23,014,058.02)	(858,566.22)	(0.00)
	— of which related to taxes	3,546,811.52				
		(9,963,236.17)				
	— of which related to social security	2,925,362.31				
		(3,138,166.10)				
			422,530,243.45	263,530,495.71	110,883,335.07	48,116,412.67
			(550,228,244.16)	(267,324,249.70)	(124,064,677.53)	(158,839,316.93)

Wepa Hygieneprodukte GmbH, Arnsberg

Consolidated financial statements
for the financial year from
January 1, 2010 to December 31, 2010

—English Translation of the German Original—

The following audit opinion is a translation of the German-language audit opinion (Bestätigungsvermerk), which refers to the consolidated financial statements and the group management report of Wepa Hypieneprodukte GmbH, prepared on the basis of accounting principles generally accepted in Germany (German GAAP) as of and for the year ending December 31, 2010 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages. The group management report is neither included nor incorporated by reference in this offering memorandum.

Audit Opinion

We audited the consolidated financial statements, consisting of balance sheet, income statement, notes to the consolidated statements, cash flow statement and statement of changes in equity, as well as the Group management report, of WEPA Hygieneprodukte GmbH, Arnsberg, for the fiscal year from January 1 to December 31, 2010. It is the responsibility of the parent company's legal representatives to prepare the consolidated financial statements and Group management report in accordance with German rules of commercial law. Our responsibility is to express an opinion on the consolidated financial statements and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code and the generally accepted auditing standards promulgated by the IDW (Institut der Wirtschaftsprüfer—German Institute of Public Accountants). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation view of the Company's net assets, financial position and results of operations, as conveyed by the consolidated financial statements taking into account principles of proper book-keeping and by the Group management report, are detected with reasonable assurance. Knowledge of the Group's business activities and its economic and legal environment, as well as expectations as to possible misstatements, is taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the individual financial statements included in the consolidated financial statements, of the demarcation of the scope of consolidation, of the consolidation principles applied and of significant estimates made by the legal representatives of the parent company, as well as an evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our assessment based on knowledge gained during the audit the annual financial statements are in accordance with legal requirements and the supplementary provisions of the articles of association and conveys a true and fair view of the net assets, financial position and results of operations of Wepa Hygieneprodukte GmbH, Arnsberg, while observing principles of proper accounting. The Group management report is in line with the consolidated financial statements and conveys an accurate view of the Company's position and the risks and opportunities of future development."

Dortmund, May 5, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Fischer Lämmer

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010

Assets

				12/31/2010	12/31/2009
				€	€
A.			**Expenses for starting up and expanding of business operations**	1,400,000.02	2,100,000.02
B.			**Fixed assets**		
	I.		Intangible assets		
		1.	Acquired concessions, industrial property rights and values as well as licenses on such rights and values	6,500,880.42	6,610,454.52
		2.	Goodwill	4,487,498.80	4,845,546,13
				10,988,379.22	11,456,000.65
	II.		Tangible assets		
		1.	Lands, rights equivalent to real property and buildings including buildings on leased land	89,104,767.49	83,311,127.49
		2.	Technical equipment and machinery	228,408,097.79	200,253,013.73
		3.	Other equipment, office furniture and fittings	5,468,423.04	4,457,179.47
		4.	Advance payments made and plant under construction	7,681,592.80	10,499,878.66
				330,662,881.12	298,521,199.35
	III.		Financial assets		
		1.	Shares in affiliated companies	120,150.31	118,130.37
		2.	Shares in associated companies	12,541,579.24	12,163,579.24
		3.	Loans to associated companies	5,560,000.00	5,560,00.00
		4.	Other loans	158,005.01	2,665,742.52
				18,379,734.56	20,507,452.13
				360,030,994.90	330,484,652.13
C.			**Current assets**		
	I.		Inventory		
		1.	Raw materials and supplies	64,181,236.94	46,285,740.67
		2.	Goods-in-progress	24,959,164.74	19,302,130.03
		3.	Finished goods and merchandise	40,523,815.44	33,682,782.78
		4.	Advance payments	1,420,775.95	63,749.09
				131,084,993.07	99,334,402.57
	II.		Receivables and other assets		
		1.	Trade receivables	143,314,424.47	126,819,677.31
		2.	Receivables from affiliated companies	517,468.01	432,604.91
		3.	Receivables from associated companies	1,914,666.43	338,178.20
		4.	Other assets	25,543,069.25	20,531,899.73
				171,289,628.16	148,122,360.15
	III.		Cash on hand, deposits with banks	6,527,002.90	16,748,110.70
				308,901,624.13	264,204,873.42
D.			**Prepaid expenses**	3,155,892.33	4,849,372.67
E.			**Deferred tax assets**	5,622,614.32	187,661.00
				679,111,125.70	**601,826,559.24**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2010 (Continued)

Liabilities

			12/31/2010	12/31/2009
			€	€
A.		**Equity**		
	I.	Subscribed capital	8,100,000.00	8,100,00.00
	II.	Capital reserve	1,498,468.42	13,531,579.15
	III.	Profit reserve	17,252,483.36	35,495,840.07
	IV.	Consolidate net income carried forward (pr.yr.: loss cfwd)	26,323,230.11	−4,068,909.60
	V.	Consolidated profit	2,508,085.59	14,196,033.06
	VI.	Difference in equity from currency translation	−1,263,057.09	−2,049,192.43
	VII.	Shares from other shareholders	0.00	24,242.02
	VIII.	Outstanding profit-sharing rights	10,000,000.00	15,000,000.00
B.		**Difference from capital consolidation**	3,247,940.79	0.00
C.		**Special item for investment subsidies**	145,800.26	0.00
D.		**Provisions**		
	1.	Provisions for pensions and similar obligations	10,217,759.65	13,010,639.89
	2.	Tax provisions	3,463,296.25	5,949,560.33
	3.	Other provisions	39,175,802.90	39,305,003.19
			52,856,858.80	58,265,203.41
E.		**Liabilities**		
	1.	Liabilities to banks	318,515,027.87	350,872,284.63
	2.	Trade payables	105,905,247.55	76,268,535.38
	3.	Liabilities to affiliated companies	110,285.96	196,256.12
	4.	Liabilities to shareholders	94,480,341.75	1,490,769.60
	5.	Liabilities to associated companies	7,344,716.79	2,691,742.03
	6.	Other liabilities —of which taxes: €9,963,236.17 (prior year: €5,606,229.42) —of which social security: €3,138,166.10 (prior year: €333,953.41)	23,872,624.24	30,731,806.80
			550,228,244.16	462,251,394.56
F.		**Prepaid income/accrued expenses**	1,246,838.58	1,080,369.00
G.		**Deferred tax liabilities**	6,966,232.72	0.00
			679,111,125.70	**601,826,559.24**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

CONSOLIDATED STATEMENT OF INCOME

JANUARY 1 TO DECEMBER 31, 2010

		2010	2009
		€	€
1.	Sales revenue	859,492,913.36	809,728,615.62
2.	Increase or decrease of inventory of finished goods and goods-in-progress	12,234,386.53	−10,930,101.08
3.	Total operating performance	871,727,299.89	798,798,514.54
4.	Other internally produced and capitalized assets	245,676.26	0.00
5.	Other operating income	16,408,857.87	10,665,425.44
6.	Cost of materials		
	(a) Cost of raw materials, supplies and purchased goods	406,623,808.91	327,902,490.99
	(b) Third-party service costs	119,635,289.16	112,713,657.49
		526,259,098.07	440,616,148.48
7.	Personnel expense		
	(a) Salaries and wages	99,405,181.55	92,242,690.49
	(b) Social security contributions and retirement and assistance costs	31,997,762.04	27,276,225.70
	— of which for retirement costs: €212,176.09 (pr. Yr.: €197,789.09)	131,402,943.59	119,518,916.19
8.	Amortization and depreciation on intangible fixed assets and tangible assets, as well as on capitalized expenses for starting up and expanding business operations	30,949,382.22	23,063,781.13
9.	Other operating expense	153,957,579.34	158,696,381.45
10.	Earnings from associated companies	378,000.00	1,088,333.79
11.	Other interest and similar income	263,391.61	421,954.82
12.	Amortization of financial assets and current asset securities	0.00	37,605.29
13.	Interest and similar expense	28,164,036.83	19,630,156.49
14.	Compensation for outstanding profit-sharing rights	1,612,500.00	1,613,000.00
15.	Earnings from ordinary activities	16,677,685.58	47,798,239.56
16.	Extraordinary expense	7,232,725.18	24,325,068.46
17.	Income taxes	4,257,580.84	6,992,686.09
18.	Other taxes	2,679,293.97	2,286,636.60
19.	Consolidated net income for the year	2,508,085.59	14,193,848.41
20.	Share in consolidated net income due to other shareholders	0.00	−2,184.65
21.	Consolidated profit	2,508,085.59	14,196,033.06

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

CONSOLIDATED CASH FLOW STATEMENT

ACCORDING TO THE PRINCIPLES OF GERMAN ACCOUNTING STANDARD NO. 2

Classification Plan II ("indirect method")

Information in € thousands	2010	2009
	€	€
1. Consolidated profit before minority shareholders (including shares in earnings of minority shareholders) before extraordinary items	9,490	38,521
2. +/− Write-downs/write-ups of fixed asset items and capitalized expenses for start-up of business operations	30,949	23,101
3. +/− Increase/decrease in provisions	−5,224	14,595
4. +/− Other non-cash expenses/income	−738	7,034
5. −/+ Gains/losses from disposals of fixed asset items	−57	347
6. −/+ Increase/decrease in inventories, trade receivables and other assets	−55,450	−26,529
7. +/− Increase/decrease in trade payables and other liabilities	31,983	−16,537
8. +/− Receipts and payments under extraordinary items	−6,982	−24,325
9. = Cash inflow/outflow from operating activities	**3,971**	**16,207**
10. Receipts from disposals of fixed asset items	946	2,194
11. − Payments for fixed asset expenditures	−29,944	−134,536
12. Payments for the acquisition of shares in consolidated companies	0	−856
13. = Cash inflow/outflow from investment activities	**−28,998**	**−133,198**
14. − Payments to company owners (dividends, capital repayments, other distributions)	−1,666	−3,612
15. + Receipts from granting of loans and taking out (financial) credits	87,325	234,500
16. − Payments for the repayment of loans and of (financial) credits	−71,796	−118,302
17. Non-cash changes from exchange rate fluctuations	242	555
18. = Cash inflow/outflow from financing activities	**14,105**	**113,141**
19. Cash changes in funds level (total of lines 9, 13 and18)	−10,922	−3,850
20. + Changes in level of funds due to changes in exchange rates, scope of consolidation and valuation methods	701	16
21. + Level of funds at the beginning of the period	16,748	20,582
22. = Level of funds at the end of the period	**6,527**	**16,748**

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG

(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

DEVELOPMENT OF GROUP EQUITY (STATEMENT OF CHANGES IN EQUITY)

in EUR	Subscribed capital	Capital reserve	Profit reserve	Group equity generated	Difference in equity from currency translation	Shares of other shareholders		Outstanding profit-sharing rights	Total
						in capital	foreign currency		
As at 12/31/2008	**8,100,000.00**	**8,322,747.98**	**33,872,795.19**	**7,703,926.69**	**−2,596,725.78**	**261,134.49**	**−35,268.73**	**15,000,000.00**	**70,628,609.84**
Payments	0.00	−3,611,767.05	0.00	0.00	0.00	0.00	0.00	0.00	−3,611,767.05
Transfers between accounts	0.00	10,149,791.41	1,634,481.58	−11,651,334.35	547,533.35	0.00	2,637.33	0.00	683,109.32
Changes in scope of consolidation	0.00	0.00	−11,436.70	−121,501.94	0.00	−225,237.97	23,161.55	0.00	−335,015.06
Consolidated net income	0.00	0.00	0.00	14,196,033.06	0.00	−2,184.65	0.00	0.00	14,193,848.41
Conversion to loan	0.00	−1,329,193.19	0.00	0.00	0.00	0.00	0.00	0.00	−1,329,193.19
as at 12/31/2009	**8,100,000.00**	**13,531,579.15**	**35,495,840.07**	**10,127,123.46**	**−2,049,192.43**	**33,711.87**	**−9,469.85**	**15,000,000.00**	**80,229,592.27**
Payments	0.00	−1,666,079.44	0.00	0.00	0.00	0.00	0.00	−5,000,000.00	−6,666,079.44
Transfers between accounts	0.00	4,328,179.53	2,968,834.91	−5,016,084.97	786,135.34	−33,711.87	9,469.85	0.00	3,042,822.79
Other changes *)	0.00	0.00	−21,212,191.62	21,212,191.62	0.00	0.00	0.00	0.00	0.00
Consolidated net income	0.00	0.00	0.00	2,508,085.59	0.00	0.00	0.00	0.00	2,508.085.59
Conversion to loan	0.00	14,695,210.82	0.00	0.00	0.00	0.00	0.00	0.00	−14,695,210.82
As at 12/31/2010	**8,100,000.00**	**1,498,468.42**	**17,252,483.36**	**28,831,315.70**	**−1,263,057.09**	**0.00**	**0.00**	**10,000,000.00**	**64,419,210.39**

(*) Adjustment to profit reserve of Wepa Hygieneprodukte GmbH as at December 31, 2010

CONSOLIDATED NOTES OF WEPA HYGIENEPRODUKTE GMBH, ARNSBERG (PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

General information regarding the consolidated financial statements

The parent company, Wepa Hygieneprodukte GmbH, was created from Wepa Papierfabrik P. Krengel GmbH & Co. KG by transformation in the shape of a change in form in accordance with the resolution of the General Shareholders' Meeting of August 18, 2010, and entered into the commercial register as such as at August 27, 2010.

The present consolidated financial statements were prepared in accordance with sections 298, paragraph 1 in conjunction with sections 242 et seq. and sections 264 et seq. of the German Commercial Code.

The German Accounting Law Modernization Act (BilMoG) was applied for the first time during fiscal 2010. The previous year's figures were not adjusted in accordance with article 67, paragraph 8, clause 2, of the Introductory Act to the German Commercial Code (EGHGB).

The consolidated income statement is set up according to the cost of production method (section 298, paragraph 1 and section 275, paragraph 2 of the Commercial Code).

Disclosures that may be included in either the consolidated balance sheet, consolidated income statement or in the Notes are all included in the Notes.

The fiscal year is the calendar year.

Due to the fact that spare parts are being reported differently, comparability with the previous year is limited. Furthermore, comparability to the previous year is limited by the fact that the scope of consolidation was expanded by the following companies in fiscal 2010:

Wepa Clean & Care GmbH,

Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG,

Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG,

Wepa Produktion GmbH & Co. KG,

Wepa Grundbesitz GmbH & Co. KG,

Wepa Leuna Grundbesitz GmbH & Co. KG and
Wepa Sachsen Grundbesitz GmbH & Co. KG.

The terms of useful life of property, plant and equipment were uniformly adapted to international standards throughout the Group during the year under review with a view to continued internationalization of the Wepa Group. This adjustment to property, plant and equipment is based on expert appraisals obtained and resulted in significant extension to the terms of useful life. The change in measurement led to a decrease in depreciation in the amount of EUR 20,826 thousand and deferred tax expense of EUR 4,347 thousand, which also limits comparability with the previous year.

Due to the new version of section 290 of the German Commercial Code, Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG and Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG were fully consolidated in the consolidated financial statements.

Information on the scope of consolidation

Parent company

Wepa Hygieneprodukte GmbH, Arnsberg, is the parent company and therefore prepares the consolidated financial statements.

The consolidated financial statements are published in the electronic federal gazette.

Scope of consolidation

The following are included in the consolidated financial statements as fully consolidated and therefore exempted from preparing separate financial statements:

- Wepa Papierfabrik Sachsen GmbH
  Registered headquarters: Kriebstein
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 January 2002)
- Wepa Professional GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 January 2010)
- Wepa Clean & Care GmbH,
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 27 July 2010)
- Wepa Produktion GmbH & Co. KG
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 23 July 2010)
- Wepa Professional Piechowice S.A.
  Registered headquarters: Piechowice, Poland
  Investment of Wepa Hygieneprodukte GmbH: 100% (prior year: 99.54%)
  (Time of first consolidation: 31 December 2007)
- Wepa International GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 January 2007)
- WEPA LUCCA SRL
  Registered headquarters: San Paolo (BZ), Italy
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 August 2008)
- WEPA ITALY SRL
  Registered headquarters: San Paolo (BZ), Italy
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 May 2008)
- WEPA Lille S.A.R.L.
  Registered headquarters: Bousbecque, France
  Investment of WEPA LUCCA SRL: 100%
  (Time of first consolidation: 1 O ctober 2008)
- Wepa Leuna GmbH
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 June 2008)
- Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG
  Registered headquarters: Grünwald
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 January 2010)

- Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG
  Registered headquarters: Mainz
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 1 January 2010)
- Wepa Grundbesitz GmbH & Co. KG
  Registered headquarters: Arnsberg
  Investment of Wepa Hygieneprodukte GmbH: 100%
  (Time of first consolidation: 23 July 2010)
- Wepa Leuna Grundbesitz GmbH & Co. KG
  Registered headquarters: Arnsberg
  Investment of Wepa Leuna GmbH: 100%
  (Time of first consolidation: 23 July 2010)
- Wepa Sachsen Grundbesitz GmbH & Co. KG
  Registered headquarters: Arnsberg
  Investment of Wepa Sachsen GmbH: 100%
  (Time of first consolidation: 23 July 2010)

Included in the consolidated financial statements using the equity method:

- GC & WEPA S.L.
  Registered headquarters: Ejea de los Caballeros, Zaragoza province, Spain
  Investment of Wepa International GmbH: 44.57% (equivalent to share of voting rights)

The following companies were not included in the consolidated financial statements due to their minor importance with respect to the Group's net assets, financial situation and results of operations in accordance with section 296, paragraph 2, of the German Commercial Code:

- Westfälische Sportmarketing GmbH,
- Wepa Produktion Verwaltungs-GmbH,
- Wepa Krengel Verwaltungs-GmbH,
- Wepa UK Limited,
- WEPA POLSKA Sp. Z.O.O., in liquidation,
- Contreda Papier GmbH,
- Elfi-Papier Gesellschaft mit beschränkter Haftung, in liquidation

Disclosures regarding consolidation methods

The financial statements of the individual companies have been prepared according to uniform accounting and measurement principles in order to be included in the consolidated financial statements.

Capital consolidation in the previous years was undertaken according to the book value method by offsetting the acquisition costs of the investment against the Group's share in book equity of the consolidated subsidiaries at the time of the acquisition of shares or of the initial consolidation. Assets, liabilities and contingent liabilities of the subsidiaries that could be recorded were reflected at their book values regardless of the level of the minority share.

The first-time capital consolidation in this fiscal year is undertaken by offsetting the acquisition costs of the investment against the Group's share of newly measured equity in the consolidated subsidiaries at the time of the first consolidation and in accordance with section 301, paragraph 1, of the German Commercial Code. Assets, liabilities and contingent liabilities of the subsidiaries that can be recorded are reflected at their fair value regardless of the level of the minority share. Hidden reserves and charges in existence at the time of the initial consolidation were disclosed and accounted for in accordance with the underlying assets and liabilities.

Differences remaining under assets (goodwill) are capitalized and written off over a period of 15 years. Remaining differences on the liabilities side are treated in accordance with section 309, paragraph 2, of the German Commercial Code.

In the course of the revaluation of the assets and liabilities of the companies included in the consolidated financial statements, hidden reserves in property, plant and equipment in the amount of EUR 4,421 thousand were disclosed. Deferred tax liabilities in the amount of EUR 663 thousand were created based on a company-specific tax rate.

Differences on the liabilities side in the amount of EUR 3,595 thousand have resulted from the capital consolidation.

The differences in liabilities from the first-time consolidation relate to the following companies:

- Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG (EUR 3,521 thousand)
- Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG (EUR 74 thousand)

Significant investments are in principle recorded according to the equity method (book value method), if the Company holds 20.0% to 50.0% of voting rights and thereby can exercise considerable influence on the company invested in (associated companies). The book value of the consolidated associated companies according to the equity method is recorded in line with the share in equity of the investment company.

Companies with a percentage holding of less than 20% are measured at acquisition cost.

Inter-Group interim profits, sales, expenses and income, as well as all receivables and liabilities between the consolidated companies, are eliminated.

Annual financial statements of consolidated companies denominated in foreign currency are translated based on section 308a of the German Commercial Code.

Since all companies included in the consolidated financial statements run their business activities autonomously from a financial, economic and organizational perspective, the functional currency is in principle the same as the relevant local currency. Assets and liabilities are, therefore, translated at the rate at the balance sheet date, equity items at historical rates and income and expense at the average annual rate. Any translation differences that arise are reported under equity in the item 'Difference in equity from currency translation' without impacting income.

Receivables and liabilities in foreign currency in the financial statements of individual Group companies are translated at the current rates on the balance sheet cut-off date.

Disclosures on accounting and valuation methods

The following accounting and valuation methods, which reflect the first-time application of the German Accounting Law Modernization Act, are of importance in the preparation of the consolidated financial statements.

Start-up costs related to operations of WEPA LUCCA SRL were capitalized in accordance with section 269, paragraph 1, clause 1, of the German Commercial Code in 2008. These costs were incurred in conjunction with the start-up of business operations, are allocated against future earnings from current operations and are distributed using the straight-line method starting in fiscal 2009 over a term of 4 years in accordance with section 282 of the German Commercial Code. This capitalization option under article 67, paragraph 5, clause 1, of the Introductory Act to the German Commercial Code continued to be exercised.

Acquired **intangible assets** are capitalized at acquisition cost and, if subject to wear and tear, amortized over the expected useful life of the asset using the straight-line method. The option under section 248, paragraph 2, clause 1, of the German Commercial Code to capitalize internally generated intangible assets was exercised. This relates to expenses incurred in the implementation of standard software in the Group. Other capitalized internally generated items in the amount of EUR 246 thousand were recorded.

Goodwill from capital consolidation is amortized using the straight-line method over a period of 15 years, since we assume long-term use of the acquired value according to our plans.

Tangible fixed assets are valued at acquisition cost, taking into account scheduled depreciation.

Write-offs are taken in the case of permanent impairment.

Additions during the fiscal year are depreciated pro rata temporis. Asset items of domestic subsidiaries included in consolidation, with acquisition costs of between EUR 150.00 and EUR 1,000.00 a year, are collected in a summary item and depreciated over a period of five years. Low-value items up to a value of EUR 150.00 are written off in full in the year of acquisition.

A fixed value has been established for palettes in accordance with section 240, paragraph 3, of the German Commercial Code. This is recorded at 33⅓% of acquisition costs and now amounts to EUR 773 thousand.

Financial assets—with the exception of shares in associated companies—are measured at acquisition cost. If the fair value of the financial assets at the balance sheet date is below acquisition cost, then the former is recorded.

A stock-take of **inventories** was conducted as at December 31, 2010, for the subsidiaries included. Finished goods and merchandise were valued using the reverse costing method. In principle the average sales price of the last quarter of 2010 was used as the basis. A discount for unit and overhead distribution costs, freight, commissions and advertising cost allowance, as well as the profit margin, was applied. Goods are generally measured using the reverse costing method. Raw materials and supplies, as well as goods-in-progress, were in principle valued at the lower of acquisition or production cost. Production costs of goods-in-progress include, in addition to direct manufacturing and material costs, appropriate portions of manufacturing, material and administrative overhead costs. Reductions in value due to obsolescence, quality defects or limited mobility are applied as necessary.

In the case of the domestic subsidiaries a perpetual inventory of the spare parts and warehouse inventories was undertaken for the first time in fiscal 2010. In accordance with section 240, paragraph 3, of the German Commercial Code the valuation of the spare parts and warehouse inventory was undertaken in the previous year based on a quantity and value that remains the same and applying a flat-rate impairment reduction of 25%. Now individual measurement is performed and, in the case of similar inventory assets, a weighted average measurement. A comparison to the previous year is, therefore, only possible to a limited extent. Obsolescence, quality defects or limited turnover are reflected by the appropriate reductions.

WEPA LUCCA SRL conducted an inventory of spare parts and warehouse items for the first time as at December 31, 2010.

Receivables and other assets are valued at the lower of nominal value or the fair value at the balance sheet date. Appropriate bad debt allowances are provided for receivables that are jeopardized by specific risks. There are no receivables that bear little or no interest with terms exceeding a year.

Current asset securities are recorded at the lower of acquisition or the fair value at the balance sheet date.

Share capital has been fully paid in and is reported at nominal value.

Pension provisions for entitlements and current pension obligations are calculated using the projected unit credit method (in the previous year, the entry age normal method) in application of IAS 19. They are calculated pursuant to section 253, paragraph 1, clause 2, section 253, paragraph 2, and section 246, paragraph 2, of the German Commercial Code. Actuarial opinions have been furnished. Calculations are based on the "Guide tables 2005 G" of Professor Klaus Heubeck and an interest rate of 5.15% (prior year: 6.00%).

Anticipated salary and pension increases were reflected at rates of 2.5% and 2.0% respectively. A fluctuation rate of 0% was used. By exercising the option under article 67, paragraph 1, clause 1, of the Introductory Act to the German Commercial Code, the allocation amount of EUR 489 thousand resulting from the change in accounting for provisions under The German Accounting Law Modernization Act (BilMoG) may be spread out equally over a maximum of 15 years.

Assets (coverage assets) to be used only to meet pension obligations and protected from access by all other creditors are offset against the provisions at their fair market value.

Pension-like obligations are calculated according to country-specific circumstances according to IAS 19.

Pension-like obligations on the part of WEPA LUCCA SRL were measured based on the ISTAT 2002 of the Istituto Nazionale di Statistica and an interest rate of 5.25% as at December 31, 2009, and 5.16% as at December 31, 2010. Anticipated salary and pension increases were reflected at rates of 2.0% and 3.0% respectively. The appraisal as at January 1, 2010, reported an actuarial value EUR 2,162 thousand less than the previous valuation as at December 31, 2009, which was recorded in retained earnings in accordance with article 67, paragraph 1, clause 3, of the Introductory Act to the German Commercial Code.

Calculations of pension-like provisions of WEPA Lille S.A.R.L. are based on the guidelines of the Institut national de la statistique et études économiques TF 00-02 and TH 00-02 and an interest rate of 4.68%. Anticipated salary and pension increases were both reflected at a rate of 1.5%.

Tax provisions and other provisions were created for all identifiable risks and uncertain liabilities. They were recorded at an amount in line with a reasonable business assessment. Provisions were measured including price and cost increases as stipulated by The German Accounting Law Modernization Act (BilMoG) rules.

Liabilities have been stated at their repayment value.

Foreign currency liabilities and assets are valued at the foreign currency account rate on the day of the business transaction. Assets and liabilities denominated in foreign currency are translated at the mid-rate on the balance sheet date. If the remaining term exceeds a year, the realization principle (section 252, paragraph 1, no. 4, clause 2, of the German Commercial Code) and the cost method (section 253, paragraph 1, clause 1, of the German Commercial Code) are applied.

In order to calculate **deferred taxes** due to temporary or quasi-permanent differences between accounting for assets and liabilities for commercial law purposes and for tax purposes or due to tax loss carryforwards, the amounts of the resulting tax charges or reductions are measured using the tax rates of the individual companies over the time that the differences are phased out and not discounted. Deferred tax assets and liabilities are not offset against each other. Tax assets are deferred if the relevant accounting option is exercised. In accordance with article 67, paragraph 6, clause 2, of the Introductory Act to the German Commercial Code the deferred tax liabilities calculated on the adjustment to pension-like obligations, without impact to income, in the case of WEPA LUCCA SRL in the amount of EUR 595 thousand, were offset directly against retained earnings.

Comments on individual items in the balance sheet

Expenses related to the start-up of business operations

In 2008 start-up expenses in the amount of EUR 2,800 thousand were capitalized. These stem primarily from personnel expenses of EUR 2,400 thousand. The capitalization option under article 67, paragraph 5, of the Introductory Act to the German Commercial Code, is continued and depreciation in the amount of EUR 700 thousand was applied in the year under review.

Fixed assets

Changes in individual fixed asset items are reflected in the consolidated fixed assets register (Attachment 1 of the Notes) including depreciation and amortization of the fiscal year.

Scheduled depreciation in the fiscal year just elapsed totaled EUR 30,249 thousand.

Intangible assets include the two customer bases from the takeover of Wepa Polska Sp.Z.O.O., Warsaw, Poland (Wepa Polska), and Sodima Benelux N.V.i.L., Molenbeek-Saint-Jean, Belgium (Sodima). The customer bases are amortized using the straight-line method over a useful life of three years. In 2010 the Wepa Polska customer base was amortized by EUR 156 thousand (prior year: EUR 156 thousand), based on an acquisition value of EUR 400 thousand. In 2010 the Sodima customer base was amortized by EUR 123 thousand (prior year: EUR 148 thousand), based on an acquisition value of EUR 443 thousand.

Differences on the asset side arise from the capital consolidation, are reported under goodwill in the amount of EUR 4,384 thousand as at the balance sheet date and are distributed as follows over the fully consolidated subsidiaries: Wepa Professional Piechowice S.A., EUR 477 thousand; Wepa Papierfabrik Professional GmbH & Co. KG, EUR 417 thousand; WEPA LUCCA SRL, EUR 2,858 thousand; WEPA

Lille S.A.R.L., EUR 22 thousand; WEPA ITALY SRL, EUR 281 thousand; Wepa Leuna GmbH, EUR 308 thousand, and Wepa Papierfabrik Mainz GmbH & Co. KG, EUR 21 thousand. Goodwill was amortized in the amount of EUR 349 thousand in fiscal 2010.

Goodwill is amortized based on a term of useful life of 15 years.

Shares in associated companies reflect above all the shares in Wepa-Krengel Verwaltungs-GmbH (EUR 45 thousand), in Wepa Produktion Verwaltungs-GmbH (EUR 25 thousand), in Contreda Papier GmbH (EUR 25 thousand) and Westfälische Sportmarketing GmbH (EUR 25 thousand).

Loans to associated companies relate to a shareholder loan of Wepa International GmbH to GC & Wepa S.L.

Inventories

Inventories are composed of raw materials and supplies in the amount of EUR 64,181 thousand, finished goods and merchandise in the amount of EUR 40,524 thousand, goods-in-progress of EUR 24,959 thousand and advance payments of EUR 1,421 thousand. Spare parts and warehouse inventory in the amount of EUR 20,404 thousand (prior year: EUR 12,962 thousand) are reported under the item raw materials and supplies as at the balance sheet date. The increase of EUR 7,442 thousand over the previous year relates to domestic subsidiaries in the amount of EUR 4,413 thousand and the first-time inclusion of WEPA LUCCA SRL in the amount of EUR 3,029 thousand.

Receivables and other assets

Specific bad debt allowances and a general provision for bad debt in the amount of EUR 2,622 thousand (prior year: EUR 2,247 thousand) was created for receivables. A general provision for default and credit risk of EUR 1,541 thousand (1.5%) on net receivables was created due to the specific customer structure.

The following receivables-based financing is in place:

Wepa Hygieneprodukte GmbH	EUR 35,000 thousand Compass ABSproM Limited
WEPA LUCCA SRL	EUR 10,000 thousand UniCredit Factoring
WEPA LUCCA SRL	EUR 6,000 thousand FactorCOOP
WEPA Lille S.A.R.L.	EUR 10,000 thousand Facto France

Gross receivables of EUR 40,377 thousand (prior year: EUR 39,889 thousand) arise from the **ABS transactions** of the Group's parent, Wepa Hygieneprodukte GmbH, with Compass ABSproM Limited and WestLB as administrator (with a maximum consumption limit of EUR 35,000 thousand). Receivables from ABS (asset-backed securities) discounts in the gross amount of EUR 5,378 thousand (prior year: EUR 5,299 thousand) are shown under other assets. These receivables reflect three types of reserves: default reserve, dilution reserve and transaction cost reserve. The default reserve amounts to 3% of gross receivables. The value of the default reserve in the amount of EUR 1,211 thousand (prior year: EUR 1,197 thousand) was adjusted 100%. Since non-recourse factoring is involved in this case, a reduction in trade receivables of EUR 40,377 thousand resulted as at the balance sheet date.

WEPA LUCCA SRL had a factoring line in the maximum amount of EUR 10,000 thousand as at December 31, 2010; it can, however, only be used depending on receivables levels in Italy (UniCredit Factoring). Utilization as at the balance sheet date was EUR 7,702 thousand. Furthermore, in 2010 a factoring financing framework of EUR 6,000 thousand was agreed with FactorCOOP. EUR 5,590 thousand had been utilized as at the balance sheet date. Only receivables from the Italian COOP companies are purchased under this financing arrangement.

In 2010 WEPA Lille S.A.R.L. also agreed a factoring arrangement in the amount of EUR 10,000 thousand with Facto France (GE group). Utilization as at the balance sheet date was EUR 9,300 thousand.

The receivables from associated companies involve GC & WEPA S.L.

Prepaid expenses

Prepaid expenses contain disagio costs of EUR 510 thousand (prior year: EUR 710 thousand). Prepaid expenses also reflect a special payment to VR-Leasing of EUR 147 thousand (prior year: EUR 282 thousand) and prepaid commissions for interest hedging transactions in the amount of EUR 556 thousand (prior year: EUR 870 thousand) and US dollar hedging premiums of EUR 341 thousand.

Deferred tax assets

Deferred tax assets as at December 31, 2010, relate to the following balance sheet items:

- Property, plant and equipment (EUR 1,009 thousand)
- Inventory (EUR 166 thousand)
- Trade receivables (EUR 87 thousand)
- Loss carryforwards and tax credits (EUR 4,079 thousand)
- Pension provisions (EUR 7 thousand)
- Other provisions (EUR 275 thousand)

The calculation is based on company-specific tax rates. Capitalized loss carryforwards and the tax credit in Poland were calculated from the realizable loss carryforwards and tax credits derived from tax planning statements based on a planning period of five years.

Equity

Share capital is EUR 8,100,000.00.

Outstanding profit-sharing rights total EUR 10,000 thousand. Repayable tranches each amount to EUR 5,000 thousand and are to be paid in 2011 and 2012.

Furthermore, equity includes a negative difference of EUR −1,263 thousand of Wepa Professional Piechowice S.A. calculated according to section 308 (a) of the German Commercial Code and reported in the item 'Difference in equity from currency translation'.

EUR 4,328 thousand was added to and EUR 1,666 thousand withdrawn from the capital reserve.

As part of the transformation of Wepa KG into Wepa Hygieneprodukte GmbH capital reserves of EUR 14,695 thousand were transformed into loans in fiscal 2010.

For further details reference is made to the Group's statement of changes in equity.

Difference from capital consolidation

Of the difference on the liabilities side in the amount of EUR 3,595 thousand arising from the capital consolidation of Tignaris Beteiligungsgesellschaft mbH & Co. Objekt Giershagen KG and Nosean Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG as at January 1, 2010, EUR 347 thousand was amortized in 2010 and liquidated against the disclosed hidden reserves in property, plant and equipment. Differences were reported separately under equity in accordance with section 301, paragraph 3, of the German Commercial Code.

Special item for investment subsidies

The Company exercised the option to record investment subsidies received in 2010 separately under liabilities, rather than offsetting them against the capitalized assets subsidized. The special item will in future be liquidated in line with the depreciation of the subsidized assets.

Provisions

	31.12.2010	31.12.2009
	EUR in thousands	EUR in thousands
Provisions for pensions and similar obligations	10,218	13,011
Provisions for taxes	3,463	5,949
Other provisions	39,176	39,305
	52,857	58,265

Provisions for pensions and similar obligations consist of pension provisions in the amount of EUR 3,331 thousand and provisions for similar obligations in the amount of EUR 6,887 thousand.

Tax provisions primarily contain anticipated trade tax payments to be made covering 2008, 2009 and 2010 (EUR 1,813 thousand), domestic corporation tax in the amount of EUR 1,369 thousand and foreign income taxes in the amount of EUR 281 thousand (prior year: EUR 630 thousand).

Other provisions primarily partial retirement obligations in the amount of EUR 1,517 thousand (prior year: EUR 4,432 thousand), vacation claims/ flexitime credit of EUR 4,184 thousand (prior year: EUR 4,567 thousand), various obligations and risks for bonus and premium claims of EUR 726 thousand (prior year: EUR 1,315 thousand) and contributions to the employers' liability insurance association in the amount of EUR 1,083 thousand (prior year: EUR 961 thousand).

Funds invested with Allianz Lebensversicherungs-AG are to be used for insolvency insurance for employee entitlements under partial retirement. These deposits are, therefore, not reported under financial assts, but are offset against provisions for partial retirement obligations in the amount of their fair value in accordance with section 246, paragraph 2, of the German Commercial Code (see table below).

Acquisition costs of offset asset items (total amount)	Fair value of offset asset items (total amount)	Fulfillment amount of offset liabilities (total amount)
EUR 2,332 thousand	EUR 2,510 thousand	EUR 4,027 thousand

In addition provisions for outstanding invoices for goods already received of EUR 14,709 thousand (prior year: EUR 9,162 thousand) and a provision for sales reductions still outstanding in the amount of EUR 11,756 thousand (prior year: EUR 10,334 thousand), as well as for legal and consultancy costs of EUR 737 thousand (prior year: EUR 516 thousand) are reflected in this item.

Liabilities

The breakdown and terms of the liabilities are reflected in the consolidated payables aging report (Attachment 2 to the Notes).

The rise in liabilities to shareholders is due to subordinated loans of EUR 93,470 thousand, which are to be repaid by December 31, 2019.

Liabilities to associated companies relate to GC & WEPA S.L.

Deferred tax liabilities

Deferred tax liabilities as at December 31, 2010, relate to the following balance sheet items:

- Expenses for starting up and expanding business operations (EUR 385 thousand)

- Property, plant and equipment (EUR 5,546 thousand)
- Inventory (EUR 51 thousand)
- Trade receivables (EUR 81 thousand)
- Pension-like provisions (EUR 673 thousand)
- Other provisions (EUR 1 thousand)
- Trade payables (EUR 70 thousand)
- Deferred income/accrued expenses (EUR 159 thousand)

The calculation is based on company-specific tax rates.

Collateral

Loans in the amount of EUR 263,000 thousand were taken out based on a loan agreement dated June 5, 2009, between Wepa Hygieneprodukte GmbH, Arnsberg (legal successor of WEPA Papierfabrik P. Krengel GmbH & Co. KG), together with other associated companies, and Commerzbank AG, UniCredit Luxembourg, the Kreditanstalt für Wiederaufbau (German Bank for Reconstruction) and WestLB (hereinafter termed "overall financing").

The following collateral is provided to cover liabilities to banks:

- EUR 263,000 thousand land charge—without deed—in addition to 15% annual interest for Commerzbank AG, Frankfurt am Main. Immediately enforceable according to section 800 of the Code of Civil Procedure (ZPO). Joint liability exists in the land register of Müschede page 400 (district court of Arnsberg), Giershagen page 646 (district court of Marsberg) and Mainz page 12643 (district court of Mainz). Additional co-liability exists in Kriebethal (district court of Hainichen) pages 327, 328, 329, 332 and 335 and in Spergau (district court of Merseburg) pages 859 and 1066.

The preferential land charges are entered in the relevant land register in the amounts that follow:

Land register of Müschede page 400 district of Müschede:
Preferential land charges in the amount of EUR 56,817 thousand are not at the moment entered in the land register, but they will be eliminated in the near future, since they have already been reduced by the loans they collateralize.

Land register of Giershagen, page 646 district of Giershagen/Bredelar:
Preferential land charges in the amount of EUR 52,572 thousand are not at the moment entered in the land register, but they will be eliminated in the near future, except for an amount of EUR 50 thousand, since they have already been reduced by the loans they collateralize.

Land register of Mainz page 12643 district of Mainz:
Preferential land charges in the amount of EUR 25,500 thousand are not at the moment entered in the land register, but they will be eliminated in the near future, since they have already been reduced by the loans they collateralize.

Land register of Spergau, page 1066 district of Spergau:
Preferential land charges in the amount of EUR 56,016 thousand.

Preferential land charges of EUR 45,000 thousand have been entered into the land register of Kriebethal, page 327, 328, 329, 332, district of Kriebethal and in the partial ownership land register of Kriebethal, page 335, district of Kriebethal; joint liability pertains to the aforementioned land register pages.

- Collateral of June 18, 2010, over all material immovable assets, especially first-rank property liens in the amount of EUR 10,140 thousand plus incidental costs on the company premises of WEPA Lille S.A.R.L.
- Pledging of all shares in Wepa Krengel Verwaltungs-GmbH, Wepa Papierfabrik Sachsen GmbH, Wepa International GmbH, Wepa Leuna GmbH, and WEPA LUCCA SRL, held by Wepa Hygieneprodukte GmbH, Arnsberg, on the part of Wepa Internationa GmbH, Wepa Produktion

Verwaltungs-GmbH, Wepa Produktion GmbH & Co. KG, Wepa Professional GmbH, and Wepa Professional Piechowice Spolka Akcyjna via pledge agreements dated August 28, 2009, September 2, 2009, September 4, 2009, February 17, 2010, December 11, 2009, August 25, 2010, August 27, 2010 and November 8, 2010, respectively.

- Global cession of trade receivables, insurance and intra-group loans of Wepa Hygieneprodukte GmbH, Arnsberg, Wepa Papierfabrik Sachsen GmbH, Wepa International GmbH, Wepa Produktion GmbH & Co. KG, and Wepa Professional GmbH dated August 31, 2009, December 11, 2009, and August 27, 2010.
- Cession of receivables from insurance, trade receivables and receivables under purchase agreement documents dated August 31, 2009, February 17, 2010 and June 17, 2010, respectively on the part of WEPA LUCCA SRL.
- Cession of receivables from insurance and intra-group loans, as well as rights under insurance and trade agreements dated October 29, 2010, on the part of Wepa Professional Piechowice Spolka Akcyjna.
- Cession of receivables from insurance dated August 12, 2009, and August 31, 2009, on the part of WEPA Lille S.A.R.L., as well as framework agreement for cession as collateral of receivables under French law dated February 17, 2010.
- Pledging of all domestic and foreign accounts by collateral agreements dated June 5, 2009, August 6, 2009, August 31, 2009, December 11, 2009, February 17, 2010, February 18, 2010, June 17, 2010, August 27, 2010, and October 29, 2010.
- Assignment as security of fixed and current assets of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 31, 2009, and Wepa Professional GmbH dated August 27, 2010.
- Assignment as security of current asset items of Wepa Papierfabrik Sachsen GmbH dated April 15, 2010.
- Pledging of business operations under French law, as well as inventory under French law, of WEPA Lille S.A.R.L. dated February 17, 2010.
- Transfer and cession as collateral of industrial property rights of Wepa Hygieneprodukte GmbH, Arnsberg, WEPA LUCCA SRL, dated August 31, 2009, February 17, 2010, and March 8, 2010, as well as of Wepa Professional GmbH dated August 27, 2010.
- Acknowledgement of debt subject to immediate execution of Wepa Hygieneprodukte GmbH, Arnsberg, dated August 28, 2009.

According to the acknowledgment of debt subject to immediate execution of August 28, 2009, Wepa Hygieneprodukte GmbH, Arnsberg, and the other companies included in the loan agreement dated June 5, 2009, assume personal liability of all land charges mentioned in the capacity of joint debtors and become subject to immediate execution under this document and all its assets due to liability under the acknowledgment of debt.

In accordance with the subordination agreement of December 18, 2009, Wepa Hygieneprodukte GmbH, Arnsberg, has assumed an independent duty to perform with respect to all claims from banks in connection with the so-called Leuna financing arrangement.

In addition, as mentioned previously, preferential land charges are recorded against the same lots; they should, however, be eliminated in the short term, since they have been reduced by the secured loans in the interim.

The following collateral exists in favor of Sachsen Bank in addition to the 80% federal/provincial default guarantee with respect to the framework loan agreements from 2002, 2004 and 2006:

- First-rank land charges in the amount of EUR 15,000 thousand and second-rank land charges in the amount of EUR 30,000 thousand on the plot of land in Kriebstein.

- Assignment as security of all machinery and equipment, as well as current assets, on company premises in Kriebstein.
- Assignment of claims under key supply agreements related to the co-financed machinery.
- All claims under different insurance policies.
- Cession as collateral of all customer receivables.

The following collateral exists in favor of Commerzbank AG in addition to the 78% federal/provincial default guarantee with respect to the investment credit agreement dated November 28, 2003, and the operating funds loan agreement dated August 10, 2004:

- First-rank land charges in the amount of EUR 56,016 thousand on the plot of land in Spergau.
- Security purpose declaration on the land charge with assignment of entitlements to restitution.
- Assignment as collateral of all machinery and technical equipment.
- Assignment of insurance claims.
- Assignment as security of inventories and goods warehouse.
- Global assignment of all trade receivables.
- Assignment of claims under trade credit insurance (if relevant, not yet assigned).

The following collateral are preferentially assigned (or still to be assigned) with regard to the loan agreement dated September 4, 2009, with a benchmark interest rate entered into with Commerzbank AG:

- First-rank land charge on the plot of land in Spergau (EUR 56,016 thousand).
- Assignment as collateral of all machinery and technical equipment.
- Assignment of insurance claims.
- Assignment as collateral of inventories and stocks of raw materials and supplies, semi-finished and finished goods.
- Global assignment of all trade receivables.

Land charges in the amount of EUR 12,168 thousand exist on the land holdings of WEPA Lille S.A.R.L. in Bousbecque in favor of different banks.

The hereditary building right of Wepa Professional Piechowice S.A. is encumbered with land charges in the amount of EURO 25,600 thousand in favor of Commerzbank AG.

Land charges in the amount of EUR 3,545 thousand exist on the land holdings of Nosean G in Mainz as collateral for liabilities under a loan in favor of the Mainzer Volksbank eG. Furthermore, the high-bay warehouse and other movable parts of this lease object are ceded to the bank as collateral.

Land charges in the amount of EUR 13,500 thousand on land holdings in Müschede (land register of Müschede, page 2074, district of Müschede) exist in favor of HSH Nordbank AG.

Land charges in the amount of EUR 17,200 thousand on land holdings in Giershagen (land register of Giershagen, page 637, district of Giershagen) exist in favor of Commerzbank AG.

Pledging of shares in GC & WEPA S.L., as well as assignment of loans granted to this company to secure the syndicated loan totaling EUR 15,000 thousand under the loan agreement with WestLB AG, Commerzbank Aktiengesellschaft and IKB Deutsche Industriebank AG maturing on December 30, 2016.

First-rank pledging of various German accounts at Sparkasse Arnsberg-Sundern and WestLB to secure receivables of Compass ABSproM Limited under the framework receivables purchase agreement dated December 23, 2004, as modified from time to time.

The following receivables have been sold as quasi-security for the receivables-based financing framework already mentioned:

Wepa Hygieneprodukte GmbH	EUR 40,377 thousand Compass ABSproM Limited
WEPA LUCCA SRL	EUR 14,230 thousand UniCredit Factoring
WEPA LUCCA SRL	EUR 9,293 thousand FactorCOOP
WEPA Lille S.A.R.L.	EUR 10,747 thousand Facto France

Comments on individual income statement items

Sales revenues

Sales revenues can be broken down by specific geographical markets as follows:

	2010	2009
	EUR in thousands	EUR in thousands
Sales revenues Germany	407,314	427,129
Sales reductions	−25,024	−22,315
	382,290	404,814
Foreign sales revenues	513,383	437,909
Sales reductions	−36,180	−32,994
	477,203	404,915
Total sales revenues	859,493	809,729

Expenses related to previous periods in the amount of EUR 1,126 thousand are contained in sales reductions.

Other operating income

Other operating income primarily reflects income from insurance compensation for a loss event (EUR 2,650 thousand; prior year: EUR 171 thousand), liquidation of provisions (EUR 1,237 thousand; prior year: EUR 354 thousand), as well as exchange rate differences (EUR 1,594 thousand; prior year: EUR 2,562 thousand) and income from other periods in the amount of EUR 4,718 thousand (prior year: EUR 3,725 thousand) in connection with the valuation of spare parts and warehouse inventory. Furthermore, other operating income contains income from asset disposals in the amount of EUR 151 thousand, income from the liquidation of bad debt allowances in the amount of EUR 764 thousand, income from investment subsidies of EUR 145 thousand, as well as refunds of drainage fees in the amount of EUR 561 thousand.

Depreciation and amortization

The breakdown of depreciation and amortization in the fiscal year amounting to EUR 30,249 thousand is presented in the statement of fixed assets (Attachment 1 of the Notes). Please refer to details in the section on disclosures on accounting and valuation methods with regard to the effects of the change in terms of useful life.

Other operating expense

Other operating expense chiefly includes selling expenses in the amount of EUR 83,909 thousand (prior year: EUR 79,807 thousand), as well as third-party services in the amount of EUR 32,335 thousand (prior year: EUR 43,617 thousand). Costs of exchange rate differences of EUR 1,614 thousand (prior year: EUR 902 thousand) are included here as well.

Earnings from associated companies

This refers to profits from GC & WEPA S.L.

Interest and similar expense

Interest and similar expense includes EUR 2,123 thousand in interest to shareholders arising in connection with subordinated loan liabilities vis-à-vis Wepa Industrieholding SE. The latter are valued at EUR 93,423 thousand as at the balance sheet date.

Compensation for outstanding profit-sharing rights

Compensation for outstanding profit-sharing rights of EUR 1,613 thousand (prior year: EUR 1,613 thousand) stems from mezzanine capital.

Extraordinary expenses,

They relate in particular to transaction costs (EUR 6,982 thousand) that were incurred in the course of acquisition of all assets of the Kartogroup in the previous year and the associated refinancing, as well as in the reorganization of the Company's legal structure.

In addition, another EUR 251 thousand are reported from adjustments in connection with the first-time application of the German Accounting Law Modernization Act (BilMoG).

Income taxes

EUR 1,807 thousand (prior year: EUR 3,073 thousand) of the amount recorded applies to trade tax expense and EUR 1,580 thousand (prior year: EUR 33 thousand) to corporation tax expense. Furthermore, costs from foreign taxes in the amount of EUR 279 thousand (prior year: EUR 826 thousand) and deferred taxes in the amount of EUR 590 thousand (prior year: EUR 906 thousand) are included.

Contingent liabilities and other financial obligations

Contingent liabilities

The following contingent liabilities exist in the Group as at the balance sheet date:

Letters of comfort/suretyships

Letter of comfort dated December 23, 2002, of Wepa Hygieneprodukte GmbH in connection with subsidies and allowances under the framework financing agreement of December 20/23, 2002, in the amount of EUR 42,000 thousand, for compensating any shortfalls in funds approved or cost overruns of the entire investment amount covered by the loan agreements mentioned and any demands for repayment related to the entire investment. Wepa Hygieneprodukte GmbH has made a commitment not to undertake any measures that might result in the minimum equity-to-assets ratio falling below 20%. Furthermore, shares may neither be transferred nor encumbered.

Suretyship dated October 10, 2009, of Wepa Hygieneprodukte GmbH with regard to all obligations of Wepa Papierfabrik Sachsen GmbH under the framework financing agreement with Sachsen Bank in the amount of EUR 42,000 thousand dated December 20/23, 2002.

Letter of comfort dated May 19, 2004, of Wepa Hygieneprodukte GmbH vis-à-vis Sachsen Bank in connection with subsidies and allowances under the framework financing agreement of December 20/23, 2002, in the amount of EUR 42,000 thousand and the framework agreement dated February 16, 2004, in the amount of EUR 20,000 thousand for compensating any shortfalls in funds approved or cost overruns of the entire investment amount covered by the loan agreements mentioned and any demands for repayment related to the entire investment. Wepa Hygieneprodukte GmbH has made a commitment not to undertake any measures that might result in the minimum equity-to-assets ratio falling below 20%. Furthermore, shares may neither be transferred nor encumbered.

Suretyship dated February 16, 2004, of Wepa Hygieneprodukte GmbH with regard to all obligations of Wepa Papierfabrik Sachsen GmbH under the framework financing agreement with Sachsen Bank in the amount of EUR 20,000 thousand dated February 16, 2004.

Letter of comfort dated September 4, 2006, of Wepa Wepa Hygieneprodukte GmbH vis-à-vis Sachsen Bank for a local bank loan for advance financing of investment subsidies in the amount of EUR 2,000 thousand, for compensating any shortfalls in funds approved or cost overruns of the entire investment amount of EUR 11,500 thousand and any demands for repayment related to the entire investment Wepa Hygieneprodukte GmbH has made a commitment not to undertake any measures that might result in the minimum equity-to-assets ratio falling below 20%.

Suretyship dated August 30, 2006, of Wepa Hygieneprodukte GmbH with regard to all obligations of Wepa Papierfabrik Sachsen GmbH under the framework financing agreement with Sachsen Bank in the amount of EUR 11,000 thousand dated August 30, 2006.

Suretyship dated October 5, 2009, of Wepa Hygieneprodukte GmbH covering all obligations of Wepa Leuna GmbH as borrower under the agreement regarding a loan with a benchmark interest rate with Commerzbank AG in the amount of EUR 2,300 thousand dated October 5, 2009.

Suretyship dated October 30, 2009, of Wepa Hygieneprodukte GmbH regarding all obligations of Wepa Leuna GmbH as borrower under the syndicated loan agreement in the amount of EUR 46,016 thousand and the operating funds loan agreement in the amount of EUR 10,000 thousand with Commerzbank AG, transferred to Wepa Leuna GmbH based on the transfer agreement of October 30, 2009.

Letter of comfort under a loan agreement with WestLB AG, Commerzbank Aktiengesellschaft and IKB Deutsche Industriebank AG regarding a syndicated loan for Wepa International GmbH totaling EUR 15,000 thousand with a term ending December 30, 2016.

Surety of Wepa Hygieneprodukte GmbH dated November 23, 2007, in connection with the transfer of GC & WEPA S.L. shares to Wepa International GmbH regarding all financial obligations of Wepa International GmbH vis-à-vis GC & WEPA S.L. and its shareholders, as well as the unlimited fulfillment of all duties that Wepa Hygieneprodukte GmbH has assumed vis-à-vis the beneficiary as part of the investment in GC & WEPA S.L.

Surety of Wepa Hygieneprodukte GmbH dated July 30, 2009, regarding all obligations of WEPA LUCCA SRL under its factoring contracts with UniCredit Factoring S.p.A., Italy, in an amount totaling EUR 10,000 thousand dated October 8 and 9, 2008, respectively, as amended from time to time.

Guarantees

Guarantee with a maximum amount of EUR 365 thousand vis-à-vis HSH Nordbank AG, Hamburg, for certain lease obligations of the Marsberger Kraftwerk GmbH, Arnsberg-Müschede.

Other financial obligations

The total amount of other financial obligations (obligations under rental and lease agreements) as at December 31, 2010, is EUR 46,740 thousand (prior year: EUR 38,578 thousand). Of this, EUR 42,189 thousand relate to lease obligations and EUR 2,403 thousand to rental obligations. The remainder of EUR 1,473 thousand relates in full to Wepa International GmbH obligations under forward buying agreements for the acquisition of additional shares of GC & WEPA S.L.

A total of EUR 7,740 thousand is due within a year.

Open orders for ongoing business transactions as at the balance sheet date amounted to EUR 1,596 thousand (prior year: EUR 514 thousand).

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate, currency and raw materials procurement risks from booked, pending and planned underlying transactions. Hedging of currency and raw materials procurement risks in principle takes place based on largely centralized purchasing of raw materials and on the account of Wepa Hygieneprodukte GmbH. Hedging measures, therefore, also cover other Group companies.

Interest rate derivatives are in principle taken out by the Group company in which the underlying transaction is taking place.

The booked and pending underlying transactions are summarized together with the hedging transactions as a micro hedge and portfolio hedge in German Commercial Code valuation units, separated into commodity, currency and interest rate hedging instruments. The same applies to planned transactions underlying a macro or portfolio hedge. The German Commercial Code valuation units are valued individually as at the balance sheet date. The valuation methods and assumptions on which the calculation of market value is based are detailed below:

Forward exchange contracts and swaps existing on the cut-off date are valued at the forward exchange rate at the balance sheet date. Interest rate derivatives and commodity transactions are measured based on accepted option price models; future cash flows are discounted. Discounting is based on customary market interest rates over the remaining term of the instruments. Swap amounts from these hedging instruments are recorded against income at the time of payment or when accrued at the balance sheet date.

According to principles of valuation under commercial law, a negative valuation result of the relevant hedging transaction leads to the creation of a provision for anticipated losses from pending transactions, provided that no valuation unit has been created, while a positive valuation result is not taken into account.

The Wepa Group strives to achieve a balanced risk/opportunity relationship. Depending on the assessment of the market situation, 50% to 100% of total currency or financing requirements are therefore hedged, in order to be able to respond to unforeseen developments in interest rates and currencies when calculating prices. In the case of raw materials, purchase prices are secured not only by entering into fixed price contracts, but also via commodity swaps; here, too, depending on the market situation, a hedging position of between 30% and 100% is aimed at.

The primary goal in this process is always to secure the calculated prices on which planning is based.

As at the balance sheet date the following derivative financial positions existed:

	Nominal amount/Volume	Market value
Interest rate derivatives	EUR 546,861,000	EUR 1,312,000
		EUR −5,320,000
Currency derivatives	EUR 126,791,000	EUR 337,000
		EUR −2,981,000
Commodity swaps	128,004 MT	EUR 1,915,000
		EUR −84,000
Emission certificate swaps	70,000 units (equivalent to 70,000 MT)	EUR 156,000

MT = metric tons

Provisions of EUR 126 thousand (prior year: EUR 126 thousand) were created for negative market values for which no valuation units exist. Option premiums in the amount of EUR 341 thousand were accrued for currency option transactions. Nominal amounts of the derivative financial transactions are equivalent to the purchase or sale amounts or the contract values of the hedged underlying transactions.

If a direct hedging relationship exists, the derivative financial instruments are summarized as a valuation unit with the underlying or planned transaction. The Wepa Group has opted for the so-called net hedge presentation method in reflecting the valuation units in the balance sheet.

Of the hedging volume mentioned above, the volumes of valuation units shown below were combined with the underlying transactions (unless otherwise indicated, the reported nominal amounts/volumes are in euros):

Hedging of interest rate risk for liabilities vis-à-vis banks by entering into payer swaps:

	Volume	Term until	Type of valuation unit	Hedging instrument volume	Termin until maximum	Market value of hedges
Finance Loan	165,980,079	maximum 30.12.2019	Portfolio hedge	209,792,479(1)	30.12.2019	−5,056,277 61,828
Finance Loan	2,300,000	maximum 30.06.2014	Micro-hedge	2,300,000	30.06.2014	−116,070
Working Capital Financing	156,000,000	at least 30.06.2017	Portfolio hedge	214,505,000(2)	30.06.2017	−124,410 1,140,745

(1) of this amount, EUR 43,812,400 relates to the second half of the term of the underlying transaction; nominal volume of underlying transaction and hedging instrument are matched over the term.

(2) of this amount, swaps of EUR 58.7 million will expire in June 2014; this volume will then be replaced by forward swaps in the same amount with a start date of June 30, 2014, so that EUR 155.8 million in payer swaps will be in place from September 30, 2012, onwards.

Hedging of interest rate risk for liabilities vis-à-vis banks by entering into caps:

	Volume	Term until	Type of valuation unit	Hedging instrument volume	Termin until maximum	Market value of hedges
Working Capital Financing	101,000,000	05.06.2014	Portfolio hedge	100,800,000	30.09.2012	69,218

Hedging of interest rate risk for contingent liabilities by entering into payer swaps:

	Volume	Term until maximum	Type of valuation unit	Hedging instrument volume	Termin until maximum	Market value of hedges
Leasing	16,011,563	19.12.2017	Portfolio hedge	16,011,563	19.12.2017	−22,789

Hedging of EUR/USD exchange rate risk for procurement of pulp by:

	Planned volume	Type of valuation unit	Hedging instrument volume	Maximum term of hedging instruments	Market value of hedges
Forward exchange contracts	146,800,000 USD	Portfolio hedge	146,800,000 USD	Dec. 11	−2,877,292 1,834
Options	12,000,000 USD	Portfolio hedge	12,000,000 USD	Dec. 11	230,433

Hedging of price change risk (month—PIX-FOEX) by entering into payer swaps:

	Planned amount 2011	Hedging instrument volume	Type of valuation unit	Term of hedging instruments	Maximum term of hedging instruments
1. Pulp	128,004	128,004	Portfolio hedge	Dec. 11	1,914,604 −83,568

Due to the fact that the key features of the designated underlying transactions and hedging instruments coincide in a valuation unit, the changes in value or cash flow streams offset one another. The hedge always exists for the entire term of the underlying transaction. The effectiveness of the valuation unit is proven prospectively using the ‘critical term match’ method, i.e. all parameters that define the value of the underlying transaction and hedge are reviewed to ensure they match. The effectiveness of the valuation unit is reviewed retrospectively based on the mark-to-market valuations of the underlying transaction and hedging tool. This process involves a comparison of the changes in value of the underlying transaction and the hedge instrument.

The planned transactions with a high probability of materializing that are included as underlying transactions in a valuation unit involve future commodities purchases, as well as future working capital requirements.

Disclosures regarding the cash flow statement

Funds for financing purposes are defined as cash holdings, deposits with banks with a maturity of less than three months and current account bank liabilities. They are equivalent to the balance sheet item "cash on hand and deposits with banks" minus current account bank liabilities.

During the year under review EUR 28,096 thousand (prior year: EUR 21,614 thousand) was paid in interest. Receipts from interest income amount to EUR 263 thousand (prior year: EUR 422 thousand).

EUR 4,151 thousand has been expended on income tax payments (prior year: EUR 885 thousand).

Other disclosures

Average number of employees

In fiscal 2010 2,758 employees (prior year: 2,655), of which 1,812 (prior year: 2,078) were blue-collar and 946 (prior year: 577) white-collar workers, were engaged on average. In addition 88 trainees (prior year: 68) were being prepared for their future professions.

Auditor fee

The total fee invoiced by the auditor for fiscal 2010 is:

a)	Audit services:	EUR 338 thousand
b)	Tax consultancy services:	EUR 400 thousand
c)	Other services:	EUR 82 thousand

Shareholdings/significant investments

The Company has direct or indirect material holdings in the following limited liability companies not included in the consolidated financial statements:

a)	Wepa-Krengel Verwaltungs-GmbH, Arnsberg Investment (12.31.2010)/(prior year):	100%	(100%)
	Equity (12.31.2010)/(prior year):	EUR 146,000	(EUR 146,000)
	Net loss for 2010/(prior year:	EUR −1,000	(EUR 87,000)
b)	Wepa Produktion Verwaltungs-GmbH, Arnsberg Investment (12.31.2010):	100%	
	Equity (12.31.2010):	EUR 24,000	
	Net loss for 2010:	EUR −1,000	
c)	Westfälische Sportmarketing GmbH, Arnsberg Investment (12.31.2010)/(prior year):	100%	(100%)
	Equity (12.31.2010)/(prior year):	EUR 107,000	(EUR 77,000)
	Net income for 2010/(prior year):	EUR 30,000	(EUR 30,000)
d)	WEPA POLSKA Sp. z.o.o. (in liquidation), Piechowice, Poland*(1)) Investment (12.31.2010)/(prior year):	100%	(100%)
	Equity (12.31.2010)/(prior year):	PLN 47,000	(PLN −328,000)
	Net income for 2010/(prior year):	PLN 375,000	(PLN 24,000)
e)	Contreda Papier GmbH, Bad Oeynhausen Investment (12.31.2010)/(prior year):	49,5%	(49,5%)
	Equity (12.31.2010)/(prior year):	EUR 626,000	(EUR 604,000)
	Net income for 2010/(prior year: net loss):	EUR 22,000	(EUR −13,000)

f)	WEPA UK Ltd., Harrow, Middlesex, United Kingdom*(2))		
	Investment (12.31.2010)/(prior year):	100%	(25%)
	Indirectly via		
	Wepa Papierfabrik Professional GmbH & Co. KG (12.31.2010)/(prior year):	0%	(75%)
	Equity (12.31.2010)/(prior year):	GPB 3,048	(GBP 3,008)
	Net income for 2010/(prior year):	GPB 40	(GBP 0)
g)	Elfi-Papier Gesellschaft mit beschränkter Haftung		
	(in liquidation), Mainz Investment (12.31.2010)/(prior year):	100%	(100%)
	Equity (7.31.2010)/(prior year):	EUR 3,000	(EUR −16,000)
	Net income for 2010/(prior year: net loss):	EUR 19,000	(EUR −174,000)

*(1) Exchange rate: PLN 3.9750/EUR

*(2) Exchange rate: GBP 0.86075/EUR

The accounting and valuation methods applied by GC & WEPA S.L. are in accordance with the Spanish accounting regulations. The summarized balance sheet as at December 31, 2010, and the summarized income statement for 2010 are shown below:

Balance Sheet

Assets	12/31/2011	12/31/2011	Liabilities
	TEUR	TEUR	
Fixed assets	35,531	27,480	Net assets
Current assets	31,276	39,327	Current liabilities
	66,807	66,807	

Income Statement

	2010
	TEUR
Earnings from ordinary activities	2,156
Financial income/expenses	−671
Earnings before taxes	1,485
income taxes	−636
Net income for the period	849

Management

Relationships among the Company's legal structure:

Wepa Hygieneprodukte GmbH was established by transformation in the shape of a change in form of Wepa KG (district court of Arnsberg, extract from the commercial register 1038) according to the resolution of the shareholder's meeting of August 18, 2010, and is thereby the legal successor of Wepa Papierfabrik P. Krengel GmbH & Co. KG.

Wepa-Krengel Verwaltungs-GmbH, Arnsberg, was the partner with personal liability of the former Wepa KG.

Wepa Hygieneprodukte GmbH's management is composed of the following individuals:

Martin Krengel, Arnsberg, (Chairman/CEO); Chairman of the Executive Board der WEPA Industrieholding SE, Managing Director of Wepa-Krengel Verwaltungs-GmbH, Managing Director of Wepa Hygieneprodukte GmbH for the period from August 31, 2010, to September 30, 2010, and appointed again as Managing Director from November 22, 2010.

Gerhard Wilhelm Bickmann, Königstein im Taunus, (Finance); Managing Director of Wepa-Krengel Verwaltungs-GmbH for the period October 13, 2009, to May 20, 2010.

Robert Josef Neid, Daisendorf, (North-East region); Managing Director of Wepa-Krengel Verwaltungs-GmbH since January 11, 2010; Managing Director of Wepa Hygieneprodukte GmbH since August 27, 2010.

Dr. Reinhard Rolf, Soest, (West region); Managing Director of Wepa-Krengel Verwaltungs-GmbH, for the period from August 8, 2007, to April 29, 2010.

Carlo Rogora, Tofori in Italy, (South region); Managing Director of Wepa-Krengel Verwaltungs-GmbH, for the period from Apr. 17, 2009, to April 29, 2010.

Manfred Meier, Niederkassel, (Law, Risk Management and Investment); Managing Director of Wepa-Krengel Verwaltungs-GmbH for the period from August 8, 2007, to September 10, 2009, and again appointed as Managing Director from March 26, 2010. Managing Director of Wepa Hygieneprodukte GmbH from November 22, 2010.

Dr. Benno Hundgeburt-Thanscheidt, Leverkusen (Dep. Chmn./COO); Deputy Chairman of the Executive Board of WEPA Industrieholding SE, Managing Director of Wepa-Krengel Verwaltungs-GmbH, for the period from August 8, 2007, to January 11, 2010.

The Managing Director, Martin Krengel, has sole power of representation, while the remaining directors are authorized to represent the Company in conjunction with another director or authorized signatory.

The directors are exempted from the restrictions under section 181 of the German Civil Code (BGB).

Total compensation paid by the Company to the active management members of the parent company amounted to EUR 519 thousand.

Consolidated financial statements

The Company prepares its own sub-group financial statements in accordance with section 290 et seq. of the German Commercial Code. The consolidated financial statements are published in the electronic federal gazette.

Wepa Hygieneprodukte GmbH, Arnsberg, and its associated companies were also included in the consolidated financial statements of WEPA Industrieholding SE, Arnsberg. These consolidated financial statements are published in the electronic federal gazette.

Arnsberg, May 5, 2011

Wepa Hygieneprodukte GmbH, Arnsberg Management

Martin Krengel	Manfred Meier	Robert Josef Neid

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

CHANGES IN GROUP ASSETS BETWEEN 1.1. TO 31.12.2010

APPENDIX 1 TO NOTES

	accumulated acquisition or production costs							accumulated amortization and depreciation						Carrying Amounts	
	01/01/2010	Changes in scope of consolidation	Additions	Disposals	Reclassification	Currency adjustment	12/31/2010	01/01/2010	Changes in scope of consolidation	Amort. & dep. in the fiscal year	Disposals	Currency Adjustment	12/31/2010	12/31/2010	12/31/2009
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
A. Expenses for starting up and expanding business operations	**2,800,000.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2,800,000.00**	699,999.98	0.00	700,000.00	0.00	0.00	**1,399,999.98**	**1,400,000.02**	**2,100,000.02**
B. Fixed assets															
I. Intangible assets															
1. Aquired concessions, industrial property rights and similar rights and values as well as licenses and such rights and values	10,889,201.59	0.00	1,752.347,84	301,702.30	292,534.15	929.09	**12,633,310.37**	4,278,747.07	0.00	1,853,324.70	0.00	358.18	**6,132,429.95**	**6,500,880.42**	**6,610,454.52**
2. Goodwill	5,674,497.46	0.00	11,800.63	0.00	0.00	0.00	**5,686,298.09**	828,951.33	0.00	369,847.97	0.01	0,00	**1,198,799.29**	**4,487,498.80**	**4,845,546.13**
	16,563,699.05	**0.00**	**1,764,148.47**	**301,702.30**	**292,534.15**	**929.09**	**18,319,608.46**	5,107,698.40	0.00	2,223,172.67	0.01	358.18	**7,331,229.24**	**10,988,379.22**	**11,456,000.65**
II. Tangible assets															
1. Land and rights equivalent to real property and buildings including buildings on leased land	102,307,489.35	8,590,822.05	1,497,376.22	3.91	1,909,045.30	365,123.23	**114,669,852.24**	18,996,361.86	911,580.74	5,552,415.74	3.89	104,730.30	**25,565,084.75**	**89,104,767.49**	**83,311,127.49**
2. Technical equipment and machinery	439,084,164.31	31,149,613.67	9,738,373.18	448,870.81	15,089,288.39	690,012.21	**495,302,580.95**	238,831,150.58	6,532,190.21	21,180,800.28	40,096.07	390,438.16	**266,894,483.16**	**228,408,097.79**	**200,253,013.73**
3. Other equipment, office furniture and fittings	10,68,629.17	0.00	2,228,185.75	84,523.67	105,039.40	14,766.41	**12,632,097.06**	5,911,449.70	0.00	1,292,993.53	47,887.14	7,117.92	**7,163,674.01**	**5,468,423.04**	**4,457,179.47**
4. Advance payments made and plant under construction	10,499,878.66	0.00	14,661,525.35	53,350.99	−17,395,907.24	−30,552.98	**7,681,592.80**	0.00	0.00	0.00	0.00	0.00	**0.00**	**7,681,592.80**	**10,499,878.66**
	562,260,161.49	**39,740,435.71**	**28,125,460.50**	**586,749.38**	**−292,534.15**	**1,039,348.87**	**630,286,123.04**	263,738,962.14	7,443,770.95	28,026,209.55	87,987.10	502,268.38	**299,623,241.92**	**330,662,881.12**	**298,521,199.35**
III. Financial assets															
1. Shares in affiliated companies	155,735.66	−15,334.64	69,854.58	52,500.00	0.00	0.00	**157,755.60**	37,605.29	0.00	0.00	0.00	0.00	**37,605.29**	**120,150.31**	**118,130.37**
2. Shares in associated companies	15,867,622.58	0.00	378,000.00	0.00	0.00	0.00	**16,2454,622.58**	3,704,043.34	0.00	0.00	0.00	0.00	**3,704,043.34**	**12,541,579.24**	**12,163,579.24**
3. Loans to associated companies	5,560,000.00	0.00	0.00	0.00	0.00	0.00	**5,560,000.00**	0.00	0.00	0.00	0.00	0.00	**0.00**	**5,560,000.00**	**5,560,000.00**
4. Other loans	2,665,742.52	−2,501,512.31	29,974.80	36,200.00	0.00	0.00	**158,005.01**	0.00	0.00	0.00	0.00	0.00	**0.00**	**158,005.01**	**2,665,742.52**
	24,249,100.76	**−2,516,846.95**	**477,829.38**	**88,700.00**	**0.00**	**0.00**	**22,121,383.19**	3,741,648.63	0.00	0.00	0.00	0.00	**3,741,648.63**	**18,379,734.56**	**20,507,452.13**
Total fixed assets	**603,072,961.30**	**37,223,588.76**	**30,367,438.35**	**977,151.68**	**0.00**	**1,040,277.96**	**670,727,114.69**	272,588,309.17	7,443,770.95	30,249,382.22	87,987.11	502,644.56	**310,696,119.79**	**360,030,994.90**	**330,484,652.13**

CONSOLIDATED PAYABLES AGING REPORT

31 DECEMBER 2010

ATTACHMENT 2 TO NOTES

WEPA HYGIENEPRODUKTE GMBH, ARNSBERG
(PREVIOUSLY: WEPA PAPIERFABRIK P. KRENGEL GMBH & CO. KG)

		as at 12/31/2010 (as at 12/31/2009)	2011	2012 – 2015	from 2016
		€	€	€	€
1. Liabilities to banks		318,515,027.87 (350,872,284.63)	129,939,462.67 (165,741,388.07)	123,206,111.32 (118,116,523.96)	65,369,453.89 (67,014,372.60)
2. Trade payables		105,905,247.55 (76,268,535.38)	105,905,247.55 (76,268,535.38)	0.00 (0.00)	0.00 (0.00)
3. Liabilities to affiliated companies		110,285.96 (196,256.12)	110,285.96 (196,256.12)	0.00 (0.00)	0.00 (0.00)
— of which trade payables	110,285.96 (196,256.12)				
4. Liabilities to shareholders		94,480,341.75 (1,490,769.60)	1,010,478.71 (1,490,769.60)	0.00 (0.00)	93,469,863.04 (0.00)
5. Liabilities to associated companies		7,344,716.79 (2,691,742.03)	7,344,716.79 (2,691,742.03)	0.00 (0.00)	0.00 (0.00)
— of which trade payables	7,344,716.79 (2,691,742.03)				
6. Other liabilities		23,872,624.24 (30,731,806.80)	23,014,058.02 (30,731,806.80)	858,566.22 (0.00)	0.00 (0.00)
		550,228,244.16 (462,251,394.56)	267,324,249.70 (277,120,498.00)	124,064,677.53 (118,116,523.96)	158,839,316.93 (67,014,372.60)

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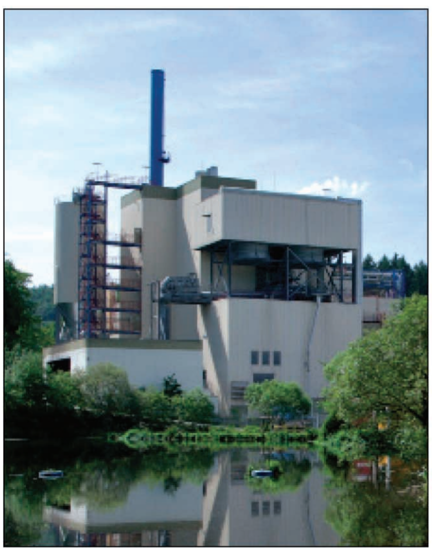


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