IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) purchasing such securities in an offshore transaction outside the United States in reliance on Regulation S; *provided that* investors resident in a Member State of the European Economic Area are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State) and any relevant implementing measure in each Member State of the European Economic Area). The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

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

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

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

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

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the initial purchasers, nor any person who controls the initial purchasers, nor any of its directors, officers, employees or agents, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

OFFERING MEMORANDUM

CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

EPHIOS BONDCO PLC

€685,000,000 Senior Secured Notes due 2022
€400,000,000 6.25% Senior Secured Fixed Rate Notes due 2022
€285,000,000 Senior Secured Floating Rate Notes due 2022

EPHIOS HOLDCO II PLC

€375,000,000 8.25% Senior Notes due 2023

Ephios Bondco PLC, a public limited company organized under the laws of England and Wales (the "Senior Secured Notes Issuer") is offering (the "Senior Secured Offering") €685 million aggregate principal amount of its Senior Secured Notes due 2022, made up of its €400 million 6.25% Senior Secured Fixed Rate Notes due 2022 (the "Temporary Senior Secured Fixed Rate Notes") and its €285 million Senior Secured Floating Rate Notes due 2022 (the "Temporary Senior Secured Floating Rate Notes" and together with the Temporary Senior Secured Fixed Rate Notes, the "Temporary Senior Secured Notes") and Ephios Holdco II PLC, a public limited company organized under the laws of England and Wales, (the "Senior Notes Issuer") is offering (the "Senior Offering" and, together with the Senior Secured Offering, the "Offerings") €375 million aggregate principal amount of its 8.25% Senior Notes due 2023 (the "Senior Notes") in connection with the proposed acquisition (the "Synlab Acquisition") of up to 100% of the entire share capital of synlab Holding GmbH ("Synlab") by Ephios Acquisition GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany ("German BidCo"), which will be a wholly owned subsidiary of the Senior Secured Notes Issuer. The Temporary Senior Secured Notes, Additional Senior Secured Notes (as defined below) and the Senior Notes are collectively referred to herein as the "Notes" and the Senior Secured Notes Issuer and the Senior Notes Issuer are collectively referred to herein as the "Issuers."

Upon completion of these Offerings, the Senior Secured Notes Issuer will issue the Temporary Senior Secured Notes under a temporary indenture (the "Temporary Senior Secured Notes Indenture"). On or about the date on which the Acquisitions (as defined herein) have been completed (the "Completion Date"), the Temporary Senior Secured Notes will be automatically exchanged for an equal aggregate principal amount of, in the case of the Temporary Senior Secured Fixed Rate Notes, additional Senior Secured Fixed Rate Notes due 2022 (the "Additional Senior Secured Fixed Rate Notes") and, in the case of the Temporary Senior Secured Floating Rate Notes, additional Senior Secured Floating Rate Notes due 2022 (the "Additional Senior Secured Floating Rate Notes" and together with the Additional Senior Secured Fixed Rate Notes, the "Additional Senior Secured Notes"). The Additional Senior Secured Notes will be issued pursuant to, and governed by, an indenture dated June 17, 2015 (the "Senior Secured Notes Indenture"), pursuant to which the Senior Secured Notes Issuer issued €500 million principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 (the "Existing Senior Secured Fixed Rate Notes" and together with the Additional Senior Secured Fixed Rate Notes, the "Senior Secured Fixed Rate Notes") and €300 million principal amount of Senior Secured Floating Rate Notes due 2022 (the "Existing Senior Secured Floating Rate Notes" and together with the Existing Senior Secured Fixed Rate Notes, the "Existing Senior Secured Notes"; the Existing Senior Secured Floating Rate Notes together with the Additional Senior Secured Floating Rate Notes are collectively referred to herein as the "Senior Secured Floating Rate Notes" and together with the Senior Secured Fixed Rate Notes, the "Senior Secured Notes"). The Existing Senior Secured Fixed Rate Notes, the Additional Senior Secured Fixed Rate Notes, the Existing Senior Secured Floating Rate Notes and the Additional Senior Secured Floating Rate Notes will collectively be treated as one single class for all purposes under the Senior Secured Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Senior Secured Notes Indenture. The Temporary Senior Secured Fixed Rate Notes will have the same terms and conditions as the Existing Senior Secured Fixed Rate Notes and the Temporary Senior Secured Floating Rate Notes will have the same terms and conditions as the Existing Senior Secured Floating Rate Notes, except as described herein.

Interest on the Temporary Senior Secured Notes will be deemed to have accrued from June 17, 2015. The Temporary Senior Secured Fixed Rate Notes will bear interest at a rate of 6.25% and will mature on July 1, 2022. The Temporary Senior Secured Floating Rate Notes will bear interest at a rate equal to three month EURIBOR (with 0% floor) plus 5.00% per annum, reset quarterly. The Senior Secured Notes Issuer will pay interest on the Senior Secured Fixed Rate Notes semiannually on January 1 and July 1 of each year, commencing on January 1, 2016. The Senior Secured Notes Issuer will pay interest on the Senior Secured Floating Rate Notes quarterly on January 1, April 1, July 1, and October 1 of each year, commencing on January 1, 2016. The Senior Notes will be issued under a separate indenture (the "Senior Notes Indenture"), will bear interest at a rate of 8.25% and will mature on July 1, 2023. The Senior Notes Issuer will pay interest on the Senior Notes semiannually on each of January 1, and July 1, commencing on January 1, 2016.

The Senior Secured Notes Issuer may redeem all or a portion of the Senior Secured Fixed Rate Notes prior to July 1, 2018 and all or a portion of the Senior Secured Floating Rate Notes prior to July 1, 2016, in each case at a redemption price equal to 100% of the principal amount of the Senior Secured Fixed Rate Notes or Senior Secured Floating Rate Notes, as applicable, plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a "make whole" premium, as described in this offering memorandum. The Senior Secured Fixed Rate Notes may be redeemed at any time on or after July 1, 2018 and the Senior Secured Floating Rate Notes may be redeemed at any time on or after July 1, 2016, in each case at the redemption prices set forth in this offering memorandum. At any time prior to July 1, 2018, the Senior Secured Notes Issuer may also redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes at a redemption price equal to 106.250% plus accrued and unpaid interest and additional amounts, if any, *provided that* at least 60% of the aggregate principal amount of the Senior Secured Fixed Rate Notes (including the original principal amount of any additional Senior Secured Fixed Rate Notes but excluding Senior Secured Fixed Rate Notes held by the Senior Secured Notes Issuer and its subsidiaries) remain outstanding, with the net proceeds of one or more specified equity offerings. At any time prior to July 1, 2018, the Senior Secured Notes Issuer may on any one or more occasions redeem during each calendar year up to 10% of the original principal amount of the Senior Secured Fixed Rate Notes (including the original principal amount of any additional Senior Secured Fixed Rate Notes) at a redemption price of 103% of the principal amount of the Senior Secured Fixed Rate Notes so redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date. The Senior Notes Issuer may redeem all or a portion of the Senior Notes prior to July 1, 2018 at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a "make whole" premium, as described in this offering memorandum. The Senior Notes may be redeemed at any time on or after July 1, 2018 at the redemption prices set forth in this offering memorandum. At any time prior to July 1, 2018, the Senior Notes Issuer may also redeem up to 40% of the aggregate principal amount of the Senior Notes at a redemption price equal to 100% plus accrued and unpaid interest and additional amounts, if any, *provided that* at least 60% of the aggregate principal amount of the Senior Notes (including the original principal amount of any additional Senior Notes but excluding Senior Notes held by the Senior Notes Issuer and its subsidiaries) remain outstanding, with the net proceeds of one or more specified equity offerings. Additionally, the Issuers may redeem all of their respective Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any. If a change of control occurs, each holder of the Notes may require the relevant Issuer of its Notes to repurchase all or a portion of such Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if specified consolidated leverage ratios are not exceeded in connection with such event.

Concurrently with the closing of the offering, and pending the consummation of the Acquisitions and satisfaction of certain other conditions, the Initial Purchasers (as defined herein) will deposit the gross proceeds from the Offerings into separate escrow accounts held in the name of the Senior Secured Notes Issuer and the Senior Notes Issuer, respectively. The Temporary Senior Secured Notes Escrow Account will be controlled by the Escrow Agent (as defined herein) and pledged on a first-ranking basis in favor of the Trustee (as defined herein) on behalf of the holders of the Temporary Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Senior Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of both Acquisitions. The consummation of the Synlab Acquisition pursuant to the Synlab Acquisition Agreement (as defined herein) is subject to the satisfaction of certain conditions, including clearance by the European Commission and the Swiss Competition Commission, and the performance of certain closing actions. The consummation of the Labco Acquisition (as defined herein) pursuant to the Labco Acquisition Agreement (as defined herein) is subject to the satisfaction of certain conditions, including clearance by the European Commission and the performance of certain closing actions. If both Acquisitions are not consummated on or prior to December 31, 2015 (the "Escrow Longstop Date"), and upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price, with respect to the Temporary Senior Secured Notes will be a price equal to 100% of the aggregate issue price of the Temporary Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to but not including the date of special mandatory redemption, and, with respect to the Senior Notes will be a price equal to 100% of the aggregate issue price of the Senior Notes plus accrued and unpaid interest and additional amounts, if any, to but not including the date of special mandatory redemption. See "*Description of the Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*" and "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*."

The Temporary Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer, will not benefit from any guarantees and will be secured on a first ranking basis by a charge over the Temporary Senior Secured Notes Escrow Account. Upon issuance of the Additional Senior Secured Notes in exchange for the Temporary Senior Secured Notes on or about the Completion Date, the Additional Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer and the Temporary Senior Secured Notes will be cancelled. The Additional Senior Secured Notes will be guaranteed on a senior secured basis by certain subsidiaries of the Senior Secured Notes Issuer on each of (i) with respect to the Completion Date Guarantors, the Completion Date, (ii) with respect to the Post-Labco Completion Date Guarantors, on or within 90 days following the Completion Date, and (iii) with respect to the Synlab Guarantors, a date or dates on or within (x) if German Bidco has acquired 100% of the share capital of Synlab in the Synlab Acquisition, 90 days or (y) if German Bidco has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, 270 days, in each case, following the Completion Date, as further described in this offering memorandum.

The Senior Notes will be senior obligations of the Senior Notes Issuer. The Senior Notes will be guaranteed on a senior subordinated basis by certain subsidiaries of the Senior Notes Issuer (including the Senior Secured Notes Issuer) at the same time as such subsidiaries provide guarantees of the Additional Senior Secured Notes (or, in the case of the guarantee to be granted by the Senior Secured Notes Issuer, on or about the Completion Date), as further described in this offering memorandum.

The Additional Notes will be secured, subject to agreed security principles, on each of (i) with respect to the Completion Date Collateral, the Completion Date, (ii) with respect to the Labco Completion Date Collateral and the Post-Labco Completion Date Collateral, the Completion Date or on or within 90 days following the Completion Date and (iii) with respect to the Synlab Collateral, a date or dates on or within (x) if German Bidco has acquired 100% of the share capital of Synlab in the Synlab Acquisition, 90 days or (y) if German Bidco has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, 270 days, in each case, following the Completion Date, as further described in this offering memorandum. The property and assets that will secure the Senior Secured Notes and the Senior Secured Note Guarantees (as defined herein) will also secure the Revolving Credit Facility and certain hedging obligations (the "Super Senior Obligations") on a first-ranking basis. In the event of enforcement of the security interests over the Collateral, the Super Senior Obligations and other indebtedness permitted under the Senior Secured Indenture to be incurred on a super priority basis will be repaid with proceeds from the enforcement of the Collateral in priority to the Senior Secured Notes. The Senior Notes will be secured by first-ranking security interests over the issued share capital of the Senior Notes Issuer and over the receivables owed by the Senior Notes Issuer to UK Holdco I and by second-ranking security interests over the issued share capital of the Senior Secured Notes Issuer and over the Senior Notes Proceeds Loan (as defined herein), as further described in this offering memorandum. The laws of certain jurisdictions limit the enforceability of certain of the Guarantees and rights to the assets securing the Notes and the Guarantees. In particular, the Senior Note Guarantees (as defined herein) from Austrian, Belgian, French and Italian guarantors will effectively have no monetary value as none of them will be on-lent any of the proceeds of the Senior Offering. The Senior Secured Notes Guarantees will also be subject to significant limitations. The validity and enforceability of the Guarantees and the security interests and the liability of each Guarantor will be subject to the limitations described in "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*." The security interests and the Guarantees may be released under certain circumstances.

Application will be made for the Temporary Senior Secured Notes, the Additional Notes and the Senior Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof. There is no assurance that the Notes will be listed and admitted to trading on the Global Exchange Market.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 59.

Issue price of the Temporary Senior Secured Fixed Rate Notes: 99.000% plus accrued interest from June 17, 2015.
Issue price of the Temporary Senior Secured Floating Rate Notes: 99.000% plus accrued interest from June 17, 2015.
Issue price of the Senior Notes: 100.000% plus accrued interest, if any, from the Issue Date.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the Offerings are being made only to "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A under the U.S. Securities Act ("Rule 144A"). You are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the Offerings are being made in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). See "*Notice to U.S. Investors*" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by one or more global notes and the Initial Purchasers expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about August 6, 2015.

Offering of Temporary Senior Secured Notes
Joint Global Coordinators

J.P. Morgan **Goldman Sachs International**

Joint Lead Bookrunners

Barclays **Deutsche Bank** **BNP Paribas**
HSBC **Morgan Stanley**

Offering of Senior Notes
Joint Global Coordinators

Goldman Sachs International **J.P. Morgan**

Joint Lead Bookrunners

Barclays **Deutsche Bank** **BNP Paribas**
HSBC **Morgan Stanley**

The date of this offering memorandum is July 23, 2015.

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You should rely only on the information contained in this offering memorandum. None of the Issuers, the Guarantors or any of the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. None of the Issuers, the Guarantors or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the Offerings are 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 cover of this offering memorandum.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover of this offering memorandum, which is the tenth business day (as such term is used for purposes of Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act")) following the date of pricing of the Notes (this settlement cycle is referred to as "T+10"). Since trades in the secondary market generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next six succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+10, to specify alternative settlement arrangements to prevent a failed settlement. See "*Plan of Distribution*."

IMPORTANT INFORMATION

The Issuers are offering the Notes, and the Guarantors are issuing the Guarantees, in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes and the Guarantees have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

This offering memorandum is confidential and has been prepared by us solely for use in connection with the Offerings. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Notes is unauthorized, and any disclosure of any of the contents of this offering memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision regarding the Notes, prospective investors must rely on their own examination of our business and the terms of the Offerings, including the merits and risks involved. In addition, none of the Issuers, the Initial Purchasers or any of their respective representatives are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither the Issuers nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

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

The Issuers accept responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuers, 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. However, the information set forth under the headings "*Exchange Rate Information*," "*Summary*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco*," "*Industry*" and "*Business*" includes extracts from or is otherwise based on information and data, including industry and market data, released by publicly available sources in Europe and elsewhere as well as reports prepared by industry consultants, including, in relation to the "*Industry*" section, a report dated February 13, 2015 of L.E.K. M&A SAS (the "L.E.K. Report"), which was commissioned by us and was prepared using information from third party data providers, industry associations, competitors' published accounts, interviews with key market participants as well as publicly available sources and internal financial and operational and other information supplied by us or on our behalf. While the Issuers accept responsibility for the accurate extraction and summarization of such information and data, the Issuers have not independently verified the accuracy of such information and data and the Issuers accept no further responsibility in respect thereof. In addition, this offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. However, as far as the Issuers are aware, no information or data has or have been omitted which would render reproduced information inaccurate or misleading.

By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

The Issuers reserve the right to withdraw the Offerings at any time, and the Issuers and the Initial Purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. The Issuers and the Initial Purchasers also reserve the right to sell less than all of the Notes offered by this offering memorandum or to sell to any purchaser less than the amount of Notes it has offered to purchase.

The distribution of this offering memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "*Transfer Restrictions*" and "*Plan of Distribution*."

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

The Notes are subject to restrictions on resale and transfer as described under "*Transfer Restrictions*" and "*Plan of Distribution*." By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of one or more Global Notes (as defined herein) in registered form without interest coupons attached, which will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the common depositary. Beneficial interests in the Global Notes will be shown on, and transfers of the Global Notes will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and their respective participants. After the initial issuance of the Global Notes, Notes in certificated form will be issued in exchange for the Global Notes only as set forth in the Indentures. See "*Book-Entry; Delivery and Form*."

The information set forth in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "*Book-Entry; Delivery and Form*," is subject to any changes in, or reinterpretation of, the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg currently in effect. While the Issuers accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, Luxembourg, they accept no further responsibility in respect of such information.

STABILIZATION

IN CONNECTION WITH THE OFFERING OF THE TEMPORARY SENIOR SECURED NOTES AND THE ADDITIONAL SENIOR SECURED NOTES, J.P. MORGAN SECURITIES PLC (OR PERSONS ACTING ON BEHALF OF J.P. MORGAN SECURITIES PLC) (THE "SENIOR SECURED NOTES STABILIZING MANAGER") AND IN CONNECTION WITH THE OFFERING OF THE SENIOR NOTES, GOLDMAN SACHS INTERNATIONAL (OR PERSONS ACTING ON BEHALF OF GOLDMAN SACHS INTERNATIONAL) (THE "SENIOR NOTES STABILIZING MANAGER" AND TOGETHER WITH THE NEW SENIOR SECURED NOTES STABILIZING MANAGER, THE "STABILIZING MANAGERS") MAY OVER-ALLOT THE APPLICABLE NOTES (*PROVIDED THAT* THE AGGREGATE PRINCIPAL AMOUNT OF SUCH NOTES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES THAT ARE THE SUBJECT OF THE OFFERING) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE APPLICABLE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE ISSUERS RECEIVED THE PROCEEDS OF THE OFFERING, OR NO LATER

THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES, WHICHEVER IS THE EARLIER.

NOTICE TO U.S. INVESTORS

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

The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*."

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC IN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTE TO THE PUBLIC.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of the Notes in any member state of the European Economic Area (the "EEA") which has implemented Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "Prospectus Directive") (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer in that Relevant Member State of Notes which are the subject of the Offerings contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuers or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer. Neither the Issuers nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuers or the Initial Purchasers to publish or supplement a prospectus for such offer.

Austria

In the Republic of Austria, the Notes may only be offered and sold in accordance with the provisions of the Austrian Capital Markets Act (the "Capital Markets Act," *Kapitalmarktgesetz*, KMG) and any other applicable Austrian law. No application has been made under Austrian law to offer the Notes to the public in or out of the Republic of Austria. The Notes have not been admitted for a public offer in Austria and accordingly may not be, and are not being, offered, sold or delivered to the public or advertised publicly or by public promotion. This offering memorandum is strictly for private use and the offer is only being made to recipients to whom the offering memorandum is personally addressed and does not constitute an offer or advertisement to the public. Neither this document nor any other document or materials relating thereto is a prospectus according to the Capital Markets Act or Regulation (EC) No 809/2004 (as amended). In Austria, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 1 para. 1 no. 5a and Section 3 para. 1 no. 11 of the Capital Markets Act or who are subject to another exemption in accordance with Section 3 para. 1 of the Capital Markets Act. Any resale of the Notes in Austria may only be made in accordance with the Capital Markets Act and other applicable laws and no steps may be taken that would constitute a public offer of the Notes in Austria and the offer to purchase of the Notes may not be advertised publicly in the Republic of Austria.

France

This offering memorandum 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 Autorité des Marchés Financiers* (the "AMF") and, therefore, has not been approved by, registered or filed with the AMF and does not require a prospectus to be submitted for approval to the AMF. Consequently, the Notes have not been and will not be offered or sold to the public in the Republic of France, and no offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in the Republic of France.

The Notes may only be offered or sold in the Republic of France pursuant to article L. 411-2-II of the French *Code monétaire et financier* to (i) providers of third-party portfolio management investment services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), (ii) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (iii) a limited group of investors (*cercle restreint d'investisseurs*) acting for their own account, all as defined in and in accordance with Articles L. 411-2, D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*.

Prospective investors are informed that:

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

(ii) individuals or entities referred to in Article L. 411-2-II-2 of the French *Code monétaire et financier* may participate in the Offerings for their own account, as provided under Articles D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*; and

(iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with applicable laws and regulations, in particular those relating to an offer to the public (*offre au public de titres financiers*) (which are embodied in 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*).

Germany

In the Federal Republic of Germany, the Notes may only be offered and sold in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the "Securities Prospectus Act," *Wertpapierprospektgesetz, WpPG*) and any other applicable German law. No application has been made under German law to offer the Notes to the public in or out of the Federal Republic of Germany. The Notes are not registered or authorized for distribution under the Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. This offering memorandum is strictly for private use and the offer is only being made to recipients to whom the offering memorandum is personally addressed and does not constitute an offer or advertisement to the public. In Germany, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 para. 2 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* ("CONSOB") Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation No. 11971"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authorities.

Spain

The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain, in accordance with article 30 *bis* of the Securities Market Act (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*). Neither the Notes, this offering nor this offering memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering of Notes in Spain.

Switzerland

The 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 Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

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, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and we are neither subject to Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, we will furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, upon the written request of any such person, the information required to be delivered pursuant to Rule 144A(d)(4).

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indentures and so long as the Notes are outstanding, we will furnish periodic information to the holders of the Notes. See "*Description of the Senior Secured Notes—Reports*" and "*Description of the Senior Notes—Reports*." We will also make available all reports required by the covenants described under "*Description of the Senior Secured Notes—Reports*" and "*Description of the Senior Notes—Reports*" on our website.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements for many reasons, including the factors described in the section entitled "*Risk Factors*" in this offering memorandum. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- regulatory conditions in the markets in which we operate and our ability to respond effectively to regulatory reforms;
- challenges to the organization and legal structure of our French operations and our dependence on laboratory doctors to check operations carried out by SELs (as defined herein);
- decreases in government-controlled tariffs for clinical laboratory services;
- efforts by third-party payers and health insurance companies to control healthcare spending and reimbursement levels;
- continued weakness in economic conditions;
- failure to be supplied with new tests, technologies and services by our suppliers;
- failure of our information technology systems;
- failure to protect our trademarks uniformly across all countries in which we operate;
- our ability to execute acquisitions and effectively integrate acquired businesses into our network;
- difficulties and delays in integrating the Synlab and Labco businesses or fully realizing the cost synergies we expect to be created in connection with the Transactions;
- failure to realize the expected cost savings from other recently acquired businesses and any future potential acquisition;
- increased quality and price competition;
- failure to realize the full value of goodwill recorded;
- our ability to maintain good relationships with NHS trusts in the United Kingdom;
- our dependence on large customer contracts;
- our ability to retain or recruit experienced laboratory doctors;
- our dependence on senior management, experienced laboratory professionals and key personnel;
- the development of tests that can be performed by our patients or customers or the internalization of testing by hospitals or doctors;
- failure to timely or accurately bill for our services;
- our compliance with or obligations under environmental, health and safety laws;
- our compliance with appropriate quality standards for our testing services;
- disruption to our collection and transportation networks;
- the impact of extreme weather conditions on our activity levels;
- adverse results in material litigation;

- the impact of stringent privacy laws and information security policies;
- failure to comply with tax legislation, including VAT and French payroll tax;
- other risks related to the Transactions, our capital structure and the Notes; and
- certain other risks set forth under the heading "*Risk Factors*."

Accordingly, prospective investors should not rely on these forward-looking statements, which speak only as of the date of this offering memorandum or as otherwise indicated. We do not have any obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of such forward-looking statement or to reflect the occurrence of unanticipated events.

In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks described in the "*Risk Factors*" section of this offering memorandum are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not place undue reliance on forward-looking statements as a prediction of actual results.

CERTAIN DEFINITIONS USED IN THIS OFFERING MEMORANDUM

Unless indicated otherwise in this offering memorandum or the context requires otherwise, all references to:

- "Acquisitions" are collectively to the Labco Acquisition and the Synlab Acquisition;
- "Additional Senior Secured Fixed Rate Notes" are to the €400 million aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 to be issued on or about the Completion Date upon automatic exchange of an equal amount of Temporary Senior Secured Fixed Rate Notes by the Senior Secured Notes Issuer;
- "Additional Senior Secured Floating Rate Notes" are to the €285 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022 to be issued on or about the Completion Date upon automatic exchange of an equal amount of Temporary Senior Secured Floating Rate Notes by the Senior Secured Notes Issuer;
- "Additional Senior Secured Notes" are to the €685 million aggregate principal amount of additional Senior Secured Notes made up of the Additional Senior Secured Fixed Rate Notes and the Additional Senior Secured Floating Rate Notes;
- "anatomopathology testing" are to the diagnosis and monitoring of diseases through the testing of histologic and cytological samples, such as organs, tissues and cells;
- "ARS" are to *Agence régionale de santé*, the regional health authority in France;
- "ASL" are to *Azienda Sanitaria Local*, the regional health authority in Italy;
- "CICE" are to the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) adopted in the French Third Amended Finance Law for 2012 (*3ème loi de finances rectificative pour 2012*), No. 2012-1510, dated 29 December 2012, which is a tax credit designed to reduce the charges on employees earning a salary below a certain threshold;
- "Cinven" or "Sponsor" are to Cinven Capital Management (V) Limited Partnership, acting through its general partner Cinven Capital Management (V) General Partner Limited;
- "Cinven Funds" are to investment funds managed or advised by Cinven, in each case (whether individually or as a group) including any affiliates (but excluding any operating portfolio companies) of such funds;
- "clinical laboratory testing" are to the diagnosis and monitoring of diseases through the analysis of body fluids (e.g., blood, serum, plasma or urine);
- "CNAM" are to *Caisse Nationale d'Assurance Maladie*, the French national health insurance fund;
- "COFRAC" are to *Comité français d'accréditation*, the French accreditation body for laboratories;
- "Collateral" are to such term as defined in "*Summary—The Offerings—Collateral*";
- "Completion Date" are to the date on which the proceeds from the Offerings are released from the Escrow Accounts and the Acquisitions are completed;
- "Completion Date Collateral" are to such term as defined in "*Summary—The Offerings—Collateral*";
- "Completion Date Guarantors" are to German BidCo, French BidCo, Labco, Biopar, Labco Corporate Assistance and Labco Diagnostics España S.A. and, in respect of the Senior Notes only, the Senior Secured Notes Issuer;
- "Deep Dive" are to the workforce optimization program that Labco implemented in France during 2012 and 2013;
- "Escrow Accounts" are collectively to the Temporary Senior Secured Notes Escrow Account and the Senior Notes Escrow Accounts;
- "Escrow Agent" are to Elavon Financial Services Limited, UK Branch;
- "Escrow Longstop Date" are to December 31, 2015;
- "EU" are to the European Union;

- "euro," "euros" or "€" are to the single currency of the Member States of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time;
- "Existing Escrow Account" are to the escrow account into which the gross proceeds from the offering of the Existing Senior Secured Notes were deposited on June 17, 2015 pending consummation of the Labco Acquisition;
- "Existing Labco Credit Facility" are to the revolving credit facility available pursuant to the Existing Labco Credit Facility Agreement;
- "Existing Labco Credit Facility Agreement" are to the senior term and revolving facilities agreement, entered into on January 21, 2011, as amended on April 12, 2012 and as amended and restated on December 18, 2014, and as subsequently amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios*, Labco, certain subsidiaries of Labco and certain lenders;
- "Existing Labco Notes" are to Labco's issued and outstanding €700 million 8½% Senior Secured Notes due 2018, the full aggregate principal amount of which will be discharged upon closing of the Labco Acquisition and redeemed thereafter with the proceeds from the offering of Existing Senior Secured Notes and the release of such proceeds from the Existing Escrow Account;
- "Existing Senior Secured Notes" are to the €500 million 6.25% Senior Secured Notes due 2022 and the €300 million Senior Secured Floating Rate Notes due 2022 issued by the Senior Secured Notes Issuer on June 17, 2015 pursuant to the Senior Secured Notes Indenture;
- "Existing Synlab Credit Facility" are to the credit facilities available pursuant to the Existing Synlab Credit Facility Agreement;
- "Existing Synlab Credit Facility Agreement" are to the senior facilities agreement, entered into on January 24, 2012, as amended and restated on July 27, 2012, March 28, 2013 and January 29, 2014, and as subsequently amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios*, Synlab, certain subsidiaries of Synlab and certain lenders;
- "Financial Statements" are collectively to the Labco Financial Statements and the Synlab Financial Statements;
- "Financings" are to the Synlab Financing, the Labco Financing and the Labco Refinancing;
- "French BidCo" are to Ephios France, a *société par actions simplifiée* organized under the laws of France, a wholly owned subsidiary of the Senior Secured Notes Issuer;
- "French BidCo Loan" are to the interest-bearing loan agreement to be entered into on or about the Completion Date between French BidCo and Labco in an amount of approximately €7.6 million;
- "General Court" are to General Court of the European Union;
- "German BidCo" are to Ephios Acquisition GmbH, a *Gesellschaft mit beschränkter Haftung* organized under the laws of Germany, which will be a wholly owned subsidiary of the Senior Secured Notes Issuer;
- "German BidCo Loan" are to the interest-bearing loan agreement to be entered into on or about the Completion Date between the Senior Secured Notes Issuer and German BidCo in an amount of approximately €1,328.0 million;
- "Guarantees" are collectively to the Senior Secured Note Guarantees and the Senior Note Guarantees;
- "Guarantors" are collectively to the Labco Completion Date Guarantors, the Post-Labco Completion Date Guarantors, the Completion Date Guarantors and the Synlab Guarantors;
- "HIV" are to human immunodeficiency virus;
- "IAS 34" are to the standard of the IFRS applicable to interim financial reporting;
- "Iberia" are collectively to Spain and Portugal;
- "IFRS" are to the International Financial Reporting Standards issued by the International Accounting Standards Board and as adopted by the European Union;

- "INAMI" are to *Institut National d'Assurance Maladie-Invalidité*, the Belgian national health and disability insurance agency;
- "Indentures" are collectively to the Temporary Senior Secured Notes Indenture, the Existing Indenture and the Senior Notes Indenture;
- "Initial Purchasers" are to Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc;
- "inpatients" are to patients admitted to hospitals and for whom clinical laboratory testing services (or other diagnostic services) are performed as part of their hospital care;
- "Intercreditor Agreement" are to the intercreditor deed dated June 17, 2015 as amended from time to time, between, among others, the Senior Secured Notes Issuer, Ephios Holdco II PLC (as successor to Ephios Holdco II Limited), the other Guarantors party thereto, the Trustee, the Security Agent and certain lenders and arrangers under the Revolving Credit Facility Agreement, which is described in more detail in "*Description of Other Indebtedness—Intercreditor Agreement*";
- "iPP" are to Integrated Pathology Partnerships Limited, one of Labco's operating companies in the United Kingdom, of which Labco owns 90% of the share capital and has call options to purchase the remaining 10% of the share capital;
- "Issue Date" are to the date of the issuance of the Temporary Senior Secured Notes and the Senior Notes offered hereby;
- "Issue Date Collateral" are to such term as defined in "*Summary—The Offerings—Collateral*";
- "Italian GAAP" are to the Italian law governing the preparation of consolidated financial statements in Italy, as interpreted and integrated by the accounting principles established by the Italian Accountancy Body (*Organismo Italiano di Contabilità*);
- "Labco" and "Labco Group" are to Labco S.A., a *société anonyme* organized under the laws of France, and its consolidated subsidiaries, except where the context otherwise requires;
- "Labco Accession Date" are to such term as defined in "*Summary—The Offerings—Guarantee*";
- "Labco Acquisition" are to the acquisition by French BidCo of the Labco Securities pursuant to the Labco Acquisition Agreement;
- "Labco Acquisition Agreement" are to the share sale agreement, dated May 27, 2015, between the Labco Sellers and French BidCo for French BidCo to acquire the Labco Securities from the Labco Sellers, as amended from time to time;
- "Labco Acquisition Longstop Date" are to November 30, 2015;
- "Labco Audited Financial Statements" are to the audited historical consolidated financial statements, including the notes thereto, of Labco and its subsidiaries, prepared in accordance with IFRS, as of and for the years ended December 31, 2012, 2013 and 2014;
- "Labco Collection Centers" are to a center for collecting or taking clinical samples, most of which will be sent to a laboratory for analysis, but some of which are analyzed on-site; most of Labco's laboratories have a Labco Collection Center on-site;
- "Labco Completion Date" are to the date on which the Labco Acquisition is completed;
- "Labco Completion Date Collateral" are to such term as defined in "*Summary—The Offerings—Collateral*";
- "Labco Completion Date Guarantors" are to French BidCo, Labco, Biopar, Labco Corporate Assistance and Labco Diagnostics España S.A.;
- "Labco Financial Statements" are collectively to the Labco Audited Financial Statements and the Labco Unaudited Interim Financial Statements;
- "Labco Financing" are to such term as defined in "*Summary—The Transactions—The Synlab Financing*";

- "Labco Proceeds Loan" are to the interest-bearing loan agreement to be entered into on or about the Labco Completion Date among the Senior Secured Notes Issuer and Labco in an aggregate amount of approximately €800.0 million;
- "Labco Refinancing" are to such term as defined in "*Summary—The Transactions—The Synlab Financing*";
- "Labco Securities" are to up to 100%, but no less than 95%, of the shares of Labco;
- "Labco Sellers" are to the various sellers of the Labco Securities;
- "Labco Unaudited Interim Financial Statements" are to the unaudited historical condensed interim consolidated financial statements, including the notes thereto, of Labco and its subsidiaries, prepared in accordance with IAS 34, as of and for the three months ended March 31, 2015, which include unaudited comparative financial information for the three months ended March 31, 2014;
- "laboratory company" are to any legal entity operating one or more clinical laboratories;
- "laboratory doctor" are to a professional who is qualified to own, manage or operate a clinical laboratory and who, depending on the country in which he or she operates, may or may not be a medical doctor;
- "Law of 30 May 2013" are to the French Law of 30 May 2013 on the reorganizations of medical biology (*loi n° 2013-442 du 30 mai 2013 portant réforme de la biologie médicale*);
- "Mix Effect" are to such term as it is defined in "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Principal Factors Affecting Labco's Results of Operations—General Economic Conditions and Legal Framework*";
- "NHS" are to the UK National Health Service;
- "Notes" are collectively to the Temporary Senior Secured Notes, the Additional Senior Secured Notes and the Senior Notes;
- "Offerings" are to the Senior Secured Offering and the Senior Offering;
- "outpatients" are to patients who are not admitted to a hospital and for whom clinical laboratory testing services (or other diagnostic services) are performed during a visit to their doctor (including within a hospital) or in another context such as upon a request of an employer, an insurer or upon their own initiative;
- "Post-Labco Completion Date Collateral" are to such term as defined in "*Summary—The Offerings—Collateral*";
- "Post-Labco Completion Date Guarantors" are to Labco Italia S.r.l., the holding company that we intend to incorporate in England (such company to become a Guarantor on or prior to the later of (i) the 90th day following the Labco Completion Date and (ii) the 30th day following its incorporation), Bioalliance, Biofrance, Biopaj, Institut de Biologie Clinique, Laboratoire Bioliance, Novabio Diagnostics, Oxabio and Unibionor (which we intend to merge into or with Institut de Biologie Clinique), Laboratoire d'Analyses Médicales Roman Païs SC SPRL, Istituto il Baluardo S.p.A., CAM Centro Analisi Monza S.p.A., SDN S.p.A. and General Lab S.A.;
- "Priority Dividends" are to the priority dividends paid by certain of Labco's SELs to certain laboratory doctors who sold their laboratories to us but remained shareholders of the SEL operating such laboratories. These Priority Dividends are calculated based on the performance of the SEL in which the relevant laboratory doctor works;
- "Regulation S" are to Regulation S under the U.S. Securities Act;
- "Revolving Credit Facility" are to the revolving credit facility available pursuant to the Revolving Credit Facility Agreement;
- "Revolving Credit Facility Agreement" are to the senior revolving facilities agreement, dated as of June 17, 2015 and to be amended and restated on or about the Issue Date, as may be subsequently further amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios*, the Senior Secured Notes Issuer as initial borrower, the Security Agent and certain lenders;

- “Rule 144A” are to Rule 144A under the U.S. Securities Act;
- “Sampling Centers” are to centers that do not perform tests; samples are collected from patients then sent to routine testing laboratories, technical platforms or third parties’ laboratories where tests are carried out;
- “SDN Group” are to SDN S.p.A. and its consolidated subsidiaries, which Labco acquired on July 30, 2014;
- “SEL” are to a French company incorporated as a *société d’exercice libéral* of laboratory doctors, if it mainly operates a clinical laboratory, or of doctors, if it exclusively operates an anatomopathology testing laboratory. See “*Regulation—France*”;
- “Senior Note Guarantee” are to a guarantee by each Guarantor of the Senior Notes Issuer’s obligations under the Senior Notes Indenture and the Senior Notes;
- “Senior Notes” are to the €375 million aggregate principal amount of the Senior Notes Issuer’s 8.25% Senior Notes due 2023 offered hereby;
- “Senior Notes Collateral” are to such term as defined in “*Summary—The Offerings—Collateral*”;
- “Senior Notes Escrow Account” are to the escrow account into which the gross proceeds from the Senior Offering will be deposited on the Issue Date pending consummation of the Acquisitions;
- “Senior Notes Escrow Agreement” are to the agreement to be dated the Issue Date among the Senior Notes Issuer, the Trustee and the Escrow Agent relating to the Senior Notes Escrow Account;
- “Senior Notes Indenture” are to the indenture governing the Senior Notes as described in “*Description of the Senior Notes*”;
- “Senior Notes Issuer” or “UK HoldCo II” are to Ephios Holdco II PLC, a public limited company organized under the laws of England and Wales, the direct parent company of the Senior Secured Notes Issuer;
- “Senior Notes Proceeds Loan” are to the interest-bearing loan agreement to be entered into on or about the Completion Date among the Senior Notes Issuer and the Senior Secured Notes Issuer in an aggregate amount of approximately €375.0 million;
- “Senior Offering” are to the offering of the Senior Notes pursuant to this offering memorandum;
- “Senior Secured Fixed Rate Notes” are to the €400 million aggregate principal amount of the Senior Secured Notes Issuer’s 6.25% Senior Secured Fixed Rate Notes due 2022 offered hereby;
- “Senior Secured Floating Rate Notes” are to the €285 million aggregate principal amount of the Senior Secured Notes Issuer’s Senior Secured Floating Rate Notes due 2022 offered hereby;
- “Senior Secured Note Guarantee” are to a guarantee by each Guarantor of the Senior Secured Notes Issuer’s obligations under the Senior Secured Notes Indenture and the Senior Secured Notes;
- “Senior Secured Notes Indenture” are to the indenture governing the Senior Notes dated June 17, 2015, as described in “*Description of the Senior Secured Notes*”;
- “Senior Secured Notes Issuer” are to Ephios Bondco PLC, a public limited company organized under the laws of England and Wales, which is the direct parent company of French BidCo and will be the direct parent company of German BidCo;
- “Senior Secured Notes Issuer Share Pledge” are to such term as defined in “*Summary—The Offerings—Collateral*”;
- “Senior Secured Offering” are to the offering of the Temporary Senior Secured Notes pursuant to this offering memorandum;
- “Shared Collateral” are to the Senior Notes Collateral (other than the Senior Notes Issuer Share Pledge and the Senior Notes Receivables Assignment);
- “Synlab” and “Synlab Group” are to synlab Holding GmbH, a *Gesellschaft mit beschränkter Haftung* organized under the laws of Germany, and its consolidated subsidiaries, except where the context otherwise requires;

- “Synlab Acquisition” are to the acquisition by German BidCo of the Synlab Securities pursuant to the Synlab Acquisition Agreement;
- “Synlab Acquisition Agreement” are to the share purchase agreement, dated June 24 and 25, 2015, between the Synlab Sellers and German BidCo for German BidCo to acquire the Synlab Securities from the Synlab Sellers, as amended from time to time;
- “Synlab Audited Financial Statements” are to the audited historical consolidated financial statements, including the notes thereto, of Synlab and its subsidiaries, prepared in accordance with IFRS, as of and for the years ended December 31, 2013 and 2014;
- “Synlab Collateral” are to such term as it is defined in “*Summary—The Offerings—Collateral*”;
- “Synlab Equity Contribution” are to such term as defined in “*Summary—The Transactions—The Synlab Acquisition*”;
- “Synlab Financial Statements” are collectively to the Synlab Audited Financial Statements and the Synlab Unaudited Interim Financial Statements;
- “Synlab Financing” are to such term as defined in “*Summary—The Transactions—The Synlab Financing*”;
- “Synlab Guarantors” are to synlab Holding GmbH, synlab Services GmbH, Synlab Verwaltungs u. Beteiligungs GmbH; Steinlach-Klinik GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medzinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medzinisches Versorgungszentrum Augsburg GmbH, Medizinisches Versorgungszentrum synlab Leverkusen GmbH, synlab.vet GmbH; synlab Umweltinstitut GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, Synlab Italia S.r.l., synlab Holding Italy S.r.l., synlab Suisse SA, AMS analyses médicales services SA, synlab Holding Austria GmbH and Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H.;
- “Synlab Proceeds Loan” are to the interest-bearing loan agreement to be entered into with one or more tranches on or about the Completion Date among the Senior Secured Notes Issuer and Synlab in an aggregate amount of approximately €475.6 million;
- “Synlab Securities” are to up to 100%, but no less than 72.15%, of the shares of Synlab;
- “Synlab Sellers” are to the various sellers of the Synlab Securities;
- “Synlab Unaudited Interim Financial Statements” are to the unaudited historical condensed interim consolidated financial statements, including the notes thereto, of Synlab and its subsidiaries, prepared in accordance with IAS 34, as of and for the three months ended March 31, 2015, which include unaudited comparative financial information for the three months ended March 31, 2014;
- “Temporary Senior Secured Notes Escrow Account” are to the escrow account into which the gross proceeds from the Senior Secured Offering will be deposited on the Issue Date pending consummation of the Acquisitions;
- “Temporary Senior Secured Notes Escrow Agreement” are to the agreement to be dated the Issue Date among the Senior Secured Notes Issuer, the Trustee and the Escrow Agent relating to the Temporary Senior Secured Notes Escrow Account;
- “Temporary Senior Secured Notes Indenture” are to the indenture governing the Temporary Senior Secured Notes as described in “*Description of the Temporary Senior Secured Notes*”;
- “Test S.A.” are to Test Tailored Efficient Swiss Testing S.A., Labco’s joint venture company in Switzerland, of which Labco owns 48% of the share capital and has a call option to purchase the remaining 52% of the share capital from its joint venture partner;
- “Transactions” are to the Acquisitions and the Financings, as further described in “*Summary—The Transactions*”;
- “UK HoldCo I” are to Ephios Holdco Limited, a private limited company organized under the laws of England and Wales, the direct parent company of UK HoldCo II;

- "UK TopCo" are to Ephios Topco Limited, a private limited company organized under the laws of England and Wales, the direct parent company of UK Holdco I;
- "UNCAM" are to the French National Health Insurance Funds Union (*union nationale des caisses d'assurance maladie*);
- "United States" or "U.S." are to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
- "U.S. dollars," "dollars," "U.S.$ "or "$" are to the lawful currency of the United States;
- "U.S. Exchange Act" are to the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
- "U.S. Securities Act" are to the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and
- "we," "our" or "us" and other similar terms refer to the Issuers and their consolidated subsidiaries following completion of the Acquisitions, except where the context otherwise requires. The use of these terms is not intended to imply that the Acquisitions will be completed on certain terms or at all. See "*Risk Factors—Risks Related to the Transactions*."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Financial Statements

This offering memorandum contains:

- Unaudited *pro forma* condensed combined consolidated financial information (the "Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information") derived by the application of *pro forma* adjustments to the Synlab Unaudited Interim Financial Statements (as defined below) and the Labco Unaudited Interim Financial Statements (as defined below) included in this offering memorandum. The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information has been prepared for illustrative purposes only and does not purport to represent what the results of operations, balance sheet data or other financial information of the combined business would have been if the Transactions had occurred as of the dates indicated or what such results will be for any future periods. The *pro forma* adjustments are based on the preliminary assumptions and information available at the time of the preparation of this offering memorandum.
- The audited historical consolidated financial statements and the notes thereto of Labco and its subsidiaries, prepared in accordance with IFRS, as of and for the years ended December 31, 2012, 2013 and 2014 (the "Labco Audited Financial Statements"). The Labco Audited Financial Statements for the years ended December 31, 2013 and 2014 have been audited by Labco's statutory auditors, Deloitte & Associés and Aplitec. The Labco Audited Financial Statements for the year ended December 31, 2012 were audited by Labco's statutory auditors at that time, Deloitte & Associés and Pierre Henri Scacchi et Associés. Free English translations of their audit reports are included elsewhere in this offering memorandum, together with these audited consolidated financial statements.
- The unaudited historical interim condensed consolidated financial statements and the notes thereto of Labco and its subsidiaries, prepared in accordance with IAS 34, as of and for the three months ended March 31, 2015 (the "Labco Unaudited Interim Financial Statements" and together with the Labco Audited Financial Statements, the "Labco Financial Statements"). The Labco Unaudited Interim Financial Statements include unaudited comparable information for the three-month period ended March 31, 2014. The Labco Unaudited Interim Financial Statements have been reviewed by Labco's statutory auditors, Deloitte & Associés and Aplitec. A free English translation of their review report has been included in this offering memorandum, together with the Labco Unaudited Interim Financial Statements.
- The audited historical consolidated financial statements, including the notes thereto, of Synlab and its subsidiaries, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315(a)(1) German Commercial Code (*Handelsgesetzbuch*— "HGB"), as of and for the years ended December 31, 2013 and 2014 (the "Synlab Audited Financial Statements"). The German language consolidated financial statements of Synlab and its subsidiaries as of and for the years ended December 31, 2013 and 2014 have been audited by Synlab's statutory auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("E&Y") in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*). Free English language translations of the abovementioned German language consolidated financial statements (labeled as the "Synlab Audited Financial Statements") and the auditor's reports thereon are included elsewhere in this offering memorandum.
- The unaudited historical condensed interim consolidated financial statements, including the notes thereto, of Synlab and its subsidiaries, prepared in accordance with IAS 34, as of and for the three months ended March 31, 2015 (the "Synlab Unaudited Interim Financial Statements" and together with the Synlab Audited Financial Statements, the "Synlab Financial Statements"). The Synlab Unaudited Interim Financial Statements include unaudited comparative financial information for the three months ended March 31, 2014 and are free English-language translations of the respective unaudited German-language condensed interim consolidated financial statements.

The Senior Secured Notes Issuer was formed on March 23, 2015 to facilitate the Acquisitions. Each of UK HoldCo I and UK HoldCo II was formed on June 4, 2015. French BidCo was formed on June 21, 2012. German BidCo was formed on May 21, 2015. None of them has any business operations or material assets or liabilities other than those incurred in connection with their incorporation and the Transactions. We do not present in this offering memorandum any financial information or financial statements of the Senior Secured Notes Issuer, the Senior Notes Issuer, UK TopCo, UK HoldCo I, French BidCo or German BidCo for the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in the financial statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Critical Accounting Policies and Estimates*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab—Critical Accounting Policies and Estimates*."

In the future, we will report our financial results at the level of the Senior Secured Notes Issuer on a consolidated basis. The Senior Secured Notes Issuer will account for the Acquisitions using the acquisition method of accounting under IFRS, which will affect the comparability of the Senior Secured Notes Issuer's consolidated financial statements with the respective consolidated financial statements of Synlab and Labco contained in this offering memorandum.

The Financial Statements included in this offering memorandum have not been adjusted to reflect the impact of any changes to the income statements, balance sheets or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Acquisitions, nor have they been adjusted to reflect the impact of any changes to the balance sheets as a result of limitations on our ability to use certain net operating loss carryforwards for income tax purposes following the Acquisitions.

The Financial Statements have been prepared on the basis of a calendar year and are presented in euro. Certain numerical figures set out in this offering memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary from the actual arithmetic totals of such information.

In making an investment decision, you must rely upon your own examination of the terms of the Offerings and the financial information contained in this offering memorandum.

Presentation of Synlab Financial Information

Prior to 2014, including in the Synlab Audited Financial Statements as of and for the year ended December 31, 2013, Synlab reported certain segment information for its business operations in Estonia, Finland and Lithuania as "Baltic States." In the Synlab Audited Financial Statements as of and for the year ended December 31, 2014, following Synlab's acquisition of a laboratory in Norway, it renamed this segment "North Europe." The segment comprises Synlab's business operations in Estonia, Finland, Lithuania and Norway. See the respective Note 12 to the Synlab Audited Financial Statements.

Financial information of Synlab as of and for the year ended December 31, 2012 in this offering memorandum is generally derived from the Synlab Audited Financial Statements as of and for the year ended December 31, 2013 (which include the respective comparative financial information as of and for the year ended December 31, 2012) or from the internal accounting system of synlab Holding GmbH.

Presentation of Labco Financial Information

We expect that part of the carrying value for deferred tax assets on our balance sheet may be reduced as a result of a potential postponement of our ability to use them. Only the loss carryforwards of Labco's subsidiary in Germany will be definitively lost as a result of the Labco Acquisition, although these were not booked as deferred tax assets in the Labco Financial Statements. In addition, the application of purchase accounting could result in different carrying values for existing assets and assets we may add to our balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our financial statements could be materially different from the Financial Statements included in this offering memorandum once the adjustments are made.

On December 2, 2013, Labco sold its entire German operations to Sonic Healthcare for an aggregate consideration of €76.0 million. Labco has accounted for such operations as "discontinued operations" with effect from September 30, 2013 in its financial statements, in accordance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). As a result, in Labco's consolidated financial statements as of and for the year ended December 31, 2013, the contribution of its German operations appears separately under the line item "net profit of the period from discontinued operations" rather than under each line item where such contribution was previously recorded, and the consolidated financial information as of and for the year ended December 31, 2012 included for comparison purposes in such consolidated financial statements was restated. Labco has not restated its consolidated financial statements as of and for the year ended December 31, 2012, and such financial statements are therefore not directly comparable with its financial statements as of and for the year ended December 31, 2013.

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Due to the accounting impact of this transaction and the consolidation of the operating results of the SDN Group, Labco's results as of and for the years ended December 31, 2013 and 2014 are not directly comparable. In addition, Labco's results of operations for the three months ended March 31, 2014 do not reflect any results for the SDN Group for that period, whereas the SDN Group's results are fully consolidated in Labco's results of operations for the three months ended March 31, 2015. Labco's results of operations for the three months ended March 31, 2014 are therefore not directly comparable with its results of operations for the three months ended March 31, 2015.

Since January 1, 2015 Labco has applied IFRIC 21 (*Levies*) with impacts to its results of operations recognized retrospectively in accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*). IFRIC 21 provides guidance on recognition of a liability to pay taxes (except for income taxes). IFRIC 21 modifies existing practices for the payment of annual taxes, which, for an entity, is triggered by being in operation on a certain date or by achieving a certain level of activity. The impact of IFRIC 21 on the Labco Group is limited to the time at which it recognized a French levy known as "C3S" (*contribution sociale de solidarité des sociétés*). To improve the comparability of Labco's results of operations for the three months ended March 31, 2015, its consolidated statement of income for the comparative period of March 31, 2014 has been restated in order to reflect the impact of IFRIC 21 on the gross amount (excluding deferred tax effect of €0.1 million), which amounts to €0.4 million in other operating expenses. The application of IFRIC 21 has no impact on cash flow from operating activities as the corresponding reduction in EBITDA is offset by an increase in other current liabilities.

Labco Unaudited Consolidated Pro Forma Financial Information

Labco completed the acquisition of the SDN Group on July 30, 2014. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Principal Factors Affecting Labco's Results of Operations—Expansion of Labco's Network of Clinical Laboratories through Acquisitions and Dispositions*" and "*Business—Labco's Core Markets—Overview of Labco's Southern European Market—Italy*." The acquisition of the SDN Group has had a significant impact on Labco's financial position and results of operation and as a result its results of operations for the three months ended March 31, 2014 are not directly comparable with its results of operations for the three months ended March 31, 2015.

We have included in this offering memorandum *pro forma* financial information for Labco for the year ended December 31, 2014, which includes Labco's consolidated statement of income for the year ended December 31, 2014, giving *pro forma* effect to the acquisition of the SDN Group as if the acquisition had occurred on January 1, 2014. See "*Labco Unaudited Pro Forma Financial Information*." No *pro forma* balance sheet information is presented because the acquisition has already been reflected in Labco's consolidated statement of financial position as of March 31, 2015 presented in the Labco Unaudited Interim Financial Statements. This *pro forma* financial information has been prepared for illustrative purposes only and does not represent what Labco's results of operation would have been had the acquisition of the SDN Group occurred on January 1, 2014 nor is it indicative of Labco's results of operations or our future financial position.

This *pro forma* financial information is presented on a voluntary basis and has been prepared in accordance with the provisions of Annex II of European Regulation no. 809/2004 on prospectuses and Articles 212-7 and 222-2 of the General Regulation of the AMF and complies with recommendation No. 2013-08 of the AMF. It has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration.

The financial statements of the SDN Group, which Labco acquired in July 2014, are not included in this offering memorandum.

Other Financial Measures

To supplement the financial information presented in accordance with IFRS, this offering memorandum contains certain non-IFRS measures and ratios, including:

- EBITDA, which we define:
  - in the case of Synlab, as operating profit/loss before depreciation, amortization and impairment and income from reversal of impairments of customer lists;
  - in the case of Labco, as net profit before (i) income tax expenses, net, (ii) finance costs, (iii) depreciation, impairment losses and amortization, provisions and reversals, (iv) share profit of associates and (v) non-recurring income and expenses;
- Adjusted EBITDA, which further adjusts EBITDA for:
  - in the case of Synlab, certain other adjustments as described under footnote (1) of "*Summary—Summary Historical Consolidated Financial and Other Data of Synlab—Summary Other Financial Data*";
  - in the case of Labco, certain other adjustments as described under footnote (2) of "*Summary—Summary Historical Consolidated Financial and Other Data of Labco—Summary Other Financial Data*";
- Estimated Adjusted EBITDA, which, in the case of Synlab, we define as Adjusted EBITDA, further adjusted for (i) the estimated effect on EBITDA of the 20 acquisitions (excluding three small asset deals in Germany in 2014) that Synlab closed during the twelve months ended March 31, 2015 to estimate the full twelve-month period effect of the acquired businesses as if they had been acquired at the beginning of such twelve-month period and (ii) certain other adjustments as described under footnotes (3)(b) to (3)(h) of "*Summary—Summary Historical Consolidated Financial and Other Data of Synlab—Summary Other Financial Data*";
- Estimated *Pro Forma* Adjusted EBITDA, which in the case of Labco for the twelve months ended March 31, 2015 has been derived from Labco's Adjusted EBITDA for the same period as adjusted for (i) the full-year effect of the acquisition of the SDN Group, eight separate laboratory companies and three unincorporated clinical laboratories (the entities acquired between April 1, 2015 and June 1, 2015 (the "Q2 2015 Acquired Entities"), together with the SDN Group and the companies acquired between April 1, 2014 and March 31, 2015, the "Acquired Entities") at different dates between April 1, 2014 and June 1, 2015, (ii) the disposal of the Spanish laboratory company Sabater Pharma in July 2014 and (iii) annual estimated cost savings with respect to the Acquired Entities, as well as annual estimated cost savings expected to result from the concentration of Labco's operations in Barcelona, as if they had occurred prior to and were fully integrated by April 1, 2014;
- Estimated Total Revenue, which, in the case of Synlab, we define as revenue, adjusted for the estimated effect on revenue of the 20 acquisitions (excluding three small asset deals in Germany in 2014) Synlab closed during the twelve months ended March 31, 2015 to estimate the full twelve-month period effect of the acquired businesses as if they had been acquired at the beginning of such twelve-month period; and
- capital expenditure, which, in the case of Synlab, we define as the sum of the cash outflows from the purchase of intangible assets and purchase of property, plant and equipment and does not include the cash outflows from acquisition of subsidiaries net of cash acquired, each as set out in its consolidated cash flow statements.

For a reconciliation of Labco's Adjusted EBITDA and Estimated *Pro Forma* Adjusted EBITDA to EBITDA of the period, see "*Summary—Summary Historical Consolidated Financial Information and Other Data of Labco*." For an explanation and reconciliation of Synlab's operating profit/loss to EBITDA, EBITDA to Adjusted EBITDA, Adjusted EBITDA to Estimated Adjusted EBITDA, and revenue to Estimated Total Revenue for the periods presented, see "*Summary—Summary Historical Consolidated Financial Information and Other Data of Synlab*."

EBITDA-based measures and the related ratios are used by management as indicators of our operating performance. We are not presenting EBITDA-based measures as measures of our results of operations. EBITDA-based measures have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results of operations.

Some of these limitations are:

- EBITDA-based measures do not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if we incur more debt.
- EBITDA-based measures do not reflect the impact of income tax expense on our operating performance.
- EBITDA-based measures do not reflect the impact of depreciation of assets on our performance. The assets of our business that are being depreciated will have to be replaced in the future and such depreciation expense may approximate the cost to replace these assets in the future. By excluding this expense from EBITDA-based measures, these measures do not reflect our future cash requirements for these replacements.
- EBITDA-based measures do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments.
- EBITDA-based measures do not reflect changes in or cash requirements for our working capital needs.
- EBITDA-based measures remove the impact of exceptional items from our performance measure.

EBITDA-based measures measures as presented in this offering memorandum are not measures of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The definitions of these measures may differ from similarly titled measures used by other companies. They have not been prepared in accordance with SEC requirements, IFRS or the accounting standards of any other jurisdiction. The financial information included in this offering memorandum is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC.

In making an investment decision, investors should rely upon their own examination of the terms of the Offerings and the financial information contained in this offering memorandum.

Non-Financial Operating Data

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

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the period end, average, high and low exchange rates as published by Bloomberg (London Composite Rate), expressed as dollars per €1.00.

	U.S. dollars per €1.00			
Year	**High**	**Low**	**Average(1)**	**Period End**
2010	1.4510	1.1952	1.3211	1.3366
2011	1.4874	1.2925	1.3998	1.2960
2012	1.3463	1.2053	1.2911	1.3197
2013	1.3804	1.2772	1.3300	1.3789
2014	1.3925	1.2100	1.3209	1.2100
Month	**High**	**Low**	**Average(2)**	**Period End**
December 2014	1.2509	1.2100	1.2312	1.2100
January 2015	1.2104	1.1204	1.1630	1.1291
February 2015	1.1471	1.1195	1.1351	1.1195
March 2015	1.1201	1.0492	1.0818	1.0728
April 2015	1.1214	1.0582	1.0821	1.1214
May 2015	1.1432	1.0882	1.1160	1.0973
June 2015	1.1374	1.0919	1.1229	1.1153
July 2015 (through July 17, 2015)	1.1162	1.0830	1.1015	1.0830

(1) The average of the exchange rates for the last business day of each month during the relevant year.

(2) The average of the exchange rates for each business day during the relevant period.

The exchange rate of the euro on July 17, 2015 was U.S. $1.0830 = €1.00.

Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all. These rates may differ from the actual rates used in the preparation of other financial information appearing in this offering memorandum. Fluctuations in the exchange rate between the euro and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

SUMMARY

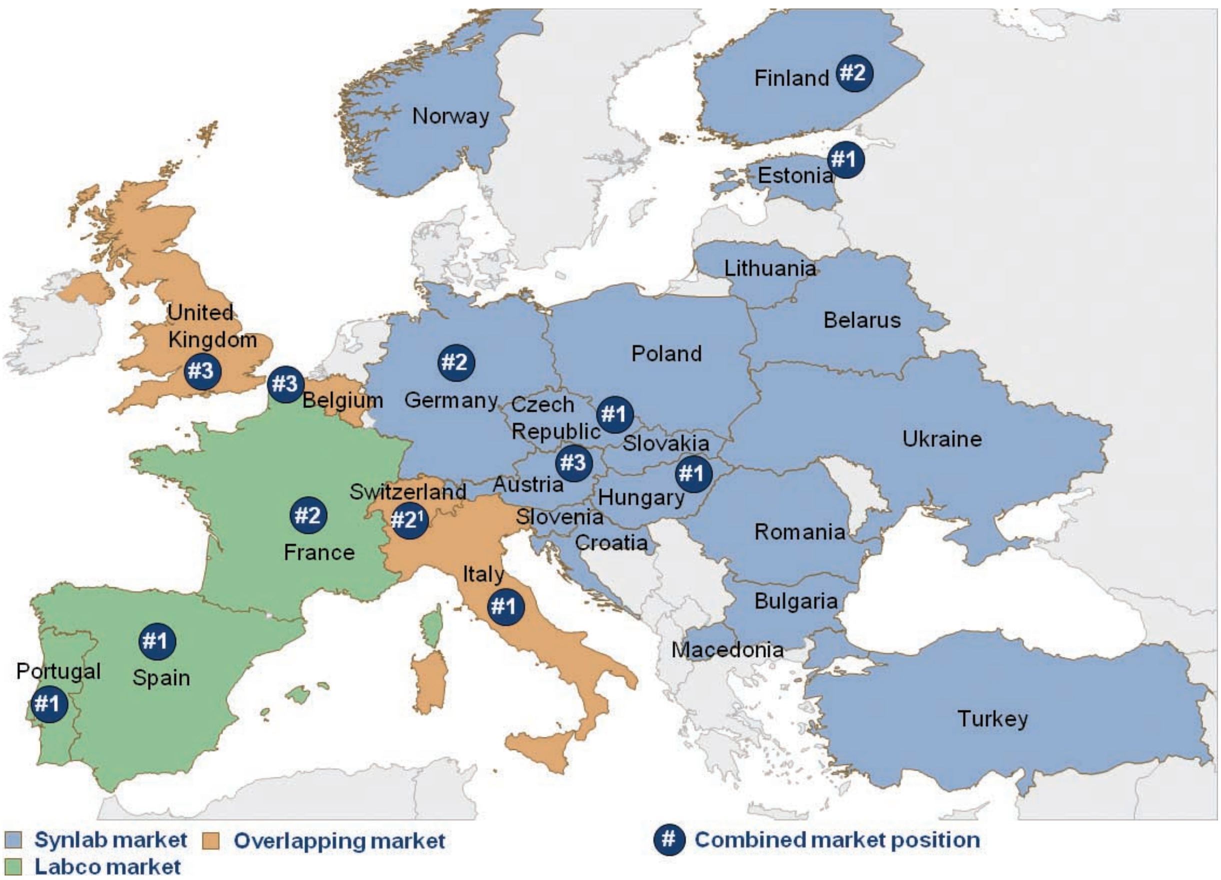
This summary highlights information from this offering memorandum. It is not complete and does not contain all the information that you should consider before investing in the Notes. You should read this offering memorandum carefully in its entirety, including the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco," "Industry" and "Business," as well as the Financial Statements included elsewhere in this offering memorandum.

Our Business

Our combined business of Synlab/Labco will be the largest European clinical laboratory services company by revenue and will benefit from a pan-European network of over 465 laboratories across 28 countries. The growing market for clinical laboratory and medical diagnostic services in Europe is driven by positive structural trends, including an aging population, increasing prevalence of chronic diseases, a growing focus on disease prevention and increasing outsourcing of clinical laboratory testing by hospitals. Significant portions of the European market remain fragmented, and both Synlab and Labco have been at the forefront of the consolidation trend in the clinical laboratory and medical diagnostic services market in Europe. Our combined market positions and the scale of our combined laboratory network will allow us to benefit from advantageous procurement conditions with our suppliers, including through group-wide pan-European framework supply agreements for reagents.

Together we believe we will be the market leader in the Czech Republic, Estonia, Hungary, Italy, Portugal and Spain, one of the top two providers of medical diagnostic services in Finland, France, Germany and Switzerland, and among the top three players in Austria, Belgium and the United Kingdom, in each case by revenue.

The pan-European presence and leading positions of our combined business in our core markets are identified in the map below.



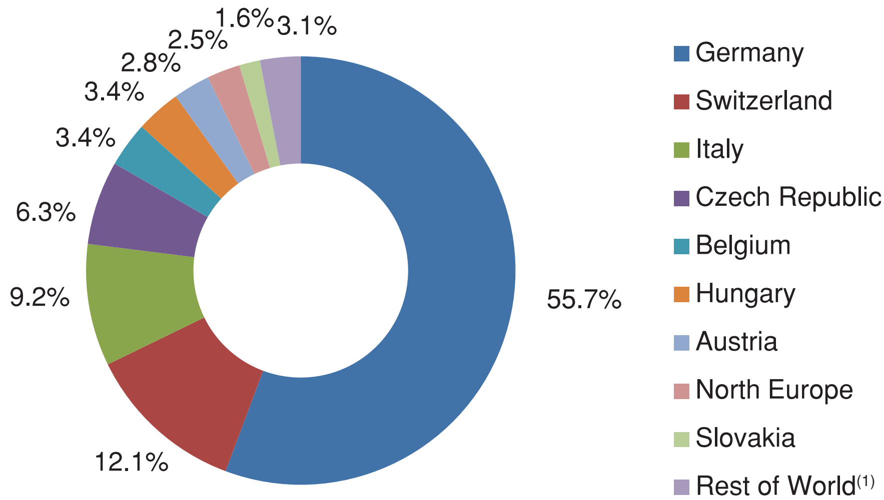
(1) Shared #2 position with medisupport.

Note: Synlab market positions are management estimates. Synlab market positions are based on 2014 revenue, and Labco market positions are based on 2013 revenue.

On a combined basis, we recorded *pro forma* Total Combined Estimated Revenue of €1,402.1 million and generated *Pro forma* Total Combined Estimated Adjusted EBITDA of €305.6 million for the twelve months ended March 31, 2015.

Overview of Synlab

The chart below provides information about Synlab's revenue to external customers for certain countries and regions for the year ended December 31, 2014.



(1) Rest of World comprises the following 11 countries: Belarus, Croatia, Cyprus, Macedonia, Poland, Romania, Slovakia, Slovenia, Turkey, the United Arab Emirates and the United Kingdom.

Synlab's business operations are characterized by a high degree of diversification across customers and payers, geographies, testing services and test parameters. Synlab's broad and diverse customer and payer base includes more than 30,000 medical practices, 700 hospitals and thousands of individuals, in addition to medical insurance companies, pharmaceutical companies and other corporate employers. Synlab's largest customer, a hospital chain operator, accounted for approximately 1% of its revenue in 2014. As of December 31, 2014, Synlab operated a network of over 300 laboratories and 285 blood collection points serving customers in 22 countries. Synlab's efficient hub-and-spoke network comprised 82 base laboratories and 208 hospital/satellite laboratories as well as 16 central hub laboratories, which perform specialty tests on samples provided from other network laboratories. Through Synlab's laboratory network, it is able to offer a full spectrum of approximately 5,000 clinical laboratory tests used by the medical profession in patient diagnosis and in the monitoring and treatment of disease. In 2014, Synlab performed approximately 240 million tests, with its top test accounting for less than 1% of its revenue.

Synlab is a trusted partner to leading healthcare, pharmaceutical and consumer goods companies, who also benefit from Synlab's introduction of approximately 50 new test parameters per year and provide it with further growth and diversification potential.

For the year ended December 31, 2014, Synlab generated revenue of €729.4 million and Adjusted EBITDA of €124.5 million. For the twelve months ended March 31, 2015, Synlab generated revenue of €736.6 million, Adjusted EBITDA of €125.2 million, Estimated Total Revenue of €744.1 million and Estimated Adjusted EBITDA of €139.1 million. As of March 31, 2015, Synlab had 8,006 full-time employees, including 654 laboratory doctors and 3,699 medical technical assistants.

Overview of Labco

The table and chart below provide information about the number of laboratories Labco owns in each of the countries in which it operates and the contribution of those markets to its revenue for the year ended December 31, 2014 after giving *pro forma* effect to the acquisition of the SDN Group in Italy.

France	
Total revenue	€342.3 million
Revenue contribution	52.7%
Number of laboratories*	64

Belgium	
Total revenue	€30.0 million
Revenue contribution	4.6%
Number of laboratories*	4

United Kingdom	
Total revenue	€27.0 million
Revenue contribution	4.2%
Number of laboratories*	6

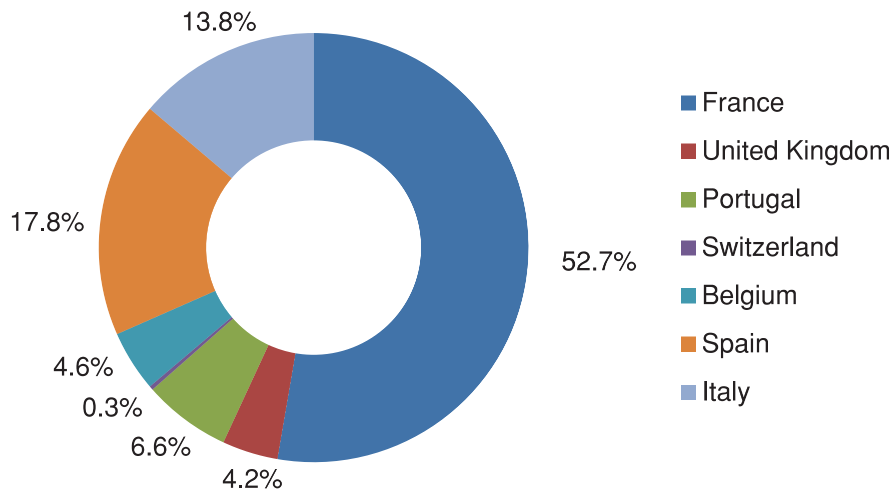
Switzerland	
Total revenue	€2.0 million
Revenue contribution	0.3%
Number of laboratories*	1

Portugal	
Total revenue	€43.1 million
Revenue contribution	6.6%
Number of laboratories*	25

Spain	
Total revenue	€115.6 million
Revenue contribution	17.8%
Number of laboratories*	56

Italy	
Total revenue	€89.5 million
Revenue contribution	13.8%
Number of laboratories*	9

* Excluding Sampling Centers.



Labco offers a wide range of analytical and diagnostic testing services, including more than 5,000 routine and specialist tests (including molecular biology and nutritional biology) in the field of clinical testing; anatomical pathology testing of both histological and cytological samples; and diagnostic imaging using medical and molecular imaging technologies. Labco also offers medically assisted reproduction services in some of its laboratories in France. As of December 31, 2014, Labco provided services through a network of approximately 165 laboratories in seven European countries and approximately 1,000 Sampling Centers. Labco also provides clinical laboratory testing services in Eastern Europe, Latin America, the Middle East and North Africa.

For the year ended December 31, 2014, Labco recorded total revenue of €615.6 million and generated EBITDA of €113.2 million. For the twelve months ended March 31, 2015, Labco recorded total revenue of €644.8 million and generated EBITDA of €119.0 million. For the twelve months ended March 31, 2015, as adjusted for the acquisition of the SDN Group, among others, Labco generated Estimated *Pro Forma* Adjusted EBITDA of €149.0 million. As of December 31, 2014, Labco had almost 6,000 employees and medical staff and more than 600 people qualified to run a clinical laboratory.

Our Competitive Strengths

We believe our business benefits from a number of competitive strengths, including:

The largest Pan-European clinical laboratory services company with a diversified exposure to countries and payers, leading positions in core European markets, and industry leading capabilities across a broad range of routine and specialty tests

We are the leading European clinical laboratory services company by revenue, benefitting from a pan-European network of clinical laboratories in 28 countries, and are one of the market leaders in each of our core European markets. As a combined business we believe we will be the market leader in the Czech Republic, Estonia, Hungary, Italy, Portugal and Spain, one of the top two providers of medical diagnostic services in Finland, France, Germany and Switzerland, and among the top three players in Austria, Belgium and the United Kingdom, in each case by revenue.

We attribute our strong market positions to the high diversification of our business across countries and payers, the size and scale of our laboratory network, our large catalogue of approximately 5,000 tests, and the high quality and reliability of our services. We believe our strong market positions help us to attract qualified specialists in the industry and remain an industry leader with respect to innovation and medical expertise, including through the introduction of approximately 50 new test parameters each year.

We believe that our leading scale has allowed us to secure strong brand name recognition, cost leadership through favourable procurement conditions and the ability to lead sector consolidation by absorbing incremental test volumes at limited additional cost. We believe that our pan-European presence diversifies our sources of income and reduces country-specific operational and regulatory risks. For example, in the year ended December 31, 2014 (as adjusted for Labco's acquisition of the SDN Group), we generated 29%, 25% and 11% of our total revenue from Germany, France and Italy, respectively, with none of the remaining 25 countries accounting for more than 10% of revenue. Our pan-European presence also enables us to apply best practices identified in some markets to our other markets. For example, we have capitalized on the expertise in hospital laboratory outsourcing developed in Spain by launching outsourcing activities in Portugal, where we now provide laboratory testing services to public hospitals in Cascais and Loures. We have also applied this expertise to our joint venture in the United Kingdom for the outsourcing of NHS laboratory testing services.

Resilient and attractive European clinical laboratory services sector, supported by strong structural growth trends

The European clinical laboratory services sector is characterized by resilient underlying growth supported by a number of strong structural trends. The sector has proven relatively resilient to economic cycles, with key geographies such as Germany and France growing 3.1% and 1.2%, respectively, from 2012 to 2014. The sector is also expected to continue benefiting from favourable demographic factors. For example, demographic factors such as an aging population, the increased frequency of long term illnesses requiring recurring tests and increased levels of disposable income tend to support greater healthcare expenditure. Testing volumes have also increased as the medical profession increasingly focuses on the prevention, early detection and treatment of chronic and severe illnesses and increasingly relies on clinical testing for more accurate diagnoses. In addition, our business benefits from the increasing trend of public healthcare providers to use private sector companies for the operation of their diagnostic services under outsourcing contracts. Moreover, technological advances allow for a considerable broadening of the scope of use of diagnostics and growing interest of individuals in the management of their own health is leading them to independently seek clinical testing.

Furthermore, many of the European countries in which we operate have regulatory and market-specific characteristics that require market knowledge, specialized testing competencies, critical size and experience such as we have developed. For example, in some of our core markets, new licenses for new laboratories or testing services are limited or not available. We believe that the amount of time required to develop integrated laboratory, logistics and referrer networks, combined with the scale, experience and regulatory expertise needed to compete effectively across multiple European countries, are key factors to our operating success.

Efficient and dense laboratory network covering a variety of patient needs supported by European centres of excellence

Our market position is enhanced by advantages in economies of scale. We operate an efficient and integrated hub-and-spoke network with over 465 laboratories, made up of central hub labs that focus on certain medical areas and deliver medical expertise as a centre of excellence for performing certain special tests, and local base and satellite labs (spoke) that are focused on highly automated routine tests with quick turnaround time.

We are focused on maximizing efficiency with respect to our laboratory operations. We use automated testing equipment and highly standardized processes in our network of laboratories, which allowed us to process approximately 400 million tests in 2014 with predominantly same day processing for routine tests and limited manual interaction to reduce lead times and risk of errors. Furthermore, our laboratory network's setup allows us to combine specialty tests from across our European network for processing in central labs and certain routine and specialty tests at regional labs, thereby allowing for higher utilization of local laboratory resources and higher output per employee.

Our 465 laboratories cover both inpatient and outpatient care, and we are well positioned to benefit from the trend of hospitals increasingly outsourcing their laboratory testing.

Combination enabling economies of scale, and enhancing the Group's ability to deliver cost reductions

The Synlab/Labco combination creates the largest (by revenue) pan-European clinical laboratory services company with 465 laboratories. Our market positions and the scale of our laboratory network will allow us to benefit from advantageous procurement conditions with our suppliers, including through group-wide pan-European framework supply agreements for reagents. Our combined size presents several opportunities to benefit from economies of scale and deliver cost reductions and synergies through integrating and optimising our laboratory operations, optimizing our procurement functions, our headquarter consolidation, and improving and harmonizing our IT platforms. We intend to take advantage of the increased size by further streamlining our laboratory operations and administrative functions to reduce operating costs and drive margin improvements. At the same time, we are also looking to obtain more favourable commercial conditions from suppliers, optimize production processes in our laboratories through the identification of best practices, rigorously monitor indicators of operating performance, improve logistical processes and centralize certain back office functions, such as treasury and finance. We believe that as a result of the combination we will be able to extract annual EBITDA synergies of €17.5 million in the next 12 months and achieve further potentially significant synergies in the near term. Both Synlab and Labco have a strong track record of executing "buy and build" strategies through the regular acquisition and integration of laboratories into their respective group operations. The achievement of synergy savings has been a key driver in the improvement of gross and operating margins in both groups in recent years and underlines the management team's ability to implement savings.

Demonstrated track record of disciplined acquisitions, integration and efficiency realizations across geographies

The diagnostic services sector in Europe remains fragmented, including in Germany, France, Spain, Switzerland, Italy, Portugal and the Czech Republic, our primary core markets. For example, we estimate that the combined Synlab/Labco business, together with the next largest competitor, will have a combined market share of approximately 7% of the €30 billion European clinical laboratory services market. These markets present opportunities for consolidation and growth.

We believe we are one of the leading consolidators in the European market and that we are well-positioned, based our current geographic footprint, to capitalize on additional opportunities in our existing geographies as well as in potential new geographies. We have a dedicated team focused on finding, evaluating and executing external growth opportunities, and have developed a structured approach to acquisitions that capitalizes on the expertise and market knowledge of our management and local laboratory doctors. Both Synlab and Labco have normally acquired small to medium sized laboratory services companies, but in the past have also made relatively larger acquisitions. Both companies have a strong track record of integrating and extracting synergies from the acquisitions that are executed.

Both Synlab and Labco have consistently expanded their laboratory networks through acquisitions. From 2012 to 2014, Synlab and Labco completed 45 and 43 acquisitions, respectively, and in the three months ended March 31, 2015, they completed eight and four acquisitions, respectively. Since March 31, 2015, Synlab and Labco have entered into sale and purchase agreements in respect of four acquisitions each, all of which are expected to close in 2015. In addition, we entered into a certain number of letters of intent for further targets to be acquired, which may lead to sale and purchase agreements in the course of this year.

As a large laboratory services company offering an attractive established network, we believe we are well-positioned to take advantage of future consolidation opportunities in the European market at attractive prices, including with respect to more significant transactions. Post acquisition, we generally implement cost reduction initiatives aimed at increasing the profitability of the clinical laboratories we acquire through economies of scale and the sharing of best practices across our network.

Strong combined financial profile and high cash conversion

From 2012 to 2014, Synlab's and Labco's revenue grew at compound annual growth rates of 10.2% and 9.4%, respectively, underpinned by organic growth and acquisitions in core markets. For 2014, Synlab's Adjusted EBITDA margin was 17.1% and Labco's EBITDA margin was 18.5%. The results were supported by each company's standalone economies of scale and relatively low maintenance capital expenditure, which also resulted in a relatively high rate of cash conversion for both companies on a standalone basis. In recent years, both Synlab and Labco have separately implemented a number of initiatives to identify cost savings by optimizing supply contract terms, logistics operations and IT systems. The identified additional operational efficiency and cost saving initiatives for the combined company will allow us to reduce our combined cost base and improve our cash flow generation and financial performance. We believe that as a result of the combination we will be able to extract annual EBITDA synergies of €17.5 million in the next twelve months and achieve further potentially significant synergies in the near-term. For the twelve months ended March 31, 2015, the *Pro forma* Total Combined Estimated Adjusted EBITDA of our combined business was €305.6 million and combined capital expenditure was a total of €63.0 million.

Highly experienced management team at group and local levels, supported by a committed financial sponsor shareholder

The combined company will be led by Dr. Bartl Wimmer, who will serve as our chief executive officer, with Philippe Charrier as Executive Chairman. They will be supported by our experienced group senior management team in the implementation of our strategies. In addition, we benefit from strong country management teams, who provide invaluable knowledge and experience in navigating local regulatory requirements and acquiring and integrating new laboratories. The senior management of Synlab and Labco have demonstrated an ability to grow each of our businesses and integrate acquisitions to create pan-European providers of clinical laboratory and medical diagnostics services. We believe the industry knowledge and leadership of our senior and country management teams, combined with their long-term experience, provide us with a significant competitive advantage. We also expect to benefit from Cinven's strong expertise in the healthcare sector. In recent years, funds advised by Cinven have made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in medical devices, healthcare services and life sciences/biotechnology sectors, such as AMCo, Phadia, Sebia, Spire, Avecia and CeramTec.

Our Strategy

As a combined group, we intend to grow our business and maintain our position as the leading provider of clinical laboratory services in Europe by pursuing the following strategies.

Drive organic volume growth by expanding our service offering, strengthening our network and by creating a strong brand identity across Europe

We aim to capitalize on our medical expertise, the trend of greater outsourcing by hospitals as well as scientific and technological advances to drive further growth. Synlab and Labco each have leading positions in certain geographical areas of operation. We aim to create a fully integrated pan-European business with strong brand recognition and reputation. We plan to leverage such reputation and our customer-facing logistics services to attract new customers, particularly doctors and other primary prescribers of our tests.

At the same time, we plan to offer a greater number of specialty tests in order to provide a broader service offering across our network. This can be achieved by identifying and introducing tests in various geographies that are currently only provided by Labco or by Synlab, but not by both, and therefore create a consistent and increased pan-European products and services offering.

We also plan to enhance our quality standards across Europe by replicating the strength of our platforms in key geographies such as Germany, France, Italy and Spain in our other markets which we intend to develop, and drawing on best practices from each country in which we operate.

As we expand our service offering and strengthen our network, we also aim to create a strong brand identity as a Pan-European business providing a broad range of tests. We intend to develop our offerings in all segments of the diagnostics sector, including the growing out-of-pocket self-funded segment, and to accelerate our targeting of large national and international contracts with hospitals, clinics, retirement homes and medical care establishments, particularly for subcontracting and outsourcing.

Establish European centres of excellence to be at the forefront of innovation and continue to develop our distinctive know-how

We plan to further establish our European centres of excellence by continuously strengthening our network through new investments in both technologies and scientists. We refer to Labco's speciality platforms and Synlab's central laboratories as our European centres of excellence which have the ability to perform specialty tests. We are also committed to continuously developing our medical expertise through further improving our track record of innovation. Our increased scale will position us well to further improving our ability to innovate and introduce new tests to all of our markets. In recent years, we have successfully introduced innovative new tests, such as tests for the non-invasive prenatal detection of Down's syndrome in fetuses, the detection of markers for colon cancer without the need for a colonoscopy, genetic tests to evaluate the risk of developing breast or ovarian cancer and cystic fibrosis and the identification of MRSA and other pathogenic germs.

Be private and public hospitals' partner of choice for the outsourcing and subcontracting of their diagnostics activities

As healthcare systems are coming under significant budgetary pressure in some of Synlab's and Labco's core markets, public and private hospital organizations and other healthcare providers are looking at opportunities to improve their productivity and medical quality of service by handing over their inefficient and sub-scale laboratory activities to diagnostics experts. Synlab and Labco are already providing the full spectrum of subcontracting activities, ranging from basic facilities management to full outsourcing with the transfer of entire teams, in Spain, Germany, Switzerland, Czech Republic and the UK and to a lesser extent France, Estonia, Finland and Portugal. All markets are not at the same level of maturity but the trend is expected to further accelerate across Europe. We recently entered the outsourcing and subcontracting space in Italy and Romania. We will be well positioned to tackle this fast growing opportunity by the sharing of best practices, the harmonization of equipment and IT systems and the optimized reorganization of human resources. Going forward we intend to pursue such opportunities in new geographies.

Pursue growth opportunities through selective acquisitions in our current geographies and in new geographies

We believe we are one of the leading consolidators of clinical laboratories in Europe and we intend to grow our share of the fragmented European clinical laboratory services sector by pursuing an acquisition strategy focused on generating synergies between our platforms, improving the territorial coverage of our network and increasing our technological capacity. In regions where we already have a presence, our expansion strategy will focus on pursuing acquisitions which are accretive to our local networks and generate synergies through economies of scale. To improve our territorial coverage, we intend to pursue acquisitions of platforms within our current geographies that increase the extent of our regional networks and outside our current geographies that expand our footprint and further enhance our position across Europe, in each case by continuing to acquire companies that complement the network.

Focus on leverage of the combined business's scale, capabilities and supplier relationships to drive operating efficiencies and growth in our cash flow

We will take advantage of the significant economies of scale provided by our combined network to streamline our laboratory operations and administrative functions while enhancing our service offering. In doing so, we aim to reduce our combined operating costs through operational efficiency improvements across the network. We also aim to leverage our combined size to optimize procurement contracts with suppliers at lower costs. Additionally, we believe there is significant scope to optimize production processes in our laboratories by identifying best practices, rigorously monitoring indicators of operating performance, improving logistical processes and centralizing certain back office functions, such as treasury and finance. We also expect greater investment in our information technology systems to enhance our electronic service offering which will comprise the further harmonisation of our laboratory information systems and the implementation of online prescriptions for referrers and the transmittal of results online or via mobile devices, as well as the promotion of teleradiology and telepathology as further improvements in efficiency in these diagnostic areas.

We believe that a broader electronic service offering will be a key driver of our organic growth. We believe that the implementation of the above mentioned steps can provide significant synergies to the combined group and thereby contribute to increased cash flow of the combined group.

Maintain highest standards of quality, ethics and reliability

We are committed to a strategy of medical expertise and scientific leadership based on the highest standards of quality, ethics and reliability. We will continue to focus on providing customers with accurate test results with the highest possible medical precision, the shortest possible turnaround time and target a zero analysis error rate. We also intend to further develop our medical expertise by ensuring that all our laboratories continue to be fully-accredited at the highest European standards and by maintaining our industry leadership in self-regulation and participation on pan-European scientific committees, such as ÄQL (Ärztliches Qualitätslabor e.V.) in Germany. Furthermore, we will continue to invest in adjacent and specialty segments with strong growth potential, including environmental laboratories services and veterinary diagnostics as well as genetic and anatomopathology testing. Such investments will complement our innovation capabilities related to new test parameters and other new technologies to maintain our medical and scientific leadership position.

The Transactions

The Synlab Acquisition

On June 24 and 25, 2015, Ephios Acquisition GmbH, as purchaser ("German BidCo"), and SL Lux Investment S.C.A., as seller (the "Synlab Seller"), entered into the Synlab Acquisition Agreement regarding the acquisition (the "Synlab Acquisition") of the outstanding shares in synlab Holding GmbH ("Synlab"). Under the terms of the Synlab Acquisition Agreement, German BidCo will acquire at least 72.15% of the issued and outstanding capital stock of Synlab as of the consummation of the Synlab Acquisition (the "Completion Date"). In addition, German BidCo and the Synlab Seller have offered the remaining shareholders of Synlab to accede to the Synlab Acquisition Agreement thereby selling some or all of their shares to German BidCo or, in some cases, to contribute some of their shares into German BidCo as part of a capital increase in kind of German BidCo simultaneously with or immediately following the Completion Date. In accordance with the articles of association of Synlab, the Synlab Seller issued a drag (and tag) notice to all minority shareholders of Synlab pursuant to which the minority shareholders are required (and entitled) to sell and transfer their shares in Synlab to German BidCo. If German BidCo does not acquire all of the shares in Synlab on the closing of the Synlab Acquisition despite this mechanism, there is likely to be a delay of credit support, in particular the granting of security, by Synlab and its subsidiaries for as long as there are minority shareholders opposing the credit support. To mitigate this result, German BidCo may, after a conversion of Synlab into a stock corporation (*Aktiengesellschaft*), initiate proceedings to squeeze-out minority shareholders who hold a maximum of 5% of the shares (or 10% in case of a so called merger squeeze-out, which would require German BidCo to be converted into a stock corporation as well) against a compensation in cash. Both the conversion and the subsequent squeeze-out would become effective after registration with the commercial register (*Handelsregister*), which would be delayed in the case of minority shareholder litigation against the corresponding resolutions. In such event, German BidCo may initiate fast track proceedings (*Freigabeverfahren*) in order to effect the required registrations. The timing and outcome of such fast track proceedings cannot be predicted, in particular due to the combination of a conversion and a squeeze-out. The amount of the cash compensation offered in connection with the conversion and granted in connection with the squeeze-out could be challenged by minority shareholders in separate court appraisal proceedings (*Spruchverfahren*). See "*Risk Factors—Risks Related to the Transactions—The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco.*"

As of July 22, 2015, approximately 91.3% of the total outstanding shares of Synlab have been committed to be sold or contributed to German Bidco and we have received confirmation for all of the remaining shareholders that they will accede or are in the process of acceding to the Synlab Acquisition Agreement. We expect all of the remaining shareholders to accede prior to the Completion Date. The consummation of the Synlab Acquisition pursuant to the Synlab Acquisition Agreement will be subject to (a) merger control clearances by the EU Commission and the Swiss Competition Commission and (b) no-existence of enforceable judgment(s), preliminary or permanent injunction(s), order(s) or decree(s) by any governmental authority prohibiting the consummation of the transaction by the Synlab Seller. If the Synlab Acquisition is not consummated by December 15, 2015, the Synlab Acquisition Agreement may be terminated by German BidCo and/or the Synlab Seller (with effect for all acceding minority shareholders). In connection with obtaining approvals of the applicable competition authorities, we may agree to divest certain of our assets or operations. We currently do not expect that we will be required to divest assets or operations that generate a significant portion of our revenues. Please see "*Risk Factors—Risks Related to the Transactions*."

Pursuant to the Synlab Acquisition Agreement, German BidCo will acquire the capital stock of Synlab for €1,225.0 million adjusted for the number shares actually sold/contributed pursuant to the above described drag/tag/contribution mechanism (and subject to the treasury shares held by Synlab) (the "Purchase Price"), subject to certain purchase price adjustments. For purposes of this offering memorandum, we have estimated the Purchase Price to be €1,225.0 million. The Purchase Price bears interest in the amount of €150,000 per calendar day from (and including) January 1, 2015 until (but excluding) the Completion Date. Should the Completion Date be after September 30, 2015, the Purchase Price bears interest in the amount of €150,000 per calendar day from (and including) January 1, 2015 until (and including) September 30, 2015 and €165,000 per calendar day from (and including) October 1, 2015 until (but excluding) the Completion Date. In addition, the Purchase Price will be reduced by the amount of any dividends or similar payments, asset transfers or certain other transfers of value from the Synlab Group to the Synlab Seller that occur prior to the Completion Date that are not permitted under the Synlab Acquisition Agreement and certain payments to employees or directors or finding fee arrangements triggered as a result of the Synlab Acquisition but in some cases subject to a *de minimis* amount of €250,000.

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

The Synlab Financing

The total aggregate financial resources required in order to consummate the Synlab Acquisition, to repay the Existing Synlab Credit Facility, to pay related fees and expenses and to use for general corporate purposes are expected to be €1,793.5 million and are expected to be financed (the "Synlab Financing") with the following cash resources:

- the Cinven Funds will make a contribution of approximately €743.5 million directly to UK TopCo through a combination of ordinary shares and preferred shares which will, indirectly through UK HoldCo I and the Senior Notes Issuer (through ordinary equity subscriptions), be contributed to the Senior Secured Notes Issuer (collectively, the "Synlab Equity Contribution"); and
- the Senior Notes Issuer will issue the Senior Notes offered hereby in the aggregate principal amount of €375.0 million and will use the proceeds to make an interest bearing loan to the Senior Secured Notes Issuer in an amount of approximately €375.0 million (the "Senior Notes Proceeds Loan");
- the Senior Secured Notes Issuer will issue the Temporary Senior Secured Notes offered hereby in the aggregate principal amount of €685.0 million and will use the proceeds, together with the €375.0 million proceeds from the Senior Notes Proceeds Loan and the €743.5 million proceeds from the Synlab Equity Contribution, to (i) make an interest-bearing loan or loans to Synlab in an amount of approximately €475.6 million (the "Synlab Proceeds Loan") and (ii) make an interest bearing loan to German BidCo in an amount of approximately €1,328.0 million (the "German BidCo Loan"); and

- German BidCo will use the proceeds from the German BidCo Loan, to: (i) fund the Purchase Price for the Synlab Acquisition and (ii) pay related transaction fees and expenses that are expected to be approximately €62 million.
- Synlab will use the proceeds received under the Synlab Proceeds Loan, together with cash on hand, to (i) repay the Existing Synlab Credit Facility and (ii) for general corporate purposes.

In connection with the Offerings, on or about the Issue Date, the Senior Secured Issuer will enter into an amendment and restatement agreement with respect to the Revolving Credit Facility Agreement which will, amongst other things and subject to completion of both Acquisitions, increase the available commitments thereunder to €250.0 million.

See "*Use of Proceeds*," "*Capitalization*," "*Description of Other Indebtedness,*" "*Description of the Temporary Senior Secured Notes*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

The Labco Acquisition

On May 27, 2015, French BidCo entered into the Labco Acquisition Agreement to acquire up to 100% of the share capital and voting rights of Labco from the Labco Sellers and at least 75% of the full ownership of the share capital and voting rights of Labco, failing which French BidCo will have the ability to terminate the Labco Acquisition Agreement. The Labco Sellers who signed the Labco Acquisition Agreement on May 27, 2015, represented more than 95% of the share capital and voting rights of Labco to be sold to French BidCo under the Labco Acquisition Agreement. In accordance with the Labco Acquisition Agreement, French BidCo has requested that the Labco Sellers of Labco's B and C shares who signed the Labco Acquisition Agreement exercise their drag-along rights (the "Labco Squeeze-Out") in respect of any shareholder of Labco that refuses to sell its securities in Labco to French BidCo. The Labco Squeeze-Out process was launched on June 10, 2015. There is no assurance, however, that the Labco Squeeze-Out will be completed. The proceeds of the offering of Existing Senior Secured Notes will be released, subject to certain conditions, as long as French BidCo holds 95% of the entire share capital of Labco upon completion of the Labco Acquisition. The consummation of the Labco Acquisition pursuant to the Labco Acquisition Agreement is subject to the satisfaction of certain conditions, including clearance by the European Commission and the performance of certain closing actions. On July 7, 2015, the French Ministry of Economy confirmed that no prior investment authorization under foreign investment control in France is required to complete the Labco Acquisition. If clearance by the European Commission is not obtained on or prior to the Labco Acquisition Longstop Date, the Labco Acquisition Agreement will terminate automatically.

The Labco Financing

The total aggregate financial resources required in order to consummate the Labco Acquisition and to repay Labco's existing debt (including redemption premiums and fees and expenses in connection with the refinancing) are expected to be €1,290.3 million.

Existing Labco Notes Refinancing

On June 17, 2015, the Senior Secured Notes Issuer completed the offering of the Existing Senior Secured Notes in an aggregate principal amount of €800.0 million. The proceeds of the offering were deposited into the Existing Escrow Account and, upon completion of the Labco Acquisition (subject to certain other conditions), will be released and used to make the Labco Proceeds Loan to Labco to (i) redeem all of Labco's issued and outstanding €700.0 million 8½% Senior Secured Notes due 2018 (the "Existing Labco Notes"); (ii) pay a redemption premium in respect of the Existing Labco Notes and all accrued but unpaid interest thereon; (iii) repay €56.0 million of indebtedness under the Existing Labco Credit Facility and all accrued but unpaid interest thereon; and (iv) pay transaction fees and expenses relating to the refinancing of the Existing Labco Notes and Existing Labco Credit Facility, which are expected to be approximately €11.6 million (the "Labco Refinancing"). On July 13, 2015, Labco gave notice to the holders of the Existing Labco Notes that all outstanding Existing Labco Notes are expected to be redeemed following the satisfaction of certain conditions on August 12, 2015. See "*—Recent Developments—Redemption Notice to Holders of Existing Labco Notes*."

Labco Acquisition Financing

The total aggregate financial resources required in order to consummate the Labco Acquisition are expected to be €490.3 million and are expected to be financed (the "Labco Financing") with the following cash resources:

- the Cinven Funds will make a contribution of approximately €438.7 million directly to UK TopCo through a combination of ordinary shares and preferred shares which will, indirectly through UK HoldCo I, the Senior Notes Issuer and the Senior Secured Notes Issuer (through ordinary equity subscriptions), be contributed to French BidCo (collectively, the "Labco Equity Contribution");
- French BidCo will use the proceeds from the Labco Equity Contribution, together with the €51.6 million proceeds it receives from drawings under the Revolving Credit Facility on the Completion Date (the "Labco Financing Drawdown"), to: (i) fund the purchase price for the Labco Acquisition; (ii) make a non-interest bearing loan to Labco in an amount of approximately €7.6 million (the "French BidCo Loan"); and (iii) pay transaction fees and expenses relating to the Labco Acquisition that are expected to be approximately €27.2 million; and

Labco will use the proceeds received under the French BidCo Loan to acquire certain warrants in the Labco Group. As of the Labco Completion Date, whether or not the Synlab Completion Date has not occurred, the Revolving Credit Facility Agreement will provide for a Revolving Credit Facility in the amount of €140.0 million that is available for the Senior Secured Notes Issuer, French BidCo and the Labco Group to utilize to finance or refinance the general corporate and working capital needs of the combined business or to fund acquisitions. We currently expect that the Labco Financing Drawdown will be the only drawings under the Revolving Credit Facility as of the Labco Completion Date. French BidCo intends to repay that facility shortly after the Labco Completion Date. We may draw on the Revolving Credit Facility again on or shortly after the Labco Completion Date, however, in order to fund acquisitions or to meet the ordinary course treasury and cash management requirements of the Labco Group.

Escrow Accounts

Pending the consummation of the Synlab Acquisition, the Initial Purchasers will deposit the gross proceeds from the Senior Secured Offering into the Temporary Senior Secured Notes Escrow Account and the gross proceeds from the Senior Offering into the Senior Notes Escrow Account. The Temporary Senior Secured Notes Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Temporary Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Senior Notes. The release of the escrowed proceeds are subject to the satisfaction of certain conditions, including the consummation of both the Synlab Acquisition and the Labco Acquisition. If both Acquisitions are not consummated on or prior to the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price, with respect to the Temporary Senior Secured Notes, will be a price equal to 100% of the aggregate issue price of the Temporary Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to but not including the date of special mandatory redemption, and, with respect to the Senior Notes will be a price equal to 100% of the aggregate issue price of the Senior Notes plus accrued and unpaid interest and additional amounts, if any, to but not including the date of special mandatory redemption. In the event that escrowed proceeds are insufficient to pay the special mandatory redemption price, plus accrued and unpaid interest and additional amounts, if any, Cinven will be required to make an equity contribution to the relevant Issuer in an amount required to enable each such Issuer to pay such accrued and unpaid interest and additional amounts, if any, owing to the holders of the relevant Notes, pursuant to an agreement between Cinven and the Issuer. See "*Description of the Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*," "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow agreements are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

Sources and Uses of Funds for the Transactions

We estimate that the gross proceeds from the sale of the Notes will be €1,050 million. We intend to use the proceeds from the Synlab Equity Contribution and the Offerings to (i) fund the purchase price for the Synlab Acquisition; (ii) repay the Existing Synlab Credit Facility; (iii) pay related transaction fees and (iv) for general corporate purposes.

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below, assuming that the Acquisitions complete and the Existing Synlab Credit Facility is paid in full on September 30, 2015. Actual amounts will vary from estimated amounts depending on several factors, including accrued interest on debt being repaid, differences from our estimates of fees and expenses associated with the Transactions and the actual Completion Date. Any changes in these amounts may affect the amount of the Synlab Equity Contribution.

Sources of Funds	Amount (€ millions)	Uses of Funds	Amount (€ millions)
Synlab Equity Contribution(1)	743.5	Purchase price for the Synlab Acquisition(4)	1,266.0
Proceeds from the Temporary Senior Secured Notes(2)	678.2	Repayment of Existing Synlab Credit Facility Agreement(5)(7)	455.5
Proceeds from the Senior Notes(3)	375.0	Transaction fees and expenses(6)	62.0
		Cash to balance sheet(7)	13.2
Total Sources	**1,796.7**	**Total Uses**	**1,796.7**

(1) Represents the indirect cash investment expected to be made by the Cinven Funds, which will be contributed through intermediate holdings companies to German BidCo.

(2) Represents the expected gross proceeds to be received from the issuance of the Temporary Senior Secured Notes.

(3) Represents the expected gross proceeds to be received the issuance of the Senior Notes.

(4) Represents the expected total cash consideration payable to the Synlab Sellers for the Synlab Acquisition. This amount assumes completion of the Synlab Acquisition on September 30, 2015 and the estimated payment of per diem interest in the total amount of €41.0 million through the assumed completion of the Synlab Acquisition on such date. This estimate is not an indication that the Synlab Acquisition will be completed on that date, at that price or at all. See "*Summary—The Transactions—The Synlab Acquisition*."

(5) Represents the full repayment of amounts due under the Existing Synlab Credit Facility Agreement based on the expected balance as of the assumed completion of the Synlab Acquisition on September 30, 2015, net of estimated cash and cash equivalents of approximately €110.0 million as of the same date, which estimate reflects payment of accrued interest to such date in the amount of €6.5 million with cash on hand. As of June 30, 2015, borrowings in a gross aggregate principal amount of €564.8 million were outstanding under the Existing Synlab Credit Facility Agreement in addition to €0.7 million of drawings under a local credit facility in Austria. We do not expect to make any scheduled installment payments under the Existing Synlab Credit Facility Agreement prior to the assumed completion of the Synlab Acquisition on September 30, 2015. This estimate is not an indication that the Synlab Acquisition will be completed on that date, at that price or at all. See "*Summary—The Transactions—The Synlab Acquisition—The Synlab Financing*."

(6) Represents estimated fees and expenses associated with the Synlab Acquisition, including underwriting fees and commisions, contingency for fee over-runs and other estimated transaction costs.

(7) Represents an estimated €110 million of cash and cash equivalents on balance sheet as of the assumed completion of the Synlab Acquisition on September 30, 2015, which reflects cash outflows relating to acquisitions signed and completed by June 30, 2015 and payment of accrued interest in the amount of €6.5 million under the Existing Synlab Credit Facility. To the extent any cash requirements should arise to fund additional acquisitions and after accrued and unpaid interest to such date, this amount may change and an amount may be drawn under the Revolving Credit Facility to finance the Synlab Financing.

Our Sponsor

Cinven is a leading private equity provider for large European buyouts, having led transactions totaling in excess of €70 billion. Since 1996, Cinven has completed more than 50 buyouts with an enterprise value per transaction of more than €500 million in ten countries across Europe. Cinven focuses on the following six sectors across Europe: business services, consumer, financial services, healthcare, industrials and technology, media and telecommunications (TMT), and has offices in Guernsey, London, Frankfurt, Paris, Madrid, Milan, Luxembourg, New York and Hong Kong.

Cinven has a long and successful track record of investing in the healthcare sector, particularly in healthcare services and the diagnostics value chain. Successful past and present investments include Spire Healthcare and General Healthcare Group in the United Kingdom; Générale de Santé and Sebia in France; and Phadia in Sweden. Cinven's most recent investments include: AMCo in the United Kingdom (today one of Europe's leading generic pharmaceutical companies with sales in 100 countries worldwide), which was created in 2012 through the merger of Mercury Pharma and Amdipharm; CeramTec in

Germany (a global leader in components for orthopedic implants); and Medpace in the United States (a global contract research organization).

Cinven has extensive experience in diagnostics, including through successful investments in Phadia (the Swedish allergy and autoimmunity diagnostics business) and Sebia (the French provider of clinical electrophoresis equipment and reagents, specializing in multiple myeloma and diabetes diagnostics).

The Issuers

The Senior Secured Notes Issuer is a public limited company formed on March 23, 2015 as a private limited company under the laws of England and Wales with registered number 9503922. The Senior Secured Notes Issuer re-registered as a public limited company on June 8, 2015. The Senior Secured Notes Issuer's principal business address is 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE.

The Senior Notes Issuer is a public limited company formed on June 4, 2015 as a private limited company under the laws of England and Wales with registered number 9624069. The Senior Notes Issuer re-registered as a public limited company on July 17, 2015. The Senior Notes Issuer's principal business address is 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE.

Recent Developments

Redemption Notice to Holders of Existing Labco Notes

On July 13, 2015, Labco gave notice to the holders of the Existing Labco Notes that all outstanding Existing Labco Notes will be redeemed on August 12, 2015 (the "Existing Labco Notes Redemption Date"). The redemption of the Existing Labco Notes is conditional upon (i) closing of the Labco Acquisition on or prior to the Existing Labco Notes Redemption Date; (ii) concurrently with the closing of the Labco Acquisition, the release of the proceeds held in the Existing Escrow Account; (iii) receipt by the paying agent of sufficient funds from the proceeds held in the Existing Escrow Account to pay the redemption amount payable to the holders of the Existing Labco Notes on or before the Redemption Date and (iv) obtaining all required corporate approvals on or prior to the Existing Labco Notes Redemption Date. Accordingly, none of the Existing Labco Notes shall be deemed due and payable on the Redemption Date unless and until the conditions set forth above are satisfied or waived by Labco. In the event that, in Labco's reasonable belief, completion of the Labco Acquisition and release of Escrow Proceeds will occur at least 30 days, but not more than 60 days, after July 13, 2015, Labco may postpone the Redemption Date to a date which is not less than 30 days, but not more than 60 days, after July 13, 2015; *provided that* the Redemption Date shall not be later than 30 days after the completion of the Labco Acquisition.

Recent Acquisitions

Synlab

On May 1, 2015, Synlab completed the acquisition of the environmental laboratory of Kiwa GmbH, Berlin for a purchase price of €1.2 million.

On May 6, 2015, Synlab acquired 75% of the shares of Medven Africa Limited ("Medven") for a purchase price of €1.6 million with a call option for Synlab to acquire the outstanding shares in Medven and a put option of the other shareholder to purchase the remaining shares in Medven as well as drag and tag along rights regarding the outstanding shares in Medven. In addition to the fixed purchase price, an earnout of up to €0.5 million is payable in 2016. Medven is the parent company of Medlab Ghana Ltd and Medical Imaging Ghana Ltd. Medven provides laboratory analysis and radiology services in and around its Accra, Ghana headquarters.

On May 7, 2015, Synlab completed the first of three scheduled closings for the acquisition of Medical Group Romgermed, a provider of laboratory services in Romania. Synlab acquired CMI Dr. Iacobescu C. Anca S.R.L., CMI Dr Marinescu Dana Mihaela S.R.L., Medsense Servicii Medicale S.R.L., Romgervet S.R.L. and Zostalab S.R.L. for a purchase price of €6.3 million. The remaining payments of €7.8 million and €5.9 million are expected to be made in connection with subsequent closings in the third and fourth quarters of 2015, respectively.

Labco

On May 22, 2015, Labco completed the bolt-on acquisitions of (i) Unibionor, a French laboratory company offering routine clinical testing in various locations in the area of Lille, France, and (ii) Unibio, its holding company. Labco's subsidiary Institut de Biologie Clinique now owns, directly and indirectly, substantially all the share capital of Unibionor, while certain laboratory doctors operating in this company hold the remainder of the shares and will receive shares in Institut de Biologie Clinique in exchange for their Unibionor shares once the entities are legally merged. The aggregate purchase price for this acquisition was approximately €45 million.

On May 27, 2015, Labco completed the bolt-on acquisition of Laboratoire Patrick Benoit by its subsidiary Bioalliance for an aggregate purchase price of approximately €1.9 million.

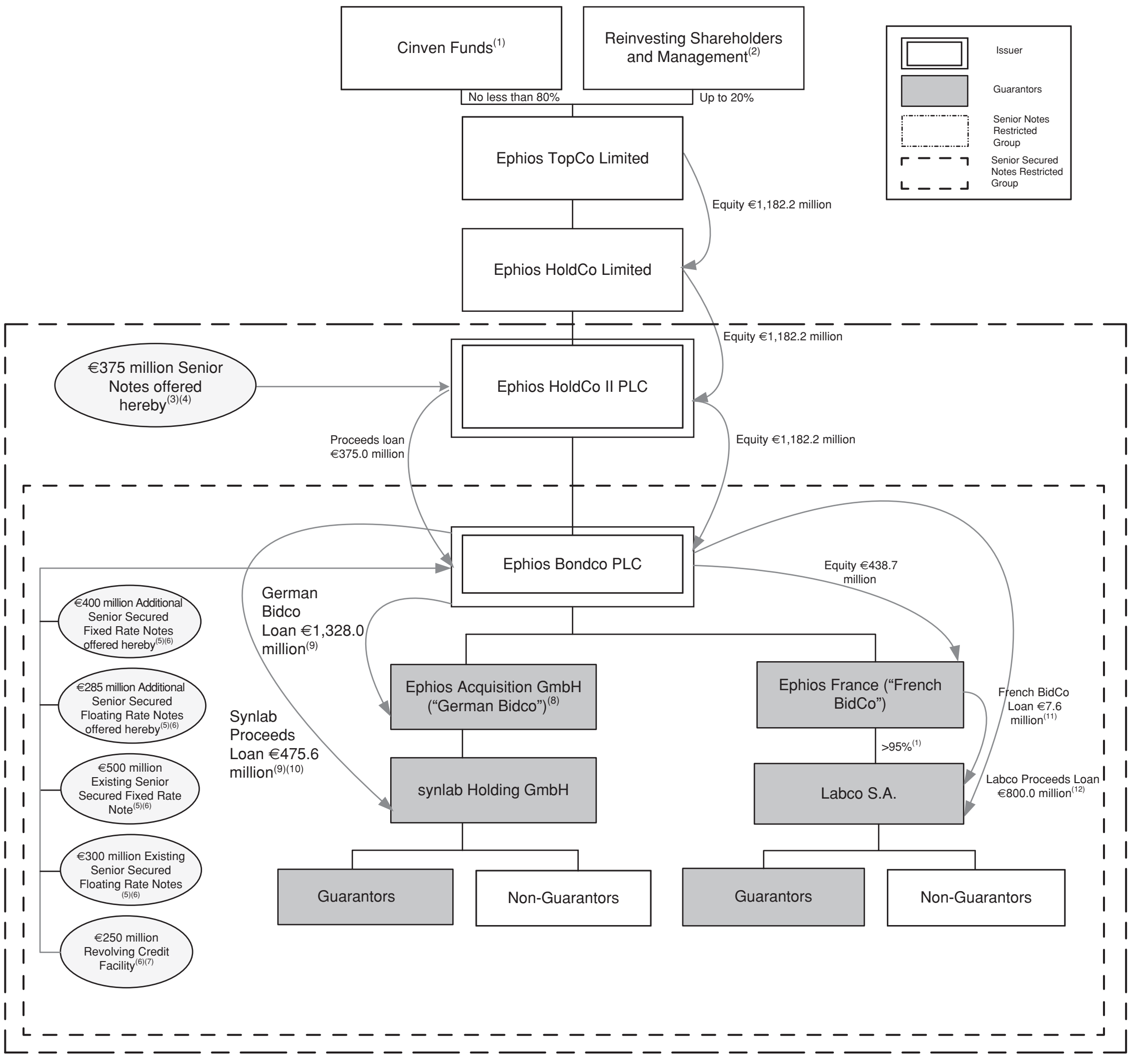
On May 29, 2015, Labco completed the acquisitions of Technipath, A.C. Path and Patholimo, three French anatomopathology companies. A.C. Path and Patholimo will be merged into Technipath. Labco entered into acquisition agreements in respect of these three companies on April 9, 2015, pursuant to which its subsidiary Labco Pathology S.L., a Spanish limited liability company, agreed to acquire substantially all the share capital of Technipath, minus one share held by each anatomopathology doctor currently operating in Technipath, and Technipath agreed to acquire the share capital of A.C. Path and Patholimo. The anatomopathology doctors currently operating in A.C. Path and Patholimo will each receive a share of Technipath when these two entities are legally merged into Technipath. The aggregate purchase price for the acquisitions of Technipath, A.C. Path and Patholimo was approximately €8.7 million. Technipath is a company offering anatomopathology diagnostics in various locations in the area of Lyon, France.

On April 3, 2015, Labco completed the bolt-on acquisition of TMA and TMA Medica in Genoa by its subsidiaries Istituto II Balvardo and Balvardo Servizi Sanitari for an aggregate price of approximately €1.8 million.

On July 1, 2015, Labco completed the bolt on acquisition of Laboratoire Derne Groslambert in France by its subsidiary Biorhone for an aggregate purchase price of approximately €0.2 million.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following simplified chart sets forth certain aspects of our corporate and financing structure after giving effect to the Transactions. See "*Description of Other Indebtedness*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*" for more information. All entities shown below are 100% owned unless indicated. The amounts of all equity contributions shown in the chart below are based on our current assumptions and estimates. Actual amounts may vary from estimated amounts depending on several factors, including changes in the purchase price for the Acquisitions, based, among other things, on changes in the amount of cash, indebtedness and working capital of Synlab and/or Labco, as the case may be, on the Completion Date.



(1) Upon consummation of the Acquisitions, the Cinven Funds will indirectly acquire up to 100% of the entire share capital and voting rights of synlab Holding GmbH and up to 100%, but no less than 95%, of the entire share capital and voting rights of Labco.

(2) Prior to the Completion Date, certain preexisting minority shareholders of the Labco Group and certain preexisting minority shareholders of the Synlab Group will be invited to participate in the post-completion equity of (ultimately) UK TopCo. The preexisting minority shareholders of the Labco Group will fund their acquisition of equity interests in UK TopCo with cash. The preexisting minority shareholders of the Synlab Group will in effect exchange a portion of their shares in the Synlab Group for their equity interest in UK TopCo. Those who elect to participate will hold shares in UK TopCo indirectly through one of two pooling vehicles controlled by Cinven, other than the Synlab CEO who will hold his shares in UK TopCo through a separate vehicle which he controls. In addition, certain managers who are employees of Synlab or Labco will be issued ordinary shares ("sweet equity") in UK TopCo which will also be held indirectly via one of the two pooling vehicles, other than in the case of such shares issued to the Synlab CEO which will be held by his separate vehicle. Finally, Cinven intends to set up a separate equity incentive plan under which certain managers who are employees of Labco will be offered a right to receive shares in UK TopCo at a later date. We expect that, in the aggregate, up to 20% of the equity of UK TopCo may be held by management and preexisting minority shareholders. See "*Principal Shareholders—Management Equity Participation Program*."

(3) The Senior Notes will be guaranteed on a senior subordinated basis (x) on the Completion Date by the Completion Date Guarantors (and by the Post-Labco Completion Date Guarantors if the Completion Date occurs on or after the Labco Accession Date), (y) if the Completion Date has occurred prior to the Labco Accession Date, on the Labco Accession Date, by the Post-Labco Completion Date Guarantors and (z) on the earlier of (i) the date on which any such entity accedes to the Revolving Credit Facility Agreement and (ii) (A) if German BidCo has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (B) if German BidCo has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, by the Post-Completion Guarantors. Due to restrictions under Austrian, Belgian, French and Italian law, the Senior Note Guarantees of the Guarantors in Austria, Belgium, France and Italy will effectively have no monetary value as none of them will be onlent any of the proceeds of the offering of the Senior Notes. The Senior Note Guarantees will also be subject to certain other limitations under applicable law, as described under "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—The insolvency laws of France, Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*," "*Limitations on the Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*" and "*Description of the Senior Notes—The Guarantees*."

(4) On the Issue Date, the Senior Notes will be secured by a first ranking pledge over the Senior Notes Escrow Account. On the Completion Date, the Senior Notes will be secured by the Senior Notes Collateral. The Senior Notes Collateral (other than the Senior Notes Issuer Share Pledge) will also secure the Senior Secured Notes, the Revolving Credit Facility and certain priority hedging obligations. In the event of an enforcement of the Senior Notes Collateral, the holders of the Senior Notes will receive proceeds from such Senior Notes Collateral only after holders of the Senior Secured Notes, lenders under the Revolving Credit Facility, the counterparties to certain priority hedging arrangements and the creditors for certain other indebtedness permitted to be secured on a senior basis pursuant to the Senior Notes Indenture have been repaid in full. See "*Description of Other Indebtedness—Intercreditor Agreement" and "Description of the Senior Notes—Security*."

(5) The Temporary Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer, will not benefit from any guarantees and will be secured on a first-ranking basis by a charge over the Temporary Senior Secured Notes Escrow Account. Upon issuance of the Additional Senior Secured Notes in exchange for the Temporary Senior Secured Notes on or about the Completion Date, the Additional Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer. Upon the issuance of the Additional Senior Secured Notes, the Temporary Senior Secured Notes will be cancelled. On the Labco Completion Date, the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on that date) will be guaranteed on a senior secured basis by the Labco Completion Date Guarantors. On the Labco Accession Date, the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on or prior to that date) will also be guaranteed on a senior secured basis by the Post-Labco Completion Date Guarantors. On the Completion Date, the Senior Secured Notes will, to the extent not already so guaranteed, be guaranteed on a senior secured basis by the Completion Date Guarantors, and, to the extent that the Labco Accession Date has occurred or occurs on such date, the Additional Senior Secured Notes will also be guaranteed on a senior secured basis by the Post-Labco Completion Date Guarantors. To the extent that, on the Completion Date, the Labco Accession Date has not occurred, the Senior Secured Notes will be guaranteed on a senior secured basis by the Post-Labco Completion Date Guarantors on the occurrence of the Labco Accession Date. On the earlier of (i) the date on which any Synlab Guarantor accedes to the Revolving Credit Facility Agreement and (ii) (x) if German BidCo has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (y) if German BidCo has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, the Senior Secured Notes will also be guaranteed on a senior secured basis by the Synlab Guarantors. If one or more (but no more than three) of the following nine subsidiaries of Labco incorporated in France (Bioalliance, Biofrance, Biopaj, Biopar, Institut de Biologie Clinique, Laboratoire Bioliance, Novabio Diagnostics, Oxabio and Unibionor (which we intend to merge into or with Institut de Biologie Clinique)) (such entities, the "French Guarantors") are unable to accede to the Senior Secured Notes Indenture as Guarantors on or prior to the 90th day following the Labco Completion Date due to the refusal by the management board of any such French Guarantor to approve its Guarantee, or failure by such French Guarantor to execute all required documentation to this effect (any such French Guarantors being referred to as the "Refusing French Guarantors"), the Senior Secured Notes Issuer will use its commercially reasonable efforts to replace such Refusing French Guarantors by one or more other Guarantors (incorporated in France or elsewhere) having, in the aggregate, an EBITDA contribution substantially similar to the Refusing French Guarantors. For the twelve months ended March 31, 2015, the Labco Completion Date Guarantors and Post-Labco Completion Date Guarantors represented 61.3% of Labco's consolidated EBITDA and as of March 31, 2015, the Labco Completion Date Guarantors and Post-Labco Completion Date Guarantors represented 62.5% of our consolidated total assets. As of and for the twelve months ended March 31, 2015, the Synlab Guarantors represented 68.2% of Synlab's revenue, 64.5% of Synlab's EBITDA and 85.4% of Synlab's total assets, each calculated on an aggregated basis (before eliminating effects of intercompany transactions). For the twelve months ended March 31, 2015, the Labco Completion Date Guarantors, the Post-Labco Completion Date Guarantors and the Synlab Guarantors collectively represented approximately 62.8% of Labco's and Synlab's combined EBITDA. Due to restrictions under Austrian, Belgian, French and Italian law, (i) the Senior Secured Note Guarantees of the Guarantors in France, Italy and Belgium will provide credit support to the full aggregate principal amount of the Senior Secured Notes but will effectively have no greater monetary value than the aggregate principal amount of Existing Senior Secured Notes, and the Senior Secured Note Guarantees of the Guarantors in Austria will effectively have no monetary value, as none of them will be onlent any of the proceeds of the offering of the Additional Senior Secured Notes and (ii) the Senior Note Guarantees of the Guarantors in Austria, France, Italy and Belgium will effectively have no monetary value as none of them will be onlent any of the proceeds of the offering of the Senior Notes. The Guarantees will also be subject to certain other limitations under applicable law, as described under "*Limitations on the Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations,*" "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*," "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—The insolvency*

laws of France, Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability," "*Risk Factors—Risks Related to Our Capital Structure—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability*," "*Description of the Senior Notes—The Guarantees*" and "*Description of the Senior Secured Notes—The Guarantees*."

(6) On the Issue Date, the Temporary Senior Secured Notes will be secured by a first ranking pledge over the Temporary Senior Secured Notes Escrow Account. On the Labco Completion Date, the Senior Secured Notes and the Additional Senior Secured Notes (if issued on that date) will be secured by the Labco Completion Date Collateral. As soon as is reasonably practicable after the Labco Completion Date and, in any event, within 90 days after the Labco Completion Date, the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on or prior to that date) will also be secured by the Post-Labco Completion Date Collateral. To the extent that any Post-Labco Completion Date Collateral has been provided prior to the Completion Date, the Additional Senior Secured Notes shall be secured by that Post-Labco Completion Date Collateral by not later than the 30th day after the Completion Date. On the Completion Date, the Senior Secured Notes will be secured by the Completion Date Collateral and the Additional Senior Secured Notes will be secured by the Labco Completion Date Collateral. On the earlier of (i) the date on which any Synlab Guarantor accedes to the Revolving Credit Facility Agreement and (ii) (x) if German BidCo has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (y) if German BidCo has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, the Senior Secured Notes will also be secured by the Synlab Collateral. The Collateral will also secure the Revolving Credit Facility and certain priority hedging obligations. In the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after lenders under the Revolving Credit Facility, the counterparties to certain priority hedging arrangements and the creditors for certain other indebtedness permitted to be secured on a super priority basis pursuant to the Indenture have been repaid in full. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Security*."

(7) On June 17, 2015, the Senior Secured Notes Issuer entered into the Revolving Credit Facility Agreement that, as of the Labco Completion Date (whether or not the Synlab Completion Date has not occurred), will provide the Senior Secured Notes Issuer with a €140.0 million Revolving Credit Facility. French BidCo will draw €51.6 million under the Revolving Credit Facility in order to fund a portion of the purchase price for the Labco Acquisition and pay certain fees related to the Labco Acquisition. French BidCo intends to repay that facility shortly after the Labco Completion Date. Other than for such loan, the Revolving Credit Facility is expected to remain undrawn on or about the Labco Completion Date. On the Labco Completion Date, the Labco Completion Date Guarantors will accede to the Revolving Credit Facility Agreement as borrowers. No later than 90 days from the Labco Completion Date the Post-Labco Completion Date Guarantors will accede as guarantors under the Revolving Credit Facility Agreement. See "*Description of Other Indebtedness—Revolving Credit Facility Agreement*" for further information. The Revolving Credit Facility will be a senior obligation of the Senior Secured Notes Issuer and the Guarantors. In connection with the Offerings, on or about the Issue Date, the Senior Secured Notes Issuer will enter into an amendment agreement with respect to the Revolving Credit Facility Agreement which will, amongst other things and subject to completion of both Acquisitions, increase the available commitments thereunder to €250.0 million.

(8) As of the date of this offering memorandum, German BidCo is a wholly-owned subsidiary of Ephios Holdco III, a private limited company organized under the laws of England and Wales and a wholly-owned subsidiary of UK HoldCo I and a sister company of UK Holdco II. Prior to the Completion Date, German BidCo will become a wholly-owned subsidiary of Ephios Bondco PLC.

(9) On or about the Completion Date, the Senior Secured Notes Issuer will use the proceeds from the Synlab Equity Contribution, the offering of the Temporary Senior Secured Notes and the Senior Notes Proceeds Loan to (i) advance the German BidCo Loan in the amount of €1,328.0 million and (ii) advance the Synlab Proceeds Loan in the amount of €475.6 million. German BidCo will use the proceeds of the German BidCo Loan to fund the purchase price for the Synlab Acquisition and pay certain transaction costs.

(10) On or about the Completion Date, the Synlab Proceeds Loan will be used by Synlab and certain of its subsidiaries, together with cash on hand, to repay existing indebtedness under the Existing Synlab Credit Facility Agreement and for general corporate purposes. Under the Existing Synlab Credit Facility, approximately €45.4 million has been on-lent to certain subsidiaries of Synlab in Italy.

(11) On the Labco Completion Date, French BidCo will use the proceeds from an equity contribution indirectly received from the Cinven Funds, together with the proceeds it receives from the Labco Financing Drawdown to: (i) fund the purchase price for the Labco Acquisition; (ii) advance the French BidCo Loan to Labco for the purchase of certain warrants in the Labco Group; and (iii) pay transaction fees and expenses related to the Labco Acquisition.

(12) On the Labco Completion Date, the Senior Secured Notes Issuer will use the proceeds from the offering of Existing Senior Secured Notes to advance the Labco Proceeds Loan to Labco to complete the Labco Refinancing.

THE OFFERING

The summary below describes the principal terms of the Notes, the Guarantees, the Intercreditor Agreement and the Collateral. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. You should carefully review the "Description of the Temporary Senior Secured Notes," "Description of the Senior Secured Notes," "Description of the Senior Notes" and "Description of Other Indebtedness—Intercreditor Agreement" sections of this offering memorandum for more detailed descriptions of the terms and conditions of the Notes and the Intercreditor Agreement.

Issuers

Temporary Senior Secured Notes Issuer and Senior Secured Notes Issuer	Ephios Bondco PLC
Senior Notes Issuer	Ephios Holdco II PLC

Notes Offered

Temporary Senior Secured Fixed Rate Notes	€400 million in aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 issued by the Senior Secured Notes Issuer under the Temporary Senior Secured Notes Indenture. On or about the Completion Date, the Temporary Senior Secured Fixed Rate Notes will automatically be exchanged for an equal aggregate principal amount of Additional Senior Secured Fixed Rate Notes issued by the Senior Secured Notes Issuer under the Senior Secured Notes Indenture.
Temporary Senior Secured Floating Rate Notes	€285 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2022 issued by the Senior Secured Notes Issuer under the Temporary Senior Secured Notes Indenture. On or about the Completion Date, the Temporary Senior Secured Floating Rate Notes will automatically be exchanged for an equal aggregate principal amount of Additional Senior Secured Floating Rate Notes issued by the Senior Secured Notes Issuer under the Senior Secured Notes Indenture.
Senior Notes	€375 million in aggregate principal amount of 8.25% Senior Notes due 2023.

Issue Price

Temporary Senior Secured Fixed Rate Notes	99.00%, plus an amount equal to the accrued interest on the Temporary Senior Secured Fixed Rate Notes from June 17, 2015 to, but not including, the Issue Date.
Temporary Senior Secured Floating Rate Notes	99.00%, plus an amount equal to the accrued interest on the Temporary Senior Secured Floating Rate Notes from June 17, 2015 to, but not including, the Issue Date.
Senior Notes	100.00%, plus accrued and unpaid interest, if any, from the Issue Date.

Maturity Date

Temporary Senior Secured Fixed Rate Notes	July 1, 2022.

Temporary Senior Secured Floating Rate Notes	July 1, 2022.
Senior Notes	July 1, 2023.

Interest Rate and Payment Dates

Temporary Senior Secured Fixed Rate Notes	The Temporary Senior Secured Fixed Rate Notes will bear interest at a rate of 6.25%. Interest on the Senior Secured Fixed Rate Notes is payable semiannually in arrears on January 1 and July 1 of each year, commencing on January 1, 2016. Interest on the Temporary Senior Secured Fixed Rate Notes will accrue from June 17, 2015.
Temporary Senior Secured Floating Rate Notes	The Temporary Senior Secured Floating Rate Notes will bear interest at a rate equal to three-month EURIBOR (with 0% floor) plus 5.00% per annum, reset quarterly. Interest on the Senior Secured Floating Rate Notes is payable quarterly in arrears on January 1, April 1, July 1 and October 1, commencing on January 1, 2016. Interest on the Temporary Senior Secured Floating Rate Notes will accrue from June 17, 2015.
Senior Notes	The Senior Notes will bear interest at a rate of 8.25%. Interest on the Senior Notes is payable semiannually in arrears on January 1 and July 1 of each year, commencing on July 1, 2016. Interest on the Senior Notes will accrue from the Issue Date.
Denominations	Minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof.

Guarantees

Temporary Senior Secured Notes	The Temporary Senior Secured Notes will not be guaranteed.
Senior Secured Notes	On the Labco Completion Date, the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on that date) will be guaranteed on a senior secured basis by the Labco Completion Date Guarantors. On the earlier of (i) the date on which any such entity accedes to the Revolving Credit Facility Agreement and (ii) the 90th day following the Labco Completion Date (the "Labco Accession Date"), the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on or prior to that date) will also be guaranteed on a senior secured basis by the Post-Labco Completion Date Guarantors. On the Completion Date, the Senior Secured Notes will, to the extent not already so guaranteed, be guaranteed on a senior secured basis by the Completion Date Guarantors and, to the extent that the Labco Accession Date has occurred or occurs on such date, the Additional Senior Secured Notes will also be guaranteed on a senior secured basis by the Post-Labco Completion Date Guarantors. To the extent that, on the Completion Date, the Labco Accession Date has not occurred, the Senior Secured Notes will be guaranteed on a senior secured basis by the Post-Labco Completion Date Guarantors on the occurrence of the Labco Accession Date. On the earlier of (i) the date on which any Synlab Guarantor accedes to the Revolving Credit Facility Agreement and (ii) (x) if German BidCo has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (y) if German BidCo has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the

	Completion Date, the Senior Secured Notes will also be guaranteed on a senior secured basis by the Synlab Guarantors.
Senior Notes	The Senior Notes will be guaranteed on a senior subordinated basis (x) on the Completion Date by the Completion Date Guarantors (and by the Post-Labco Completion Date Guarantors if the Completion Date occurs on or after the Labco Accession Date), (y) if the Completion Date has occurred prior to such date, on the Labco Accession Date by the Post-Labco Completion Date Guarantors and (z) on the earlier of (i) the date on which any such entity accedes to the Revolving Credit Facility Agreement and (ii) (A) if German BidCo has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (B) if German BidCo has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, by the Synlab Guarantors. The Guarantors will also guarantee our obligations under the Revolving Credit Facility. If one or more (but no more than three) of the French Guarantors are Refusing French Guarantors, the Senior Secured Note Issuer will use its commercially reasonable efforts to replace such Refusing French Guarantors by one or more other Guarantors (incorporated in France or elsewhere) having, in the aggregate, an EBITDA contribution substantially similar to the Refusing French Guarantors. For the twelve months ended March 31, 2015, the Labco Completion Date Guarantors, the Post-Labco Completion Date Guarantors and the Synlab Guarantors collectively represented approximately 62.8% of Labco's and Synlab's combined EBITDA. If we cannot make payments on the Notes when they are due, the Guarantors must make them instead. Due to restrictions under French, Italian, Austrian and Belgian law, (i) the Senior Secured Note Guarantees of the Guarantors in France, Italy and Belgium will provide credit support to the full aggregate principal amount of the Senior Secured Notes but will have no greater monetary value than the aggregate principal amount of Existing Senior Secured Notes, and the Senior Secured Note Guarantees of the Guarantors in Austria will effectively have no monetary value, as none of them will be onlent any of the proceeds of the offering of the Additional Senior Secured Notes and (ii) the Senior Note Guarantees of the Guarantors in Austria, France, Italy and Belgium will effectively have no monetary value as none of them will be onlent any of the proceeds of the offering of the Senior Notes. For German Guarantors, except to the extent of proceeds under the Notes on-lent to that German Guarantor remain outstanding at the time of enforcement, the limitation language could lead to a situation where the Guarantees from German Guarantors cannot be enforced at all. Further, if and to the extent such on-loan remains outstanding by that German Guarantor at the time of enforcement, and such German Guarantor is a holding company (such as German BidCo and Synlab), it may not have revenues of its own and will depend on cash from other Group members to be able to make payment. (See "*Risk Factors—Risks Related to Our Capital*

Structure—The Issuers and certain Guarantors are holding companies that have no revenue generating operations of their own and will depend on cash from the operating companies of our combined Group to be able to make payments on the Notes or the Guarantees.")

Finally, in the event that Synlab is converted into a stock corporation, for a period until its reconversion into a GmbH, stricter limitation language will apply to Synlab and its subsidiaries and, in particular, the on-lending exemption will no longer available. However, the intention is for Synlab to be re-converted into a limited liability company in due course after German Bidco acquires 100% of the shares in Synlab.

The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect these and other limitations under applicable law, including but not limited to, with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders and directors. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*," "*Description of the Senior Secured Notes—The Note Guarantees*," "*Description of the Senior Notes—The Note Guarantees*," "*Risk Factors—Risks Related to Our Capital Structure—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability*" and "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral.*"

Ranking

Temporary Senior Secured Notes . . . . The Temporary Senior Secured Notes and guarantees will:

- be senior obligations of the Senior Secured Notes Issuer;
- rank *pari passu* in right of payment with all of the Senior Secured Notes Issuer's and the Guarantors' existing and future indebtedness that is not subordinated in right of payment to the Temporary Senior Secured Notes; and
- rank senior in right of payment to all of the Senior Secured Notes Issuer's and the Guarantors' existing and future indebtedness that is subordinated in right of payment to the Temporary Senior Secured Notes.

Senior Secured Notes and Senior Secured Note Guarantees . . . . The Senior Secured Notes (including the Additional Notes) and Senior Secured Note Guarantees will:

- be senior obligations of the Senior Secured Notes Issuer;
- rank *pari passu* in right of payment with all of the Senior Secured Notes Issuer's and the Guarantors' existing and future indebtedness that is not subordinated in right of payment to the Senior Secured Notes (including the Revolving Credit Facility);
- rank senior in right of payment to all of the Senior Secured Notes Issuer's and the Guarantors' existing and future

indebtedness that is subordinated in right of payment to the Senior Secured Notes and the guarantees; and

- be effectively subordinated to all existing and future indebtedness of the Senior Secured Notes Issuer's subsidiaries that do not guarantee the Senior Secured Notes.

Senior Notes . . . . The Senior Notes will:

- be senior obligations of the Senior Notes Issuer;
- rank *pari passu* in right of payment with all of the Senior Notes Issuer's existing and future indebtedness that is not subordinated in right of payment to the Senior Notes;
- rank senior in right of payment to all of the Senior Notes Issuer's existing and future indebtedness that is subordinated in right of payment to the Senior Notes; and
- be effectively subordinated to all existing and future indebtedness of the Senior Notes Issuer's subsidiaries that do not guarantee the Senior Notes.

Senior Note Guarantees . . . . The Senior Note Guarantees will:

- be a general obligation of that Guarantor;
- be subordinated in right of payment to any existing and future senior debt of that Guarantor, including the Senior Secured Notes and debt incurred under the Revolving Credit Facility;
- rank *pari passu* in right of payment to all existing and future senior subordinated debt of that Guarantor that is not subordinated in right of payment to the Senior Note Guarantee of that Guarantor; and
- rank senior in right of payment to all existing and future debt of that Guarantor that is subordinated in right of payment to the Senior Note Guarantee of that Guarantor.

As of March 31, 2015, on a *pro forma* basis after giving effect to the Transactions, we would have had €1,485 million of senior indebtedness (including the Senior Secured Notes and the Senior Notes), other financial liabilities of €51.9 million and, in addition, €51.6 million of indebtedness outstanding under the Revolving Credit Facility. French BidCo intends to repay that facility shortly after the Labco Completion Date. Other than for such loan, the Revolving Credit Facility is expected to remain undrawn on or about the Labco Completion Date. We expect that on the Labco Completion Date, the amount of cash at the Labco Group and the amount of reserves at the Labco Group that are capable of being distributed to French BidCo will be in excess of the amount of such loan.

Collateral

Temporary Senior Secured Notes . . . . On the Issue Date, the Temporary Senior Secured Notes will be secured by a first-ranking pledge over the Temporary Senior Secured Notes Escrow Account (the "Temporary Senior Secured Notes Issue Date Collateral").

Senior Secured Notes	On the Labco Completion Date, the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on that date) will be secured by: • a first-priority lien on the issued share capital of the Senior Secured Notes Issuer and the receivables, if any, owed by the Senior Secured Notes Issuer to UK Holdco II; • a first-priority lien on the issued share capital of French BidCo owned by the Senior Secured Notes Issuer; • a first-priority lien on the issued share capital of Labco owned by French BidCo; • a first-priority lien on the receivables arising under the Labco Proceeds Loan and the French BidCo Loan; and • a first-priority lien over the rights of French BidCo under the Labco Acquisition Agreement (collectively, the "Labco Completion Date Collateral"). As soon as is reasonably practicable after the Labco Completion Date and, in any event, within 90 days of the Labco Completion Date, the Existing Senior Secured Notes and the Additional Senior Secured Notes (if issued on or prior to that date) will be secured, subject to the Intercreditor Agreement, certain perfection requirements and the Agreed Security Principles, by security interests granted on an equal and ratable first-ranking basis over: • a first-priority lien on the issued share capital owned by Labco or any other Guarantor in the following Guarantors: Biopar, Labco Corporate Assistance, Labco Diagnostics España S.A., Labco Italia S.r.l., Istituto il Baluardo S.p.A., and the holding company that we intend to incorporate in England (such company to become a Guarantor on or prior to the later of (i) the 90th day following the Labco Completion Date and (ii) the 30th day following its incorporation); and • present and future intercompany loan receivables arising under intercompany loans with a principal amount in excess of €5.0 million granted by Labco or any other Guarantor that is a subsidiary of Labco, other than such intercompany loans arising under the cash pooling arrangements to which the Senior Secured Notes Issuer and its Restricted Subsidiaries may from time to time become a party (collectively, the "Post-Labco Completion Date Collateral"). To the extent that any Post-Labco Completion Date Collateral has been provided prior to the Completion Date, the Additional Senior Secured Notes shall be secured by that Post-Labco Completion Date Collateral, on the basis set out above, by not later than the 30th day after the Completion Date. On the Completion Date, the Senior Secured Notes will be secured by: • a first priority lien on the issued share capital of German BidCo owned by the Senior Secured Notes Issuer; • a first priority lien on the issued share capital of Synlab owned by German BidCo;

- a first priority lien on the receivables arising under the Synlab Proceeds Loan and the German BidCo Loan; and
- a first priority lien over the rights of German BidCo under the Synlab Acquisition Agreement and the receivables, if any, owed to German Bidco by any member of the Group

(collectively, the "Completion Date Collateral")

and the Additional Senior Secured Notes will also be secured by the Labco Completion Date Collateral.

On the earlier of (i) the date on which any Synlab Guarantor accedes to the Revolving Credit Facility Agreement and (ii) (x) if German BidCo has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (y) if German BidCo has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, the Senior Secured Notes will be secured by:

- a first priority lien on the issued share capital owned by Synlab or any other Guarantor in the following Guarantors: synlab Services GmbH, Synlab Verwaltungs u. Beteiligungs GmbH; Steinlach-Klinik GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medzinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medzinisches Versorgungszentrum Augsburg GmbH, Medizinisches Versorgungszentrum synlab Leverkusen GmbH, synlab.vet GmbH; synlab Umweltinstitut GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, Synlab Italia S.r.l., synlab Holding Italy S.r.l., synlab Suisse SA, AMS analyses médicales services SA, synlab Holding Austria GmbH and Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H. (the "Synlab Guarantors"); and
- present and future intercompany loan receivables arising under inter-company loans with a principal amount in excess of €5.0 million granted by Synlab or any other Guarantor that is a subsidiary of Synlab, other than such inter-company loans arising under the cash pooling arrangements to which the Senior Secured Notes Issuer and its Restricted Subsidiaries may from time to time become a party;

(collectively, the "Synlab Collateral" and together with the Temporary Senior Secured Notes Issue Date Collateral, the Labco Completion Date Collateral, the Post-Labco Completion Date Collateral and the Completion Date Collateral, the "Senior Secured Notes Collateral").

Senior Notes . . . . On the Issue Date, the Senior Notes will be secured by a first-ranking pledge over the Senior Notes Escrow Account (the "Senior Notes Issue Date Collateral" and together with the Temporary Senior Secured Notes Issue Date Collateral, the "Issue Date Collateral").

On the Completion Date, the Senior Notes will be secured by:

- a first priority lien on the issued share capital of the Senior Notes Issuer owned by UK Holdco I (the "Senior Notes Issuer Share Pledge");
- a first priority lien on the receivables, if any, owed by the Senior Notes Issuer to UK Holdco 1 (the "Senior Notes Receivables Assignment"); and
- a second-priority lien on the issued share capital of the Senior Secured Notes Issuer and the receivables, owed by the Senior Secured Notes Issuer to the Senior Notes Issuer, including the receivables arising under the Senior Notes Proceeds Loan

(collectively, the "Senior Notes Completion Date Collateral" and together with the Senior Notes Issue Date Collateral, the "Senior Notes Collateral;" and the Senior Notes Collateral together with the Senior Secured Notes Collateral, the "Collateral").

The Shared Collateral will secure on a first-ranking basis the liabilities under the Revolving Credit Facility Agreement, certain priority hedging obligations, the Senior Secured Notes, and the Collateral may also secure certain future indebtedness permitted under the Indentures.

Under the terms of the Intercreditor Agreement, (i) the holders of the Senior Secured Notes will receive proceeds from enforcement of the Collateral only after certain super senior priority obligations, including obligations under the Revolving Credit Facility, certain priority hedging obligations and certain future indebtedness permitted by the Senior Secured Notes Indenture, have been repaid and (ii) the holders of the Senior Notes will receive proceeds from enforcement of the Shared Collateral only after lenders under the Senior Secured Notes, Revolving Credit Facility, the counterparties to certain priority hedging arrangements and the creditors for certain other indebtedness permitted to be secured on a senior basis pursuant to the Senior Notes Indenture have been repaid in full. See "*Description of Other Indebtedness—Intercreditor Agreement*," "*Description of the Senior Secured Notes—Security*" and "*Description of the Senior Notes—Security*."

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

The security interests may be released under certain circumstances. See "*Risk Factors—Risks Related to the Senior Secured Notes—There are circumstances other than the repayment or discharge of the Senior Secured Notes under which the Collateral securing the Senior Secured Notes will be released automatically without your consent or the Trustee or the Security Agent obtaining your further consent*," "*Risk Factors—Risks Related to the Senior Notes—There are circumstances other than the repayment or* *discharge of the Senior Notes under which the Senior Note Guarantees will be released automatically, without your consent*," "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Security—Security Release*."

Escrow of Proceeds; Special Mandatory Redemption . . . . Concurrently with the closing of the Offerings, and pending the consummation of the Acquisitions and satisfaction of certain other conditions, the Initial Purchasers will deposit the gross proceeds from the Offerings into separate escrow accounts held in the name of the Temporary Senior Secured Notes Issuer and the Senior Notes Issuer, respectively. The Temporary Senior Secured Notes Escrow Account will be controlled by the Escrow Agent (as defined herein) and pledged on a first-ranking basis in favor of the Trustee (as defined herein) on behalf of the holders of the Temporary Senior Secured Notes, and the Senior Notes Escrow Account will be controlled by the Escrow Agent and pledged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Senior Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the closing of both Acquisitions. See "*Description of the Temporary Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*" and "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*." If both Acquisitions are not consummated on or prior to the Escrow Longstop Date or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price, with respect to the Temporary Senior Secured Notes, will be a price equal to 100% of the aggregate issue price of the Temporary Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to but not including the date of special mandatory redemption, and, with respect to the Senior Notes will be a price equal to 100% of the aggregate issue price of the Senior Notes plus accrued and unpaid interest and additional amounts, if any, to but not including the date of special mandatory redemption. In the event that escrowed proceeds are insufficient to pay the special mandatory redemption price, plus accrued and unpaid interest and additional amounts, if any, Cinven will be required to make an equity contribution to any relevant Issuer in an amount required to enable each such Issuer to pay such accrued and unpaid interest and additional amounts, if any, owing to the holders of the relevant Notes, pursuant to an agreement between Cinven and the Issuer. See "*Description of the Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*," "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—If the conditions in the escrow agreements are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

In the event that (i) the Completion Date does not take place on or prior to the Escrow Longstop Date, (ii) in the reasonable judgment of the Issuers, the Acquisitions will not be consummated by the Escrow Longstop Date, (iii) the Labco

Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (iv) the Synlab Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (v) the Cinven Funds cease to beneficially own and control a majority of the issued and outstanding shares of the Issuers or (vi) certain insolvency defaults or events of default events occur on or prior to consummation of the Acquisitions, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus the accrued and unpaid interest and additional amounts, if any, to the date of such special mandatory redemption. The escrowed funds would be applied to pay for any such special mandatory redemption. In the event that the funds on deposit in the Escrow Account are insufficient to pay the special mandatory redemption price, plus accrued and unpaid interest and additional amounts, if any, Cinven will be required to make an equity contribution to the Issuers in an amount required to enable the Issuers to pay such accrued and unpaid interest and additional amounts, if any, owing to the holders of the Notes, pursuant to an agreement between Cinven and the Issuers. See "*Description of the Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*," "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*" and "*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

Intercreditor Agreement . . . . Pursuant to the Intercreditor Agreement, the liens securing the Senior Secured Notes will be deemed to rank equally with the liens that secure (i) obligations under the Revolving Credit Facility, (ii) certain other future indebtedness permitted to be incurred under the Indentures and (iii) certain obligations under hedging arrangements. Such liens are, or will be, evidenced by security documents for the benefit of (whether directly or through the Security Agent) the holders of the Senior Secured Notes, the lenders under the Revolving Credit Facility and the holders of certain other future indebtedness and obligations. Under the terms of the Intercreditor Agreement, in the event of acceleration of the Revolving Credit Facility, the Senior Secured Notes or certain other future indebtedness, amounts recovered in respect of the Senior Secured Notes, including from the enforcement of Guarantees or Collateral, are required to be turned over to the Security Agent and, subject to the payment of fees and expenses of the agent under the Revolving Credit Facility, the Trustee and Security Agent, paid by the Security Agent to the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations in priority to the holders of the Senior Secured Notes.

The Trustee under the Temporary Senior Secured Notes Indenture will not accede to the Intercreditor Agreement and the holders of the Temporary Senior Secured Notes will not benefit from the Intercreditor Agreement. The Trustee under the Senior Notes will not accede to the Intercreditor Agreement until the Completion Date and the holders of the Senior Notes will not benefit from the Intercreditor Agreement until the Completion Date.

The Security Agent may refrain from enforcing the Senior Secured Notes Collateral and the Shared Collateral unless instructed by the agent/representative in respect of the Majority Super Senior Creditors or by the Trustee/representative in respect of the Senior Secured Notes/*Pari Passu* Required Holders. Each of the agent/representative in respect of the Majority Super Senior Creditors and the Trustee/representative in respect of the Senior Secured Notes/*Pari Passu* Required Holders is entitled to instruct the Security Agent to enforce the Senior Secured Notes Collateral and the Shared Collateral in the manner set out in "*Description of Other Indebtedness—Intercreditor Agreement*" (which includes a provision as to which set of instructions will prevail (and when), and who shall constitute the instructing group in which circumstances). See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Shared Collateral will also secure the Senior Secured Notes and the Revolving Credit Facility on a first-priority basis, will be subject to standstill provisions and may be released under certain circumstances. See "*Risk factors—Risks related to the Senior Secured Notes—The Senior Secured Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Senior Secured Notes and future secured indebtedness may be secured by certain assets that do not secure the Senior Secured Notes*," and "*Description of other indebtedness—Intercreditor Agreement.*"

The Intercreditor Agreement provides that the holders of the Senior Notes will not be entitled to instruct the Security Agent to take any enforcement action under the Security Documents relevant to the Shared Collateral (or against any Senior Note Guarantee) unless:

a. an event of default (or event or circumstance which would, with the expiration of a grace period, the giving of notice, the making of any determination provided for in the relevant definition of "Event of Default" in the Senior Debt Document (under and as defined in the Intercreditor Agreement) or any combination of the foregoing, be an event of default) under any Senior Debt Document (a "Senior Debt Default") (such default being a "Relevant Senior Debt Default") is continuing;

b. the Credit Facility Agent (under and as defined in the Intercreditor Agreement), the Senior Secured Notes Trustee (under and as defined in the Intercreditor Agreement) and the Pari Passu Debt Representative(s) (under and as defined in the Intercreditor Agreement) have received a notice of the Relevant Senior Debt Default specifying the event or circumstance in relation to the Relevant Senior Debt Default from the Senior Debt Representative (under and as defined in the Intercreditor Agreement);

c. a Senior Debt Standstill Period (under and as defined in the Intercreditor Agreement) has elapsed and the Security Agent is not enforcing the liens on the relevant Shared Collateral at the instruction of the creditors in respect of the Senior Secured Notes, the Revolving Credit Facility or certain hedging obligations; and

d. the Relevant Senior Debt Default is continuing at the end of the relevant Senior Debt Standstill Period.

See "*Description of Other Indebtedness—Intercreditor Agreement*."

Optional Redemption

Temporary Senior Secured Fixed Rate Notes/Senior Secured Fixed Rate Notes . . . . At any time on or after July 1, 2018, the Senior Secured Notes Issuer may redeem some or all of the Senior Secured Fixed Rate Notes at the redemption prices set forth in "*Description of the Senior Secured Notes—Optional Redemption*" plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

At any time prior July 1, 2018, the Senior Secured Notes Issuer may redeem, at its option, some or all of the Senior Secured Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Fixed Rate Notes plus accrued and unpaid interest, if any, to the applicable redemption dates plus the applicable "make whole" premium set forth in "*Description of the Senior Secured Notes—Optional Redemption*."

At any time prior to July 1, 2018, the Senior Secured Notes Issuer may also redeem up to 40% of the aggregate principal amount of the Senior Secured Fixed Rate Notes at a redemption price equal to 106.250% plus accrued and unpaid interest and additional amounts, if any, *provided that* at least 60% of the aggregate principal amount of the Senior Secured Fixed Rate Notes (calculated after giving effect to any issuance of any additional Senior Secured Fixed Rate Notes but excluding Senior Secured Fixed Rate Notes held by the Senior Secured Notes Issuer and its subsidiaries) remain outstanding, with the net proceeds of one or more specified equity offerings. See "*Description of the Senior Secured Notes—Optional Redemption*."

At any time prior to July 1, 2018, the Senior Secured Notes Issuer may on any one or more occasions redeem during each calendar year up to 10% of the original principal amount of the Senior Secured Fixed Rate Notes (including the original principal amount of any additional Senior Secured Fixed Rate Notes) at a redemption price of 103% of the principal amount of the Senior Secured Fixed Rate Notes so redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but not including, the applicable redemption date.

Temporary Senior Secured Floating Rate Notes/Senior Secured Floating Rate Notes . . . . At any time on or after July 1, 2016, the Senior Secured Notes Issuer may redeem some or all of the Senior Secured Floating Rate Notes at the redemption prices set forth in "*Description of the Senior Secured Notes—Optional Redemption*" plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

At any time prior July 1, 2016, the Senior Secured Notes Issuer may redeem, at its option, some or all of the Senior Secured Floating Rate Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Floating Rate Notes plus accrued and unpaid interest, if any, to the applicable redemption dates plus the applicable "make whole" premium

	set forth in "*Description of the Senior Secured Notes—Optional Redemption*."
Senior Notes	At any time on or after July 1, 2018, the Senior Notes Issuer may redeem some or all of the Senior Notes at the redemption prices set forth in "*Description of the Senior Notes—Optional Redemption*" plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. At any time prior July 1, 2018, the Senior Notes Issuer may redeem, at its option, some or all of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes plus accrued and unpaid interest, if any, to the applicable redemption dates plus the applicable "make whole" premium set forth in "*Description of the Senior Notes—Optional Redemption*." At any time prior to July 1, 2018, the Senior Notes Issuer may also redeem up to 40% of the aggregate principal amount of the Senior Notes at a redemption price equal to % plus accrued and unpaid interest and additional amounts, if any, *provided that* at least 60% of the aggregate principal amount of the Senior Notes (calculated after giving effect to any issuance of any additional Senior Notes but excluding Senior Notes held by the Senior Notes Issuer and its subsidiaries) remain outstanding, with the net proceeds of one or more specified equity offerings. See "*Description of the Senior Notes—Optional Redemption*."
Change of Control	If a change of control occurs, we must give holders of the Notes an opportunity to sell us their Notes at a purchase price of 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if specified consolidated leverage ratios are not exceeded in connection with such event. See "*Description of the Senior Secured Notes—Repurchase at the Option of Holders—Change of Control*" and "*Description of the Senior Notes—Repurchase at the Option of Holders—Change of Control*."
Redemption for Taxation Reasons . . .	If certain changes in the law of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Temporary Senior Secured Notes, the Senior Secured Notes or the Senior Notes or the Senior Secured Note Guarantees or the Senior Note Guarantees and as a result additional amounts are required to be paid, the relevant Issuer may redeem the Temporary Senior Secured Notes, the Senior Secured Notes or the Senior Notes, as applicable, in whole, but not in part, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of the Senior Secured Notes—Redemption for Changes in Taxes*" and "*Description of the Senior Notes—Redemption for Changes in Taxes*."
Additional Amounts	All payments made by any relevant Issuer or any Guarantor with respect to the Temporary Senior Secured Notes, the Senior Secured Notes or the Senior Notes or its Senior Secured Note Guarantee or Senior Note Guarantee, as applicable, will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless so required by applicable law. If withholding or deduction for such taxes is required by law in any tax jurisdiction with

	respect to a payment on the Temporary Senior Secured Notes, the Senior Secured Notes or the Senior Notes or the Senior Secured Note Guarantees or Senior Note Guarantees, as applicable, subject to certain exceptions, the relevant Issuer or the relevant Guarantor, as the case may be, will pay the additional amounts necessary so that the net amount received after the withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See "*Description of the Senior Secured Notes—Additional Amounts*" and "*Description of the Senior Notes—Additional Amounts*."
Certain Covenants	The Indentures contain covenants which, among other things, limit each Issuer's ability and the ability of their respective restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • make restricted payments, including dividends or other distributions; • create or permit to exist certain liens; • sell assets; • create restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us; • merge or consolidate with other entities or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis; • guarantee additional debt without also guaranteeing the Notes; • engage in transactions with affiliates; • create unrestricted subsidiaries; and • impair the security interests in the Collateral for the benefit of the holders of the Notes. These covenants are subject to a number of important limitations and exceptions as described under "*Description of the Senior Secured Notes—Certain Covenants*" and "*Description of the Senior Notes—Certain Covenants*."
Transfer Restrictions	The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer). See "*Transfer Restrictions*."
Use of Proceeds	We intend to use the proceeds of the Offerings and the Synlab Equity Contribution to: (i) fund the purchase price for the Synlab Acquisition; (ii) repay the Existing Synlab Credit Facility; (iii) pay related transaction fees and expenses and (iv) for general corporate purposes.
Listing	Application will be made for listing particulars to be approved by the Irish Stock Exchange and for the Temporary Senior Secured Notes, the Additional Notes and the Senior Notes to be

	listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof.
Governing Law of the Indentures, the Guarantees and the Notes	The State of New York.
Governing Law of the Security Documents	Each share pledge is, or will be, governed by the laws of the jurisdiction of incorporation of the company that issued the shares that are subject to such security document (i.e., Austria, England, France, Germany, Italy, Spain or Switzerland), as applicable. The pledges of certain present and future intercompany loan receivables constituting part of the Collateral is, or will be, governed by the laws of the jurisdiction of incorporation of the Guarantors, and may include Austria, England, France, Germany, Italy, Spain and Switzerland.
Governing Law of the Intercreditor Agreement	England and Wales.
Escrow Agent	Elavon Financial Services Limited, UK Branch.
Trustee	U.S. Bank Trustees Limited.
Security Agent	U.S. Bank Trustees Limited.
Paying Agent and Transfer Agent	Elavon Financial Services Limited, UK Branch.
Registrar	Elavon Financial Services Limited.
Listing Agent	Dillon Eustace Solicitors.

Risk Factors

Investing in the Notes involves substantial risks. Prospective investors should refer to "*Risk Factors*" for a discussion of certain factors that they should carefully consider before deciding to invest in the Notes.

SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary unaudited *pro forma* condensed combined consolidated financial information and other data from our Unaudited *Pro Forma* Condensed Combined Consolidated Financial Statements. The information under "*Unaudited Pro Forma Condensed Combined Consolidated Income Statement*" in the table below gives effect to the Transactions as if they had been consummated on January 1, 2014 and the information under "*Unaudited Pro Forma Condensed Combined Consolidated Statement of Financial Position*" in the table below assumes the Transactions had been consummated on March 31, 2015.

The following summary unaudited *pro forma* condensed combined consolidated financial data has been derived from and should be read in conjunction with the Labco Financial Statements, the Synlab Financial Statements and the "*Unaudited Pro Forma Condensed Combined Consolidated Financial Information*" included elsewhere in this offering memorandum.

The following summary unaudited *pro forma* condensed combined consolidated financial data is for illustrative purposes only and does not purport to indicate the financial results of our combined business had the Transactions taken place on January 1, 2014 for consolidated income statement purposes, and on March 31, 2015 for consolidated statement of financial position purposes, and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in "*Risk Factors.*"

The following tables should be read in conjunction with "*Use of Proceeds*," "*Capitalization*," "*Selected Historical Consolidated Financial Information of Synlab*," "*Selected Historical Consolidated Financial Information of Labco*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco*," "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and the Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information and the notes related thereto included elsewhere in this offering memorandum. Historical results are not necessarily indicative of future expected results. In addition, our results for the three months ended March 31, 2015 should not be regarded as indicative of our expected results for the year ending December 31, 2015.

Unaudited Pro Forma Condensed Combined Consolidated Income Statement

	Year ended December 31, 2014	Three months ended March 31, 2014	Three months ended March 31, 2015	Twelve months ended March 31, 2015
	(€ millions)			
Revenue	1,340.7	335.4	371.3	1,376.6
Other income	7.0	1.6	1.7	7.1
Total revenue	**1,347.7**	**337.0**	**373.0**	**1,383.7**
Payroll related expenses	(543.1)	(133.3)	(146.5)	(556.3)
Materials and related expenses	(311.8)	(78.9)	(86.3)	(319.2)
Transport expenses	(37.1)	(9.0)	(9.0)	(37.1)
Operating lease and rental expenses	(65.7)	(15.0)	(17.5)	(68.3)
Depreciation and amortization	(89.5)	(21.1)	(23.4)	(91.9)
Income from reversal of impairment	21.0	—	—	21.0
Other operating income	8.9	1.8	1.8	8.9
Other operating expenses	(167.7)	(37.0)	(43.2)	(173.9)
Operating profit before strategic transaction costs and restructuring expenses	**162.7**	**44.5**	**48.7**	**166.9**
Restructuring expenses and provisions for major litigations	(24.4)	(0.7)	(2.0)	(25.7)
Strategic transaction costs including fair value movements on contingent consideration	6.5	(0.9)	0.1	7.5
Operating profit	**144.8**	**42.9**	**46.8**	**148.7**
Share of profit of associates	(0.3)	—	(0.2)	(0.5)
Finance income	3.3	0.6	4.2	6.9
Finance costs	(131.6)	(32.5)	(37.0)	(135.5)
Profit before tax	**16.7**	**11.0**	**13.7**	**19.6**
Income tax	(37.3)	(10.9)	(12.9)	(39.1)
Profit (loss) after tax	**(20.6)**	**0.1**	**0.9**	**(19.5)**
Net profit (loss) for the period	**(20.6)**	**0.1**	**0.9**	**(19.5)**

Unaudited Pro Forma Condensed Combined Consolidated Statement of Financial Position

	As of March 31, 2015
	(€ millions)
Goodwill	2,450.4
Intangible assets	330.0
Property, plant and equipment	161.4
Investments in associates	4.9
Other non-current assets	12.6
Deferred tax assets	12.4
Non-current assets	**2,971.7**
Cash and cash equivalents	104.5
Current receivables	284.6
Inventories	29.2
Current assets	**418.3**
Total assets	**3,390.0**
Total equity	**(1,141.8)**
Loans	(1,781.9)
Employee benefits liabilities	(37.8)
Finance lease liabilities	(13.2)
Provisions	(5.6)
Deferred tax liabilities	(59.6)
Other non-current liabilities	(15.7)
Non-current liabilities	**(1,913.9)**
Loans and finance lease liabilities	(51.8)
Trade and other payables	(175.7)
Provisions—current	(16.9)
Income tax liabilities	(18.9)
Other current liabilities	(71.0)
Current liabilities	**(334.3)**
Total equity and liabilities	**(3,390.0)**

Other Unaudited Pro Forma Combined Financial Data

	Twelve months ended March 31, 2015
	(€ millions)
Other financial data	
Pro forma Total Combined Estimated Revenue(1)	1,402.1
Pro forma Combined Adjusted EBITDA(2)	252.5
Pro forma Total Combined Estimated Adjusted EBITDA(3)	305.6
Pro forma combined net financial debt(4)	1,896.2
Pro forma combined net senior secured debt(5)	1,521.2
Pro forma combined interest expense(6)	123.0
Ratio of *pro forma* combined net financial debt to *Pro forma* Total Combined Estimated Adjusted EBITDA(3)(4)	6.2x
Ratio of *pro forma* combined net senior secured debt to *Pro forma* Total Combined Estimated Adjusted EBITDA(3)(5)	5.0x
Ratio of *Pro forma* Total Combined Estimated Adjusted EBITDA to *pro forma* combined interest expense(3)(6)	2.5x

(1) *Pro forma* Total Combined Estimated Revenue has been derived from our *pro forma* combined revenue and adjusted to reflect the estimates below in order to give full year effect to (i) Labco's SDN Group Acquisition and (ii) Synlab's acquisition of 20 laboratory companies (excluding three small asset deals in Germany in 2014). *Pro forma* Total Combined Estimated Revenue is not a measure of financial performance under IFRS, and you should not consider *Pro forma* Total Combined Estimated Revenue as an alternative of any other measure of performance derived in accordance with IFRS. We present *Pro forma* Total Combined Estimated Revenue as a supplemental measure of our operating performance as we believe that it is useful to investors in evaluating our operating performance. Other companies may calculate *Pro forma* Total Combined Estimated

Revenue differently than we do. Therefore, you should exercise caution in comparing *Pro forma* Total Combined Estimated Revenue as reported by us to *Pro forma* Total Combined Estimated Revenue of other companies.

The following table provides a reconciliation of *Pro forma* Combined Revenue to *Pro forma* Total Combined Estimated Revenue for the period indicated.

	Twelve months ended March 31, 2015
	(unaudited) **(€ millions)**
***Pro forma* combined Revenue**	**1,376.6**
Adjustments	
Total Revenues of the SDN Group between the date of its acquisition and March 31, 2015[(a)]	(29.9)
Total Revenues of the SDN Group for the year ended December 31, 2014[(a)]	48.0
Pro forma Synlab acquisition adjustments[(b)]	7.5
***Pro forma* Total Combined Estimated Revenue**	**1,402.1**

(a) Total Revenues of the SDN Group represents the aggregate Revenue of SDN for the period from April 1, 2014 to March 31, 2015. These amounts are estimates in part because historical income statement information was not available for certain of these entities for the twelve months ended March 31, 2015 and such information has been converted and adjusted by us as described below. See "*Labco Unaudited Pro Forma Financial Information*."

We have estimated the Revenue of the SDN Group using the following methodology:

- we have generally assumed that the Revenue of the SDN Group for the twelve months ended March 31, 2015 was equal to the EBITDA of such entity for the year ended December 31, 2014;

- Revenue of the SDN Group for the year ended December 31, 2014 was calculated on the basis of the audited historical annual financial statements of such entity prepared under relevant local generally accepted accounting principles or in the absence of audited financial statements on the basis of unaudited financial statements tax returns or unaudited internal management accounts; and

- Revenue estimates of the SDN Group were then converted to our accounting policies by our management.

(b) Represents the estimated effect on revenue from the acquisitions Synlab closed at different dates during the twelve months ended March 31, 2015, as if they had each occurred on April 1, 2014. These amounts are estimates, in part because (i) historical income statement information was generally not available for the acquired companies for the full period prior to closing the acquisitions and (ii) adjustments have been made to the historical financial information of the acquired companies as described below. Synlab has made adjustments to reflect the impact of the acquisition of the entities acquired during the twelve months ended March 31, 2015 based on the methodology described in footnote (3)(d) below.

(2) *Pro forma* Combined Adjusted EBITDA is not a measure of financial performance under IFRS, and you should not consider *Pro forma* Combined Adjusted EBITDA as an alternative of any other measure of performance derived in accordance with IFRS. *Pro forma* Combined Adjusted EBITDA takes into account the adjustments set out below which management considers to be exceptional in nature, as we believe such costs are not reflective of the ongoing performance of our combined business and are thus added back to derive *Pro forma* Combined Adjusted EBITDA. We present *Pro forma* Combined Adjusted EBITDA as a supplemental measure of our operating performance as we believe that it is useful to investors in evaluating our operating performance. Other companies may calculate *Pro forma* Combined Adjusted EBITDA differently than we do. Therefore, you should exercise caution in comparing *Pro forma* Combined Adjusted EBITDA as reported by us to *Pro forma* Combined Adjusted EBITDA of other companies.

The reconciliation of our *Pro forma* Combined net loss for the period to *Pro forma* Combined Adjusted EBITDA for the twelve months ended March 31, 2015, is as follows:

	Twelve months ended March 31, 2015
	(unaudited) **(€ millions)**
Pro forma Combined net loss for the period	(19.5)
Income tax	39.1
Finance costs	128.6
Share of profit of associates	0.5
Depreciation and amortization	91.9
Income from reversal of impairment	(21.0)
Restructuring expenses and provisions for litigation	25.7
Strategic transaction costs including fair value changes in contingent consideration	(7.5)
	237.8
Less restructuring expenses and provisions for litigation for Synlab	(5.7)
Plus strategic acquisition costs and fair value changes in contingent consideration for Synlab	9.3
	241.4
Labco EBITDA (A)	**119.0**
Synlab EBITDA (B)	**122.4**
(A+B)	**241.4**
Further adjustments:	
Labco adjustments:	
Share-based payments (warrants)[a]	2.9
Transactions costs for usual small size acquisitions[b]	1.4
One-off severance payments[c]	0.2
VAT loss on recharge of corporate headquarter costs[d]	1.0
Mobilization costs[e]	0.5
Priority Dividend buy-backs[f]	0.3
UK transitional period losses[g]	2.0
Synlab adjustments:	
Transaction, post-merger and refinancing costs[h]	(8.5)
Restructuring expenses[i]	5.1
Provisions for onerous contracts[j]	2.6
Supplier dispute[k]	(2.0)
Settlement with health insurance funds[l]	3.3
Start-up losses[m]	0.8
Asset disposals and closures[n]	(0.5)
Expenses for legal disputes[o]	2.0
Pro forma Combined Adjusted EBITDA	**252.5**

(a) Represents non-cash expenses recognized as a result of the vesting of rights to obtain warrants for people rendering services to the Labco Group, mainly employees.

(b) Represents Labco's costs incurred in connection with acquisitions, including legal, due diligence and other advisory fees.

(c) Represents one-off severance payments to Labco Group employees.

(d) Represents the loss attributable to the invoicing of non-recoverable VAT upon recharging corporate headquarter costs incurred by Labco S.A. to its subsidiaries, which cost recharging is discretionary and could be discontinued at any time.

(e) Represents Labco's costs associated with tendering for significant contracts with NHS trusts in the United Kingdom, including legal fees and advisory fees for tender consultants.

(f) Represents the effect of the buy-backs, completed on 1 January 2015, of Priority Dividends, which consist of a variable remuneration paid by certain of Labco's SELs to certain laboratory doctors who sold their laboratories to us but remained shareholders of the SEL operating such laboratories. These Priority Dividends are calculated based on the performance of the SEL in which the relevant laboratory doctor works. Cost savings resulting from the buybacks are estimated at approximately € 0.5 million per year.

(g) Represents Labco's losses incurred since the signing of several outsourcing contracts with NHS trusts in October 2014. Outsourced laboratory services for certain NHS trusts generate losses in the first few years of the contracts while the outsourced operations are ongoing but the expected headcount and platform based efficiencies have not been achieved.

(h) Represents Synlab's expenses related to company acquisitions, net of passed-on consultancy expenses for such acquisitions, plus/less income/expenses from changes in value of contingent considerations as recorded in other operating income as well as other operating expenses. For the three months ended March 31, 2015, further represents expenses for legal disputes in Belgium in connection with a company acquisition net of income from a recharge against the seller of Laboratoire d'Analyses Medicales Dr. Jean Collard SPRL.

(i) Represents the sum of Synlab's restructuring expenses as recorded in other operating expenses and termination benefits recorded in personnel expenses. These expenses relate to severance payments and consulting and legal costs in connection with the optimization of Synlab's laboratory network, which included the centralization of services at synlab Holding GmbH and the restructuring of Synlab's hospitals business in Germany.

(j) Reflects Synlab's expenses/income from additions to other provisions for onerous contracts net of income from reversal of such provisions. These provisions for onerous contracts relate to certain hospital contracts in Germany.

(k) Reflects the impacts from the dispute with a significant supplier in connection with the termination of a "per reported result"—contract. In late 2011, the supplier terminated the contract and commenced sales of consumables to Synlab at increased prices.

(l) Represents expenses from Synlab's settlements with health insurance funds related to certain receivables allowances and write offs in 2013 and 2014. In 2013, Synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH wrote off €2.3 million of receivables due to a temporary cancellation of a license in January 2013. Adjustments in 2014 related to receivables allowances and write offs at two Czech subsidiaries in connection with receivables from health insurance funds for the years 2009 to 2014.

(m) Represents the negative EBITDA of synlab UK Ltd. during its start-up phase. Due to the public tender business in the United Kingdom, the start-up phase was relatively long compared to other countries.

(n) Represents losses/income from Synlab's disposals of non-current assets.

(o) Represents expenses for legal disputes recorded in other operating expenses.

(3) The presentation of *Pro forma* Total Combined Estimated Adjusted EBITDA and *Pro forma* Total Combined Estimated Revenue is for informational purposes only. This information does not represent the results we would have achieved had each of the acquisitions for which an adjustment is made occurred and been fully integrated on April 1, 2014. The calculations for *Pro forma* Total Combined Estimated Adjusted EBITDA and *Pro forma* Total Combined Estimated Revenue is based on various assumptions and management estimates. The EBITDA of each of the relevant acquired entities for the year ended December 31, 2014 may not be representative of what the EBITDA of such acquired entities would have been for the twelve months ended March 31, 2015. These numbers have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations of the relevant acquired entities for periods prior to their acquisition, may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. *Pro forma* Total Combined Estimated Adjusted EBITDA and *Pro forma* Total Combined Estimated Revenue are included in this offering memorandum because we believe that it provides a useful measure of our results of operations; however, this information does not constitute a measure of financial performance under IFRS, and you should not consider *Pro forma* Total Combined Estimated Adjusted EBITDA or *Pro forma* Total Combined Estimated Revenue as an alternative to operating income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity. Other companies, including those in our industry, may calculate a similarly titled financial measure differently from us, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments or other commitments.

We present certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the Acquisitions as well as related costs to implement the Acquisitions. The estimates present the expected future impact of this transaction and the integration of Labco and Synlab into a combined business. Such estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the Acquisitions are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

The reconciliation of our *Pro forma* Combined Adjusted EBITDA to our *Pro forma* Total Combined Estimated Adjusted EBITDA is as follows:

	Twelve months ended March 31, 2015
	(unaudited) (€ millions)
***Pro forma* Combined Adjusted EBITDA**	**252.5**
***Labco adjustments*:**	
EBITDA of the SDN Group between its date of acquisition and March 31, 2015	(12.1)
EBITDA of the SDN Group for the year ended December 31, 2014[(a)]	21.9
EBITDA of the Q2 2015 Acquired Entities for the twelve months ended March 31, 2015[(a)]	7.1
EBITDA of Sabater Pharma between April 1, 2014 and the date of its disposal	(0.1)
annual estimated cost savings with respect to Labco's Acquired Entities[(b)]	3.2
annual estimated cost savings from the concentration of Labco's operations in Barcelona[(c)]	1.7
***Synlab adjustments*:**	
pro forma acquisition adjustments[(d)]	3.1
termination and renegotiation of hospital contracts[(e)]	2.3
post-merger integration effects[(f)]	0.2
termination of laboratory rental contract[(g)]	0.1
operational excellence initiatives[(h)]	2.3
supplier optimization measures[(i)]	3.1
laboratory closures[(j)]	0.6
phasing of revenue adjustment[(k)]	(1.7)
pension servicing[(l)]	0.6
other[(m)]	(0.1)
Vamed contract[(n)]	0.1
EBITDA of the entities acquired in Q2 2015 for the twelve months ended March 31, 2015[(o)]	3.3
Synergy adjustments[(p)]	17.5
***Pro forma* Total Combined Estimated Adjusted EBITDA**	**305.6**

(a) EBITDA of the SDN Group and the Q2 2015 Acquired Entities represents the aggregate EBITDA of each of such entities for the period from April 1, 2014 to March 31, 2015. These amounts are estimates in part because historical income statement information was not available for certain of these entities for the twelve months ended March 31, 2015 and such information has been converted and adjusted by us as described below. See "*Labco Unaudited Pro Forma Financial Information*."

We have estimated the EBITDA of the SDN Group and the Q2 2015 Acquired Entities using the following methodology:

- we have generally assumed that the EBITDA of the SDN Group and each Q2 2015 Acquired Entity for the twelve months ended March 31, 2015 was equal to the EBITDA of such entity for the year ended December 31, 2014;

- EBITDA of the SDN Group and each Q2 2015 Acquired Entity for the year ended December 31, 2014 was calculated on the basis of the audited historical annual financial statements of such entity prepared under relevant local generally accepted accounting principles or in the absence of audited financial statements on the basis of unaudited financial statements tax returns or unaudited internal management accounts; and

- EBITDA estimates of the SDN Group and the Q2 2015 Acquired Entities were then converted to our accounting policies by our management.

(b) Represents annual estimated synergies with respect to, and assuming full integration of, the acquisitions by Labco, including (i) a reduction in the cost of sales of the Acquired Entities through applying our known group purchasing cost base for reagents used in our testing procedures to the entities we acquire, (ii) the optimization of the workforces of the Acquired Entities through headcount reductions and restructuring management compensation arrangements and (iii) a reduction in other costs related to the operations of the Acquired Entities, primarily logistics costs and administrative expenses through applying our centralized group administrative function across the entities we acquire. We estimate annual synergies on the basis of standardized integration procedures applied to each acquisition we complete, which includes a compliance certificate that is used to track future performance. This compliance certificate includes key action items that we believe will result in synergies and upon execution of any such action we record corresponding synergy realizations reviewed every six months up until two to three years after the acquisition closes.

Labco's acquisitions of the Acquired Entities can be broadly categorized as follows:

Firstly, we target incremental acquisitions (or "bolt-on" acquisitions) in zones where we already have technical platforms since this allows us to restructure the acquired entities to enable application of our group purchasing and administrative cost base and leads to the rapid implementation of such cost synergies. In the case of these bolt-on acquisitions, which typically have an enterprise value of less than € 10.0 million, we aim to achieve all of the synergies within 12 to 24 months, with approximately half of the synergies expected from the transaction in the first year following the acquisition and then virtually all the remaining synergies during the second year following the acquisition. In 2014 and 2015, estimated synergies with respect to bolt-on acquisitions represented approximately 40% of our total expected synergies. There can be no assurance, however, as to when any such synergies will be achieved or whether such synergies will be achieved at all. See "*Risk Factors—Risks Related to Our Commercial Activities—We face risks associated with our strategy of acquiring companies,*" "*Risk Factors—Risks Related to Our Commercial Activities—We may be unable to realize the expected cost savings from our recently acquired businesses and any future potential acquisition*" and "*Business—Acquisitions and External Growth Strategy*."

Secondly, we are interested in acquisitions that enable us to improve our coverage of a given region, which primarily means acquiring large platforms in new markets from which we will be able to implement our strategy of consolidating smaller operators and/or allow us to acquire new scientific or technological capabilities that can subsequently be deployed throughout our network. These acquisitions can take different forms, including purchasing multiple laboratories with the aim of combining them into a single platform and/or construction of a large centralized facility for the region. In the case of these larger acquisitions, which typically have an enterprise value of more than €10.0 million, we aim to achieve all of the synergies within the same time period as the bolt-on acquisitions; however, a greater proportion of the synergies for such larger acquisitions are usually realized in the second year following the acquisition or may be delayed further, sometimes significantly, since implementing the measures required to realize the synergies typically takes longer. This is primarily because there are often greater numbers of employees at such laboratories and so the time it takes to comply with employment regulations in relation to such employees and negotiate with works councils or other trade bodies generally takes longer. In 2014 and 2015, estimated synergies with respect to larger acquisitions represented approximately 60% of our total expected synergies. There can be no assurance, however, as to when any such synergies will be achieved or whether such synergies will be achieved at all. See "*Risk Factors—Risks Related to Our Commercial Activities—We face risks associated with our strategy of acquiring companies*," "*Risk Factors—Risks Related to Our Commercial Activities—We may be unable to realize the expected cost savings from our recently acquired businesses and any future potential acquisition*" and "*Business—Acquisitions and External Growth Strategy*."

Historically, we believe this methodology, which we use when valuing the Acquired Entities in connection with our decision to purchase such Acquired Entities, has proven reasonably accurate. We estimate that as of December 31, 2013, we had realized 80% of the expected cost-saving synergies planned with respect to acquisitions completed in 2011 and 2012 and from January 1, 2014, we continued to work on implementing the remaining 20% of synergies. Accordingly, we have only included 80% of the synergies that we expect to generate in the figure shown above for acquisitions completed in 2014 and 2015 for the purpose of calculating Combined Estimated Adjusted EBITDA.

(c) Represents annual estimated rental cost savings and productivity gains expected to be generated following the consolidation of six laboratories and one administrative office in Barcelona into a single platform, which is due to complete in the second half of 2015. We estimate Labco will realize productivity gains, notably from headcount reductions, overhead cost reductions resulting from the concentration of our operations in one single facility, and the termination of the lease agreements for the facilities that are being transferred.

(d) Represents the estimated effect on EBITDA from the acquisitions Synlab closed in the twelve months ended March 31, 2015. These amounts are estimates, in part because (i) historical income statement information was generally not available for the acquired companies for the full period prior to closing the acquisitions and (ii) adjustments have been made to the historical financial information of the acquired companies as described below.

Synlab has made adjustments to reflect the impact of the acquisition of the entities acquired during the twelve months ended March 31, 2015 according to the following methodology:

- EBITDA and revenue of each of the companies acquired during the twelve months ended March 31, 2015 for the twelve months ended March 31, 2015 have been calculated in a two-step approach:
  - The EBITDA and revenue for the period between the respective acquisition's closing date and March 31, 2015 have been derived from Synlab's accounting systems, since starting with the closing the acquisitions are obliged to participate in Synlab's group finance and consolidation processes.
  - The EBITDA and revenue for the period between April 1, 2014 and the closing date ("relevant period") has been calculated by using the best available source, i.e. EBITDA and revenue of each of the acquired entities for such period were calculated on the basis of:
    - the audited financial statements of the acquired entity prepared under local generally accepted accounting principles or, in the absence of audited financial statements,
    - financial statements as being subject to and presented in reports prepared for due diligence purposes, or in the absence of a financial due diligence report,
    - unaudited financial statements, or, in the absence of unaudited financial statements,
    - internal management accounts

  for that relevant period, or, in the absence of such financial statements or management accounts for that relevant period, on the basis of the latest available financial information.
- If monthly financial statements or management accounts are not available for the relevant period, EBITDA and revenue adjustments did not take into account seasonality but have been used on a pro-rata basis, and were adjusted on a case-by-case basis to give estimated *pro forma* effect from April 1, 2014 to any one-off effects (such as contractual adjustments or remuneration changes as if the adjustments were made at the beginning of the period presented.

- Furthermore, in case of material deviations between EBITDA and revenue of the acquired companies calculated on local generally accepted accounting principles compared to EBITDA and revenue in accordance with IFRS as adopted by the EU EBITDA and revenue were converted to IFRS by applying on a case-by-case basis IFRS-adjustments to EBITDA and revenue for such relevant period;

- Finally, in case EBITDA and / or revenue for the relevant period are affected by material non-recurring items, these one-off effects were identified and adjusted.

The estimated information presented herein is for information purposes only. This information does not represent the results Synlab would have achieved had each of the acquisitions for which an adjustment is made occurred on April 1, 2014. The calculations for *Pro forma* Total Combined Estimated Adjusted EBITDA and *Pro forma* Total Combined Estimated Revenue are based on various assumptions, management estimates and the unaudited internal financial statements or management accounts of the acquired companies, some of which differ from IFRS. The EBITDA and revenue for each acquired company for the year ended December 31, 2013, or such other applicable period used to calculated *Pro forma* Total Combined Estimated Adjusted EBITDA and *Pro forma* Total Combined Estimated Revenue, may not be representative of what each such company's EBITDA or revenue would have been for the twelve months ended March 31, 2015.

(e) Represents reductions of Synlab's costs in connection with the termination of a hospital contract in and the renegotiation of three hospital contracts, all in Berlin, Germany. Synlab has calculated the twelve-month impact of the rental contract termination to fully reflect this effect in the twelve months ended March 31, 2015.

(f) Represents the impact of post-merger integration and efficiency measures related to the relocation of five blood collection points and the relocation of Synlab's central laboratory to Brescia during 2014, including the reduction of rental and other operating costs. Synlab has calculated the twelve-month impact to fully reflect this effect in the twelve months ended March 31, 2015.

(g) Represents elimination of rental costs in connection with the cancellation of a laboratory rental contract in Switzerland in 2014. Synlab has calculated the twelve-month impact of the rental contract cancellation to fully reflect this effect in the twelve months ended March 31, 2015.

(h) Represents the effect from Synlab's ongoing implementation of certain operational excellence initiatives targeted at the reduction of materials costs and, to a lesser extent, transportation costs as well as a new hospital outsourcing contract in Germany.

(i) Represents the effect from operational measures focused on optimizing supplier expenses, including, in particular, in Switzerland and Germany.

(j) Represents adjustments related to the closure of laboratories in the United Kingdom and Germany by Synlab.

(k) Represents out-of-period revenues exceeding the regular rolling effect from prior period reimbursement with the public health insurance incurred in 2014 in Weiden. Such revenues were not recorded in 2013 when the reimbursement was under dispute, leading to recognition in the later period.

(l) Represents Swiss pension service costs in excess of cash payments.

(m) Represents adjustments largely relating to certain smaller items of less than €250,000 across several countries, mainly from receivables write-offs, re-phasing of provision releases and foreign exchange profits, which generally off-set each other.

(n) Represents the impact from the phasing of a large 10-year hospital outsourcing contract in Melnik, Czech Republic that was signed at the end of 2014 but effective only during the first quarter of 2015. Synlab has calculated the twelve-month impact of this contract to fully reflect this effect in the twelve months ended March 31, 2015.

(o) Represents the estimated effect on EBITDA from the acquisitions Synlab signed and partly closed since the first quarter ended March 31, 2015. These amounts are estimates, in part because (i) historical income statement information was generally not available for the acquired companies for the full period prior to closing the acquisitions and/or (ii) adjustments have been made to the historical financial information of the acquired companies as described in note (d) above. Since March 31, 2015, Synlab has completed the acquisition of laboratories or laboratory service providers in Berlin, Germany, Ghana and Austria and signed an acquisition agreement in connection with the purchase of an entity in Romania. The first of three scheduled closings of the Romania acquisition occurred in the second quarter of 2015 and Synlab has the option to complete the remaining closings at its discretion. See "*Summary—Recent Developments—Recent Acquisitions—Synlab*" for more information.

(p) We believe that the Transactions will create the opportunity to achieve significant cost synergies. We intend to implement certain measures in the first 12 months following the Completion Date, which we estimate will allow us to achieve approximately €17.5 million in cost synergies on an annual run rate basis. Those synergies are expected to arise as a result of cost reductions resulting from (i) the consolidation of overlapping headquarters operations, (ii) improvements in operational efficiency and procurement due to the combined business' greater scale and (iii) consolidation of laboratories in certain countries.

Following the Completion Date we plan to consolidate headquarters operations from the two current locations to a single site. As a result, we will benefit from reduced personnel costs as well as reduced rent and other operational expenses, including expenses related to auditing, legal, IT, telecom and non-core purchasing. We expect to achieve cost reductions of approximately €3.7 million when we consolidate our headquarters at one location.

We believe that our combined business will benefit from greater operational efficiency and improved purchasing power. Synlab provides certain specialty tests that Labco currently outsources to other laboratories. When the Synlab and Labco businesses are joined, those specialty tests will be conducted within the combined business, providing a reduction to our cost of goods sold. In addition, we expect to benefit from improvements to the pricing plans we have with certain third party suppliers. Some of our suppliers and service providers currently have contractual arrangements with both Synlab and Labco, but have different price levels for each business. We expect that we will be able to renegotiate the terms of such contracts, following completion of the Transactions, to continue our relationship with such third party at the more favorable of the two price levels. We estimate that we will achieve cost reductions of approximately €5.5 million as a result of improvements in operational efficiency and procurement.

In certain countries, namely Belgium, Italy and Switzerland, we expect we will be able to generate cost savings by consolidating certain laboratory locations. We will do this by consolidating operations at the most efficient location, with the others being closed or significantly downsized. The increased volumes of tests at the consolidated laboratories will lead to better capacity utilization, thus decreasing the cost base as a percentage of revenues. We believe that such consolidation will reduce the cost base by approximately 20% compared to the costs of the closed labs. We believe that consolidating laboratories will provide cost reductions of approximately €8.3 million.

Although it is our objective to reach the levels of projected synergies reflected in Total Combined Estimated Adjusted EBITDA, no assurance can be given that such levels will be achieved in the time frame indicated or at all or that additional unanticipated costs will not arise. We currently estimate the cost to achieve the anticipated synergies to be approximately €7.2 million. Our synergy estimates are based on a number of assumptions made in reliance on the information available to us and our judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to significant business, economic, and competitive risks and uncertainties that could cause our actual results to differ materially from those contained in the synergy benefit estimates. See "*Risk Factors—Risks Related to the Transactions—We may fail to realize the anticipated benefits of the Transactions*."

(4) Net financial debt represents the sum of current and non-current interest-bearing loans and borrowings less cash and cash equivalents. *Pro forma* combined net financial debt gives *pro forma* effect to the issuance of the Notes and the application of the proceeds therefrom as if such issuance had taken place on March 31, 2015.

(5) Net senior secured debt represents the sum of the aggregate principal amount of the Senior Secured Notes, other financial liabilities and any drawn amounts under the Revolving Credit Facility less cash and cash equivalents. *Pro forma* combined senior secured debt gives *pro forma* effect to the issuance of the Additional Senior Secured Notes and the application of the proceeds therefrom as if such issuance had taken place on March 31, 2015.

(6) *Pro forma* combined interest expense represents interest expense for the twelve months ended March 31, 2015 as adjusted to give effect to the Transactions. *Pro forma* combined interest expense assumes an imputed weighted average interest rate for the Fixed Rate Notes, the Floating Rate Notes and the Senior Notes, assuming a constant EURIBOR rate for the twelve months ended March 31, 2015 and assuming the Revolving Credit Facility was undrawn during such period. *Pro forma* combined interest expense does not include commitment fees on the Revolving Credit Facility or any charges related to debt issuance costs in connection with the Offering. *Pro forma* interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the issue of the Notes occurred on the date assumed, nor does it purport to project our interest expenses for any period or our financial condition at any future date.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA OF SYNLAB

The following tables set forth summary historical consolidated financial information of synlab Holding GmbH as of and for the years ended December 31, 2012, 2013 and 2014 and as of March 31, 2015 and for the three months ended March 31, 2014 and 2015 as well as for the twelve-month period ended March 31, 2015.

Synlab's financial data as of and for each of the years ended December 31, 2012, 2013 and 2014 included in the summary historical consolidated financial information have been derived from the Synlab Audited Financial Statements included elsewhere in this offering memorandum. The audited consolidated financial statements for the years ended December 31, 2013 and 2014 were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315(a)(1) German Commercial Code (*Handelsgesetzbuch*—"HGB"). The German language consolidated financial statements of Synlab and its subsidiaries as of and for the years ended December 31, 2013 and 2014 have been audited by Synlab's statutory auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("E&Y") in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*). Free English language translations of the abovementioned German language consolidated financial statements (labeled as the "Synlab Audited Financial Statements") and the auditor's reports thereon are included elsewhere in this offering memorandum.

Synlab's financial data for the three months ended March 31, 2014 and 2015 and as of March 31, 2015 included in the summary consolidated financial information have been derived from the Synlab Unaudited Interim Financial Statements included elsewhere in this offering memorandum. The unaudited German language interim consolidated financial statements of Synlab were prepared in accordance with IAS 34 and include unaudited comparative financial information for the three-month period ended March 31, 2014. Free English language translations of the abovementioned German language interim consolidated financial statements (labeled as the "Synlab Unaudited Interim Financial Statements") are included elsewhere in this offering memorandum.

The unaudited summary consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended March 31, 2015 have been derived by subtracting from the financial information of the Synlab Audited Financial Statements for the year ended December 31, 2014 and Synlab's internal accounting system, the comparative financial information of the Synlab Unaudited Interim Financial Statements for the three months ended March 31, 2014 and Synlab's internal accounting system, and adding the financial information of the Synlab Unaudited Interim Financial Statements for the three months ended March 31, 2015 and Synlab's internal accounting system. The unaudited consolidated statement of comprehensive income information and the other financial information presented for the twelve months ended March 31, 2015 have been prepared for illustrative purposes only and are not necessarily representative of Synlab's results of operations for any future period or its financial condition at any future date. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of Synlab's financial reporting and has not been audited or reviewed.

The Synlab financial information marked as "audited" in tables in this offering memorandum is extracted from the Synlab Audited Financial Statements. Financial information of Synlab marked as "unaudited" in tables in this offering memorandum is not extracted from the Synlab Audited Financial Statements but is either extracted from the Synlab Unaudited Interim Financial Statements or synlab Holding GmbH's internal accounting system or is based on calculations of figures of the abovementioned sources.

The following tables should be read in conjunction with "*Use of Proceeds*," "*Capitalization*," "*Selected Historical Consolidated Financial Information of Synlab*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab*," "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and the Synlab Financial Statements included elsewhere in this offering memorandum. Historical results are not necessarily indicative of future expected results. In addition, Synlab's results for the three months ended March 31, 2015 should not be regarded as indicative of our expected results for the year ending December 31, 2015.

Summary Consolidated Statement of Comprehensive Income and Other Information

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2012	2013	2014	2014	2015	2015
		(audited)		(unaudited)		(unaudited)
	(€ millions)					
Revenue	**600.9**	**671.2**	**729.4**	**185.1**	**192.3**	**736.6**
Material expenses	(163.6)	(177.4)	(181.1)	(47.5)	(47.4)	(181.0)
Personnel expenses	(224.0)	(240.7)	(257.1)	(64.8)	(68.6)	(260.9)
Expenses on rental and lease agreements	(24.0)	(28.3)	(31.5)	(7.4)	(8.1)	(32.2)
Transport expenses	(26.1)	(26.8)	(27.7)	(6.9)	(6.4)	(27.2)
Other operating income	11.1	12.6	27.4	2.9	3.5	28.0
Other operating expenses	(110.9)	(125.5)	(138.0)	(29.3)	(32.1)	(140.8)
Depreciation, amortization and impairment	(54.4)	(62.5)	(65.8)	(16.0)	(17.1)	(66.9)
Income from reversal of impairments of customer lists	—	—	21.0	—	—	21.0
Operating profit/loss	**9.0**	**22.6**	**76.5**	**16.1**	**16.1**	**76.5**
Share of profit of associates	0.4	0.6	(0.7)	0.0	(0.2)	(0.9)
Financial income	1.0	4.0	3.2	0.2	4.0	7.0
Financial expenses	(34.0)	(33.8)	(33.8)	(7.7)	(13.4)	(39.5)
Revaluation on shares in partnerships with a non-controlling interest	(1.0)	(1.0)	(0.8)	0.0	(0.2)	(1.0)
Income before tax	**(24.5)**	**(7.7)**	**44.3**	**8.6**	**6.2**	**41.9**
Income tax expense	(2.6)	(7.5)	(12.1)	(3.2)	(2.9)	(11.8)
Consolidated profit/loss for the year/period	**(27.1)**	**(15.2)**	**32.2**	**5.4**	**3.3**	**30.1**

Summary Consolidated Statement of Financial Position Information

	As of December 31,			As of March 31,
	2012	2013	2014	2015
		(audited)		(unaudited)
			(€ millions)	
ASSETS				
Non-current assets	**684.2**	**729.4**	**751.5**	**778.1**
Goodwill	311.9	350.9	373.3	396.6
Intangible assets	299.2	306.0	305.3	302.2
Property, plant and equipment	64.5	67.4	67.0	66.9
Investments in companies accounted for using the equity method	1.2	2.3	3.1	2.9
Other non-current assets	3.7	1.5	1.3	8.1
Deferred tax assets	3.8	1.3	1.4	1.4
Current assets	**190.5**	**224.6**	**240.8**	**245.8**
Inventories	17.2	19.2	17.1	17.8
Trade receivables	114.1	118.4	119.7	130.8
Income tax receivables	3.4	5.5	1.0	1.5
Other current assets	12.0	16.9	15.7	19.7
Cash and cash equivalents	43.8	64.6	87.2	76.0
Total Assets	**874.7**	**954.0**	**992.3**	**1,023.9**
EQUITY AND LIABILITIES				
Total equity	**235.2**	**216.4**	**244.1**	**264.4**
Equity of parent company shareholders	**234.4**	**215.0**	**242.8**	**263.0**
Subscribed capital	2.8	2.8	2.8	2.8
Capital reserves	212.3	199.7	199.7	199.8
Accumulated profit/loss	(0.1)	0	31.6	34.7
Cumulative changes in equity not recognized through profit/loss	19.4	12.6	8.7	25.7
Non-controlling interests	0.8	1.4	1.3	1.4
Non-current liabilities	**428.3**	**548.2**	**569.4**	**593.7**
Interest-bearing and borrowings	357.3	466.4	488.3	509.6
Pensions and similar obligations	10.1	11.4	19.7	22.3
Other provisions	3.8	14.8	3.1	3.1
Other financial liabilities	3.3	3.0	4.6	5.2
Deferred tax liabilities	53.6	52.5	53.8	53.5
Current liabilities	**211.3**	**189.4**	**178.8**	**165.7**
Interest-bearing loans and borrowings	54.1	41.8	30.6	30.6
Other provisions	23.0	10.5	12.9	13.5
Income tax liabilities	7.2	10.6	6.5	10.1
Trade payables	75.6	82.5	78.0	66.9
Other financial liabilities	31.6	27.8	35.8	30.7
Other liabilities	19.6	16.2	14.9	13.9
Total Equity and Liabilities	**874.7**	**954.0**	**992.3**	**1,023.9**

Summary Consolidated Cash Flow Statement Information

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
	(audited)			(unaudited)	
	(€ millions)				
Cash flow from operating activities	40.8	69.6	91.8	12.4	6.4
Cash flow from investing activities	(85.6)	(103.7)	(40.9)	(15.3)	(26.6)
Cash flow from financing activities	73.5	55.1	(28.4)	(23.1)	6.6
Cash and cash equivalents at beginning of period	15.1	43.8	64.6	64.6	87.2
Net foreign exchange differences	0.0	(0.2)	0.2	0.0	2.3
Net change in cash and cash equivalents	28.6	21.0	22.5	(26.1)	(13.6)
Cash and cash equivalents at end of period	43.8	64.6	87.2	38.5	76.0

Summary Other Financial Data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2015
	2012	2013	2014	2014	2015	
	(audited)			(unaudited)		(unaudited)
	(€ millions)					
Other Financial Data						
EBITDA(1)(5)	63.4	85.1	121.3	32.1	33.2	122.4
EBITDA margin (in %)(2)	10.6	12.7	16.6	17.3	17.3	16.6
Adjusted EBITDA(1)(5)	89.2	98.4	124.5	33.3	34.0	125.2
Adjusted EBITDA margin (in %)(2)	14.8	14.7	17.1	18.0	17.7	17.0
Estimated Adjusted EBITDA(3)(5)						139.1
Estimated Adjusted EBITDA margin (in %)(4)						18.7
Estimated Total Revenue(3)(5)						744.1

(1) Synlab defines EBITDA as operating profit/loss for the period before depreciation, amortization and impairment and income from reversal of impairments of customer lists. Adjusted EBITDA represents EBITDA as adjusted for the adjustments set out below. Synlab believes such costs are not reflective of the ongoing performance of its business and are thus added back to EBITDA to derive Adjusted EBITDA. Synlab presents EBITDA and Adjusted EBITDA as supplemental measures of its operating performance. Synlab believes that EBITDA and Adjusted EBITDA are useful to investors in evaluating its operating performance. EBITDA and Adjusted EBITDA are not performance indicators recognized under IFRS. Other companies may calculate EBITDA and Adjusted EBITDA differently than Synlab does. Therefore, you should exercise caution in comparing EBITDA and Adjusted EBITDA as reported by us to EBITDA or Adjusted EBITDA of other companies. For more information, see "*Presentation of Financial and Other Information—Presentation of Financial Information—Financial*

Statements—Presentation of Synlab Financial Information." The following table provides a reconciliation of operating profit/loss to EBITDA and EBITDA to Adjusted EBITDA for the periods indicated.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
	(unaudited, unless otherwise indicated)			(unaudited)		(unaudited)
	(€ millions)					
Operating profit/loss (audited)	**9.0**	**22.6**	**76.5**	**16.1**	**16.1**	**76.5**
Income from reversal of impairments of customer lists (audited)[a]	—	—	(21.0)	—	—	(21.0)
Depreciation, amortization and impairment (audited)	54.4	62.5	65.8	16.0	17.1	66.9
EBITDA	**63.4**	**85.1**	**121.3**	**32.1**	**33.2**	**122.4**
Adjustments						
Transaction, post-merger and refinancing costs[b]	4.0	2.5	(8.1)	0.1	(0.3)	(8.5)
Restructuring expenses[c]	4.2	3.7	4.6	0.2	0.7	5.1
Provisions for onerous contracts[d]	(0.1)	—	2.6	—	—	2.6
Supplier dispute[e]	15.1	2.1	(2.0)	—	—	(2.0)
Settlement with health insurance funds[f]	—	2.3	3.3	—	—	3.3
Start-up losses[g]	0.8	1.1	0.8	0.2	0.2	0.8
Asset disposals and closures[h]	(0.2)	(0.3)	(0.5)	—	—	(0.5)
Expenses for legal disputes[i]	2.0	1.9	2.5	0.7	0.2	2.0
Adjusted EBITDA	**89.2**	**98.4**	**124.5**	**33.3**	**34.0**	**125.2**

(a) Represents reversal of impairments of customer lists in the amount of €21.0 million as a result of the improved earnings situation of the cash generating unit Germany.

(b) Represents expenses related to company acquisitions, net of passed-on consultancy expenses for such acquisitions, plus/less income/expenses from changes in value of contingent considerations as recorded in other operating income as well as other operating expenses. For the three months ended March 31, 2015, further represents expenses for legal disputes in Belgium in connection with a company acquisition net of income from a recharge against the seller of Laboratoire d'Analyses Medicales Dr. Jean Collard SPRL.

(c) Represents the sum of restructuring expenses as recorded in other operating expenses and termination benefits recorded in personnel expenses. These expenses relate to severance payments and consulting and legal costs in connection with the optimization of Synlab's laboratory network, which included the centralization of services at synlab Holding GmbH and the restructuring of Synlab's hospitals business in Germany.

(d) Reflects expenses/income from additions to other provisions for onerous contracts net of income from reversal of such provisions. These provisions for onerous contracts relate to certain hospital contracts in Germany.

(e) Reflects the impacts from the dispute with a significant supplier in connection with the termination of a "per reported result"—contract. In late 2011, the supplier terminated the contract and commenced sales of consumables to us at increased prices.

(f) Represents expenses from settlements with health insurance funds related to certain receivables allowances and write offs in 2013 and 2014. In 2013, synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH wrote off €2.3 million of receivables due to a temporary cancellation of a license in January 2013. Adjustments in 2014 related to receivables allowances and write offs at two Czech subsidiaries in connection with receivables from health insurance funds for the years 2009 to 2014.

(g) Represents the negative EBITDA of synlab UK Ltd. during its start-up phase. Due to the public tender business in the United Kingdom, the start-up phase was relatively long compared to other countries.

(h) Represents losses/income from disposals of non-current assets.

(i) Represents expenses for legal disputes recorded in other operating expenses.

(2) EBITDA margin for a given period is EBITDA for that period divided by revenue for that period. Adjusted EBITDA margin for a given period is Adjusted EBITDA for that period divided by revenue for that period.

(3) Synlab presents Estimated Adjusted EBITDA and Estimated Total Revenue as further supplemental measures of its operating performance.

Estimated Adjusted EBITDA for the twelve months ended March 31, 2015 has been derived from our Adjusted EBITDA for the same period and adjusted to reflect the estimates described below in order to give effect, among other things, to Synlab's acquisition of 20 laboratory companies (excluding three small asset deals in Germany in 2014) ("Acquired Companies") at different dates during the twelve months ended March 31, 2015, as if they had each occurred on April 1, 2014.

	Twelve months ended March 31, 2015
	(unaudited) (€ millions)
Adjusted EBITDA	**125.2**
Adjustments	
Pro forma acquisition adjustments[(a)]	3.1
Termination and renegotiation of hospital contracts[(b)]	2.3
Post-merger integration effects[(c)]	0.2
Termination of laboratory rental contract[(d)]	0.1
Operational excellence initiatives[(e)]	2.3
Supplier optimization measures[(f)]	3.1
Laboratory closures[(g)]	0.6
Phasing of revenue adjustment[(h)]	(1.7)
Pension servicing[(i)]	0.6
Other[(j)]	(0.1)
Vamed contract[(k)]	0.1
EBITDA of the entities acquired in Q2 2015 for the twelve months ended March 31, 2015[(l)]	3.3
Estimated Adjusted EBITDA	**139.1**

Estimated Total Revenue for the twelve months ended March 31, 2015 has been derived from Synlab's revenue for the same period and adjusted to reflect the estimates described below in order to give effect to its acquisition of the Acquired Companies during the twelve months ended March 31, 2015, as if they had each occurred on April 1, 2014.

The following table provides a reconciliation of revenue to Estimated Total Revenue for the period indicated.

	Twelve months ended March 31, 2015
	(unaudited) (€ millions)
Revenue	**736.6**
Adjustments	
Pro forma acquisition adjustments[(a)]	7.5
Estimated Total Revenue	**744.1**

(a) Estimated Adjusted EBITDA and Estimated Total Revenue include the estimated effect on EBITDA and revenue, respectively, from the Acquired Companies Synlab closed in the twelve months ended March 31, 2015. These amounts are estimates, in part because (i) historical income statement information was generally not available for the acquired companies for the full period prior to closing the acquisitions and (ii) adjustments have been made to the historical financial information of the acquired companies as described below.

Synlab has made adjustments to Adjusted EBITDA and revenue to reflect the impact of the acquisition of the Acquired Companies acquired during the twelve months ended March 31, 2015 according to the following methodology:

- EBITDA and revenue for the twelve months ended March 31, 2015 for each of the Acquired Companies which were acquired during the twelve months ended March 31, 2015 have been calculated in a two-step approach:
  - EBITDA and revenue for the period between the closing date of the respective acquisition and March 31, 2015 have been derived from our accounting systems, since commencing with the closing of the respective acquisition, the respective Acquired Companies were part of Synlab's finance and consolidation process;
  - EBITDA and revenue for the period between April 1, 2014 and the closing date of the respective acquisition have been calculated by using available financial information for the respective Acquired Companies; i.e. EBITDA and revenue of each of the Acquired Companies for such period have been calculated on the basis of (i) audited financial statements of the respective Acquired Company prepared under local generally accepted accounting principles, or (ii) in the absence of audited financial statements, unaudited financial information (including unaudited financial information available to Synlab from due diligence reports), or (iii) in the absence of unaudited financial information, internal management accounts, or (iv) in the absence of internal management accounts, on the basis of the latest financial information provided to Synlab by the respective Acquired Company;
  - EBITDA and revenue adjustments did not take into account seasonality but have been used on a pro-rata basis, and were adjusted on a case-by-case basis to give estimated *pro forma* effect from April 1, 2014 to any non-recurring or extraordinary effects (such as contractual adjustments or remuneration changes) as if the adjustments were made at the beginning of the twelve months ended March 31, 2015;

- Furthermore, in case of material deviations between EBITDA and revenue of the respective Acquired Companies calculated on local generally accepted accounting principles compared to EBITDA and revenue in accordance with IFRS as adopted by the EU, EBITDA and revenue were converted to IFRS by applying, on a case-by-case basis, IFRS-adjustments to EBITDA and revenue for such relevant period; and
- Finally, in case EBITDA and/or revenue for the relevant period were affected by material non-recurring or extraordinary items, Synlab made estimated adjustments to EBITDA and revenue of the respective Acquired Companies.

  The presentation of Estimated Adjusted EBITDA and Estimated Total Revenue is for information purposes only. This information does not represent the results Synlab would have achieved had each of the acquisitions for which an adjustment is made been occurred and been fully integrated on April 1, 2014. The calculations for Estimated Adjusted EBITDA and Estimated Total Revenue are based on various assumptions, management estimates and the unaudited internal financial statements or management accounts or other available financial information of the Acquired Companies, some of which differ from IFRS. These numbers have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations of the relevant Acquired Companies for periods prior to their acquisition, may not be comparable to Synlab's consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. Estimated Adjusted EBITDA is included in this offering memorandum because Synlab believes that it provides a useful measure of its results of operations; however, this information does not constitute a measure of financial performance under IFRS, and you should not consider Estimated Adjusted EBITDA as an alternative to operating income or any other performance measure derived in accordance with IFRS or as a measure of Synlab's results of operations or liquidity. Other companies, including those in Synlab's industry, may calculate a similarly titled financial measure differently from Synlab, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments or other commitments.

(b) Represents reductions of costs in connection with the termination of a hospital contract in and the renegotiation of three hospital contracts, all in Berlin, Germany. We have calculated the twelve-month impact of the rental contract termination to fully reflect this effect in the twelve months ended March 31, 2015.

(c) Represents the impact of post-merger integration and efficiency measures related to the relocation of five blood collection points and the relocation of Synlab's central laboratory to Brescia during 2014, including the reduction of rental and other operating costs. Synlab has calculated the twelve-month impact to fully reflect this effect in the twelve months ended March 31, 2015.

(d) Represents elimination of rental costs in connection with the cancellation of a laboratory rental contract in Switzerland in 2014. Synlab has calculated the twelve-month impact of the rental contract cancellation to fully reflect this effect in the twelve months ended March 31, 2015.

(e) Represents the effect from the ongoing implementation of certain operational excellence initiatives targeted at the reduction of materials costs and, to a lesser extent, transportation costs as well as a new hospital outsourcing contract in Germany.

(f) Represents the effect from operational measures focused on optimizing supplier expenses, including, in particular, in Switzerland and Germany.

(g) Represents adjustments related to the closure of laboratories in the United Kingdom and Germany.

(h) Represents out-of-period revenues exceeding the regular rolling effect from prior period reimbursement with the public health insurance incurred in 2014 in Weiden. Such revenues were not recorded in 2013 when the reimbursement was under dispute, leading to recognition in the later period.

(i) Represents Swiss pension service costs in excess of cash payments.

(j) Represents adjustments largely relating to certain smaller items of less than €250,000 across several countries, mainly from receivables write-offs, re-phasing of provision releases and foreign exchange profits, which generally off-set each other.

(k) Represents the impact from the phasing of a large 10-year hospital outsourcing contract in Melnik, Czech Republic that was signed at the end of 2014 but effective only during the first quarter of 2015. Synlab has calculated the twelve-month impact of this contract to fully reflect this effect in the twelve months ended March 31, 2015.

(l) Represents the estimated effect on EBITDA from the acquisitions Synlab signed and partly closed since the first quarter ended March 31, 2015. These amounts are estimates, in part because (i) historical income statement information was generally not available for the acquired companies for the full period prior to closing the acquisitions and/or (ii) adjustments have been made to the historical financial information of the acquired companies as described in note (d) above. Since March 31, 2015, Synlab has completed the acquisition of laboratories or laboratory service providers in Germany, Ghana and Austria and signed an acquisition agreement in connection with the purchase of an entity in Romania. The first of three scheduled closings of the Romania acquisition occurred in the second quarter of 2015 and Synlab has the option to complete the remaining closings at its discretion. See "*Summary—Recent Developments—Recent Acquisitions—Synlab*" for more information.

(4) Estimated Adjusted EBITDA margin, expressed as a percentage, represents Estimated Adjusted EBITDA divided by Estimated Total Revenue.

(5) EBITDA, Adjusted EBITDA, Estimated Adjusted EBITDA and Estimated Total Revenue are not measurements of financial performance under IFRS or U.S. GAAP and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS or U.S. GAAP. EBITDA, Adjusted EBITDA, Estimated Adjusted EBITDA and Estimated Total Revenue, as presented in this offering memorandum, may differ from, and may not be comparable to, similarly titled measures used by other companies and from "Consolidated EBITDA" contained in "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*" and in the Indentures. Synlab presents EBITDA, Adjusted EBITDA, Estimated Adjusted EBITDA and Estimated Total Revenue for informational purposes only. This information does not represent the results Synlab would have achieved had each of the transactions for which an adjustment is made occurred at the dates indicated. There is no assurance that items Synlab has identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The calculations for Adjusted EBITDA, Estimated Adjusted EBITDA and Estimated Total Revenue are based on various assumptions, management estimates and unaudited management accounts. These amounts have not been and, in certain cases, cannot be audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations of the transactions for the periods presented and may not be comparable to the Synlab Financial Statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. EBITDA, Adjusted EBITDA, Estimated Adjusted EBITDA and Estimated Total Revenue have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Synlab's operating results as reported under IFRS. See "*Presentation of Financial and Other Information*."

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA OF LABCO

The following tables present summary historical consolidated financial information and other data for Labco for the periods ended and as of the dates indicated below.

Labco's financial data as of and for each of the years ended December 31, 2012, 2013 and 2014 included in the summary historical consolidated financial information have been derived from the Labco Audited Financial Statements included elsewhere in this offering memorandum. The audited consolidated financial statements for the years ended December 31, 2013 and 2014 were prepared in accordance with IFRS and have been audited by Labco's statutory auditors, Deloitte & Associés and Aplitec. The audited consolidated financial statements for the year ended December 31, 2012 were prepared in accordance with IFRS and have been audited by Labco's statutory auditors at that time, Deloitte & Associés and Pierre Henri Scacchi et Associés. Free English translations of their audit reports are included elsewhere in this offering memorandum, together with the Labco Audited Financial Statements.

Labco's financial data as of and for each of the three months ended March 31, 2014 and 2015 included in the summary consolidated financial information have been derived from the Labco Unaudited Interim Financial Statements included elsewhere in this offering memorandum. The Labco Unaudited Interim Financial Statements were prepared in accordance with IAS 34 and include unaudited comparable information for the three-month period ended March 31, 2014. The Labco Unaudited Interim Financial Statements have been reviewed by Labco's statutory auditors. A free English translation of this report has been included in this offering memorandum, together with the Labco Unaudited Interim Financial Statements.

The Labco Financial Statements included in this offering memorandum have not been adjusted to reflect the impact of any changes to the income statements, balance sheet or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Acquisitions, nor have they been adjusted to reflect the impact of any changes to the balance sheet as a result of limitations on our ability to use certain net operating loss carryforwards for income tax purposes following the Acquisitions. Labco expects that part of the carrying value for deferred tax assets on its balance sheet may be reduced as a result of a potential postponement of its ability to use them. Only the loss carryforwards of Labco's subsidiary in Germany will be definitively lost as a result of the Acquisitions, although these were not booked as deferred tax assets in the Labco Financial Statements. In addition, the application of purchase accounting could result in different carrying values for existing assets and assets Labco may add to its balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Labco's financial statements could be materially different from the Labco Financial Statements included in this offering memorandum once the adjustments are made.

On December 2, 2013, Labco sold its entire German operations to Sonic Healthcare for an aggregate consideration of €76.0 million. Labco has accounted for such operations as "discontinued operations" with effect from September 30, 2013 in its financial statements, in accordance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). As a result, in Labco's consolidated financial statements as of and for the year ended December 31, 2013, the contribution of its German operations appears separately under the line item "net profit of the period from discontinued operations" rather than under each line item where such contribution was previously recorded, and the consolidated financial information as of and for the year ended December 31, 2012 included for comparison purposes in such consolidated financial statements was restated. Labco has not restated its consolidated financial statements as of and for the year ended December 31, 2012, and such financial statements are therefore not directly comparable with its financial statements as of and for the year ended December 31, 2013.

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Due to the accounting impact of this transaction and the consolidation of the operating results of the SDN Group, Labco's results as of and for the years ended December 31, 2013 and 2014 are not directly comparable. In addition, Labco's results of operations for the three months ended March 31, 2014 do not reflect any results for the SDN Group for that period, whereas the SDN Group's results are fully consolidated in Labco's results of operations for the three months ended March 31, 2015. Labco's results of operations for the three months ended March 31, 2014 are therefore not directly comparable with its results of operations for the three months ended March 31, 2015.

Since January 1, 2015 Labco has applied IFRIC 21 (*Levies*) with impacts to its results of operations recognized retrospectively in accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*). IFRIC 21 provides guidance on recognition of a liability to pay taxes (except for income taxes). IFRIC 21 modifies existing practices for the payment of annual taxes, which, for an entity, is triggered by being in operation on a certain date or by achieving a certain level of activity. The impact of IFRIC 21 on the Labco Group is limited to the time at which it recognized a French levy known as "C3S" (*contribution sociale de solidarité des sociétés*). To improve the comparability of Labco's results of operations for the three months ended March 31, 2015, Labco's consolidated statement of income for the comparative period of March 31, 2014 has been restated in order to reflect the impact of IFRIC 21 on the gross amount (excluding deferred tax effect of €0.1 million), which amounts to €0.4 million in other operating expenses. The application of IFRIC 21 has no impact on cash flow from operating activities as the corresponding reduction in EBITDA is offset by an increase in other current liabilities.

The summary unaudited historical consolidated financial data as of and for the twelve months ended March 31, 2015 included in the summary historical consolidated financial information have been derived by adding the consolidated financial data of Labco as of and for the year ended December 31, 2014 to the consolidated financial data of Labco as of and for the three months ended March 31, 2015 and subtracting the consolidated financial data of Labco as of and for the three months ended March 31, 2014. The financial data for the twelve months ended March 31, 2015 have been prepared for illustrative purposes only and are not necessarily representative of Labco's results of operations for any future period or its financial condition at any future date. Such compilation has not been audited or reviewed.

The following tables should be read in conjunction with "*Use of Proceeds*," "*Capitalization*," "*Selected Historical Consolidated Financial Information of Labco*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco*," "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and the Labco Financial Statements included elsewhere in this offering memorandum. Historical results are not necessarily indicative of future expected results. In addition, Labco's results for the three months ended March 31, 2015 should not be regarded as indicative of our expected results for the year ended December 31, 2015.

Summary Consolidated Statement of Income

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2015 (unaudited)
	2012 (restated)	2013	2014	2014 (restated) (unaudited)	2015 (unaudited)	
				(€ millions)		
Revenue	511.4	544.2	611.3	150.4	179.0	639.9
Other income	2.9	3.1	4.4	0.6	1.2	5.0
Total revenue	**514.2**	**547.3**	**615.6**	**151.0**	**180.2**	**644.8**
Cost of sales	(111.3)	(122.8)	(140.1)	(33.5)	(41.6)	(148.2)
Payroll-related expenses	(219.6)	(232.5)	(256.8)	(61.9)	(70.2)	(265.1)
Share-based payment (warrants)	(0.6)	(0.3)	(2.0)	0.0	(0.9)	(2.9)
Other operating expenses	(77.7)	(84.5)	(102.1)	(22.6)	(29.0)	(108.5)
Transactions costs for usual small size acquisitions	(1.5)	(1.0)	(1.5)	(0.4)	(0.3)	(1.4)
EBITDA[(1)]	**103.4**	**106.3**	**113.2**	**32.5**	**38.3**	**119.0**
Depreciation, impairment losses and amortization, provisions and reversals	(17.6)	(19.0)	(24.2)	(5.1)	(6.7)	(25.8)
Results from operating activities before non-recurring activities	**85.8**	**87.3**	**89.1**	**27.5**	**31.6**	**93.2**
Non-recurring income and expenses	(6.5)	0.3	(20.8)	(0.6)	(1.1)	(21.3)
Results from operating activities after non-recurring activities	79.3	87.5	68.2	26.9	30.5	71.8
Net finance costs	(53.8)	(59.1)	(64.5)	(15.1)	(16.2)	(65.6)
Income tax expenses	(18.6)	(21.1)	(18.7)	(6.7)	(8.1)	(20.1)
Share of profit of associates	(0.1)	(1.3)	0.4	0.0	0.0	0.4
Net profit of the period from continuing operations	**6.9**	**6.0**	**(14.6)**	**—**	**—**	**—**
Net profit of the period from discontinued operations	(35.0)	6.8	0.0	—	—	—
Net profit of the period	**(28.1)**	**12.8**	**(14.6)**	**5.1**	**6.3**	**(13.4)**
Profit attributable to non-controlling interest	0.4	0.1	0.4	0.2	0.1	0.3
Profit attributable to the owners of the company	(28.5)	12.7	(15.0)	4.9	6.2	(13.7)

(1) EBITDA represents net profit before (i) income tax expenses, net, (ii) finance costs, (iii) depreciation, impairment losses and amortization, provisions and reversals, (iv) share profit of associates and (v) non-recurring income and expenses. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indentures.

Summary Consolidated Statement of Financial Position

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(€ millions)			
Goodwill	620.6	581.5	702.4	704.8
Intangible assets	12.6	25.0	26.8	27.8
Property, plant and equipment	59.9	67.2	93.2	94.5
Investments in associates	2.3	2.0	2.0	2.0
Other non-current assets	8.9	9.3	11.1	11.1
Deferred tax assets	7.6	8.6	10.9	11.0
Non-current assets	**712.0**	**693.5**	**846.6**	**851.2**
Inventories	8.9	8.2	11.3	11.4
Trade receivables	97.4	85.5	91.3	105.7
Other current assets	13.7	12.9	23.5	26.9
Cash and cash equivalents	56.6	167.8	74.1	83.9
Current assets	**176.7**	**274.5**	**200.2**	**227.9**
Assets classified as held for sale	0.0	0.0	0.0	0.0
Total assets	**888.6**	**968.0**	**1,046.8**	**1,079.1**
Share capital	68.5	68.5	68.7	70.6
Additional paid-in capital	211.0	211.0	93.7	94.0
Reserves attributable to owners of the parent	(85.6)	(114.1)	(4.8)	(19.7)
Currency translation adjustments	(0.2)	(0.2)	0.4	1.0
Net income (Group share)	(28.5)	12.7	(15.0)	6.2
Equity attributable to owners of the parent	**165.3**	**177.9**	**143.1**	**152.0**
Non-controlling interests	1.2	1.2	(0.06)	0.04
Total equity	**166.4**	**179.2**	**143.0**	**152.1**
Provisions—non-current	0.9	0.0	2.4	2.5
Employee benefits liabilities	8.2	8.6	15.0	15.6
Borrowings and other financial liabilities—non-current	548.7	616.0	691.3	724.1
Other non-current liabilities	2.3	1.5	11.1	10.1
Deferred tax liabilities	2.4	5.0	6.0	6.1
Non-current liabilities	**562.4**	**631.2**	**725.8**	**758.4**
Provisions—current	5.8	2.9	9.2	3.4
Current financial liabilities	31.9	33.7	33.2	21.5
Trade liabilities	57.0	60.9	74.3	77.7
Other current liabilities	65.1	60.3	61.2	66.0
Current liabilities	**159.9**	**157.7**	**178.0**	**168.6**
Liabilities classified as held for sale	0.0	0.0	0.0	0.0
Total equity and liabilities	**888.6**	**968.0**	**1,046.8**	**1,079.1**

Summary Consolidated Statement of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2012 (restated)	2013	2014	2014 (restated)	2015
				(unaudited)	(unaudited)
			(€ millions)		
EBITDA[(1)]	**103.4**	**106.3**	**113.2**	**32.5**	**38.3**
Other calculated revenues and expenses	1.2	1.1	1.3	0.1	1.0
Dividends received from associates	0.4	0.3	0.4	0.0	0.0
Cash from (used in) non-recurring expenses net	(6.7)	(5.6)	(14.3)	(1.0)	(8.2)
Changes in inventories	1.0	0.1	(2.6)	(0.1)	0.0
Changes in trade and other receivables from operations	(0.1)	3.9	4.2	(4.1)	(16.1)
Changes in trade and other payables from operations	7.8	1.2	14.2	1.6	2.2
Changes in other receivables and payables	(3.7)	2.2	(1.5)	(1.4)	0.3
Income tax paid	(19.6)	(24.5)	(29.3)	(3.7)	(2.4)
Cash flows from (used in) operating activities of discontinued operations	6.5	8.0	—	—	—
Cash flows from (used in) operating activities (A)	**90.2**	**93.0**	**85.6**	**24.1**	**15.3**
Purchases of intangible, property, plant and equipment	(14.3)	(18.9)	(36.0)	(4.1)	(8.0)
Proceeds on disposals of intangible, property, plant and equipment	0.2	0.2	0.4	0.1	0.1
Purchases of investments, net of cash acquired and changes in debt related to acquisitions	(44.5)	(20.2)	(125.2)	(16.4)	(3.5)
Net increase (decrease) in other assets	0.2	73.0	(3.5)	(2.9)	(0.1)
Changes effect in consolidation scope	(0.4)	0.2	1.1	0.0	0.0
Cash flows from (used in) operating activities of discontinued operations	(1.3)	(6.5)	—	—	—
Cash flows from (used in) investing activities (B)	**(60.0)**	**27.7**	**(163.1)**	**(23.3)**	**(11.5)**
Proceeds from share capital increase	27.4	0.0	(19.2)	(15.0)	1.5
Cash from (used in) net financial profit (loss)	(50.6)	(52.0)	(57.8)	(26.9)	(26.5)
New borrowings and other financial liabilities	616.4	192.4	429.8	1.4	256.8
Repayment of borrowings and other financial liabilities	(627.1)	(142.2)	(361.8)	(1.0)	(224.4)
Repayment of finance lease liabilities	(6.0)	(6.0)	(6.9)	(1.6)	(1.6)
Dividends paid	(0.1)	(0.1)	0.04	0.0	0.0
Cash flows from (used in) operating activities of discontinued operations	(1.7)	(1.5)	—	—	—
Cash flows from (used in) financing activities (C)	**(41.8)**	**(9.3)**	**(16.0)**	**(43.1)**	**5.7**
Total cash flows (A+B+C)	**(11.6)**	**111.4**	**(93.5)**	**(42.3)**	**9.5**
Cash and cash equivalent at the beginning of the period	67.7	56.1	167.4	167.4	74.0
Change effect in foreign exchange rate	(0.0)	(0.1)	0.1	0.0	0.2
Cash and cash equivalent at the end of the period	56.1	167.4	74.0	125.1	83.8
Net increase (decrease) in cash and cash equivalents	**(11.6)**	**111.4**	**(93.5)**	**(42.3)**	**9.5**

(1) EBITDA represents net profit before (i) income tax expenses, net, (ii) finance costs, (iii) depreciation, impairment losses and amortization, provisions and reversals, (iv) share profit of associates non-recurring and (v) income and expenses. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indentures.

Summary Other Financial Data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2015
	2012 (restated)	2013	2014	2014	2015	
				(unaudited)	(unaudited)	(unaudited)
				(€ millions)		
Other data						
EBITDA	103.4	106.3	113.2	32.5	38.3	119.0
EBITDA margin[(1)]	20.1%	19.4%	18.5%	21.5%	21.3%	18.3%
Adjusted EBITDA[(2)]						127.3
Estimated *Pro Forma* Adjusted EBITDA[(3)]						149.0

(1) EBITDA margin, expressed as a percentage, represents EBITDA divided by total revenue.

(2) Adjusted EBITDA represents EBITDA as adjusted for certain costs identified in the table below. Adjusted EBITDA is not a measure of financial performance under IFRS, and you should not consider Adjusted EBITDA as an alternative of any other measure of performance derived in accordance with IFRS.

The reconciliation of our EBITDA to our Adjusted EBITDA for the twelve months ended March 31, 2015 is as follows:

	Twelve months ended March 31, 2015
	(unaudited) (€ millions)
EBITDA	119.0
Share-based payments (warrants)[(a)]	2.9
Transactions costs for usual small size acquisitions[(b)]	1.4
One-off severance payments[(c)]	0.2
VAT loss on recharge of corporate headquarter costs[(d)]	1.0
Mobilization costs[(e)]	0.5
Priority Dividend buy-backs[(f)]	0.3
UK transitional period losses[(g)]	2.0
Adjusted EBITDA	**127.3**

(a) Represents non-cash expenses recognized as a result of the vesting of rights to obtain warrants for people rendering services to the Group, mainly employees.

(b) Represents costs incurred in connection with acquisitions, including legal, due diligence and other advisory fees.

(c) Represents one-off severance payments to employees.

(d) Represents the loss attributable to the invoicing of non-recoverable VAT upon recharging corporate headquarter costs incurred by Labco S.A. to its subsidiaries, which cost recharging is discretionary and could be discontinued at any time.

(e) Represents costs associated with tendering for significant contracts with NHS trusts in the United Kingdom, including legal fees and advisory fees for tender consultants.

(f) Represents the effect of the buy-backs, completed on January 1, 2015, of Priority Dividends, which consist of a variable remuneration paid by certain of our SELs to certain laboratory doctors who sold their laboratories to us but remained shareholders of the SEL operating such laboratories. These Priority Dividends are calculated based on the performance of the SEL in which the relevant laboratory doctor works. Cost savings resulting from the buybacks are estimated at approximately € 0.5 million per year.

(g) Represents losses incurred since the signing of several outsourcing contracts with NHS trusts in October 2014. Outsourced laboratory services for certain NHS trusts generate losses in the first few years of the contracts while the outsourced operations are ongoing but the expected headcount and platform based efficiencies have not been achieved.

(3) Estimated *Pro Forma* Adjusted EBITDA for the twelve months ended March 31, 2015 has been derived from our Adjusted EBITDA for the same period as adjusted for (i) the full-year effect of the acquisition of the SDN Group, eight separate laboratory companies and three unincorporated clinical laboratories (the entities acquired between April 1, 2015 and June 1, 2015 (the "Q2 2015 Acquired Entities"), together with the SDN Group and the companies acquired between April 1, 2014 and March 31, 2015, the "Acquired Entities") at different dates between April 1, 2014 and June 1, 2015, (ii) the disposal of the Spanish laboratory company Sabater Pharma in July 2014 and (iii) annual estimated cost savings with respect to the Acquired Entities, as well as annual estimated cost savings expected to result from the concentration of our operations in Barcelona, as if they had occurred prior to and were fully integrated by April 1, 2014.

The presentation of Estimated *Pro Forma* Adjusted EBITDA is for informational purposes only. This information does not represent the results we would have achieved had each of the acquisitions for which an adjustment is made occurred and been fully integrated on April 1, 2014. The calculations for Estimated *Pro Forma* Adjusted EBITDA are based on various assumptions and management estimates. The EBITDA of each of the relevant Acquired Entities for the year ended December 31, 2014 may not be representative of what the EBITDA of such Acquired Entities would have been for the twelve months ended March 31, 2015. These numbers have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the financial condition or results of operations of the relevant Acquired Entities for periods prior to their acquisition, may not be comparable to our consolidated financial statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. Estimated *Pro Forma* Adjusted EBITDA is included in this offering memorandum because we believe that it provides a useful measure of our results of operations; however, this information does not constitute a measure of financial performance under IFRS, and you should not consider Estimated *Pro Forma* Adjusted EBITDA as an alternative to operating income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity. Other companies, including those in our industry, may calculate a similarly titled financial measure differently from us, and so the presentation of such financial measures may not be comparable to other similarly titled measures of other companies. Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments or other commitments.

The reconciliation of our Adjusted EBITDA to our Estimated *Pro Forma* Adjusted EBITDA is as follows:

	Twelve months ended March 31, 2015
	(unaudited) (€ millions)
Adjusted EBITDA	127.3
EBITDA of the SDN Group between its date of acquisition and March 31, 2015	(12.1)
EBITDA of the SDN Group for the year ended December 31, 2014[(a)]	21.9
EBITDA of the Q2 2015 Acquired Entities for the twelve months ended March 31, 2015[(a)]	7.1
EBITDA of Sabater Pharma between April 1, 2014 and the date of its disposal	(0.1)
Annual estimated cost savings with respect to the Acquired Entities[(b)]	3.2
Annual estimated cost savings from the concentration of our operations in Barcelona[(c)]	1.7
Estimated *Pro Forma* Adjusted EBITDA	**149.0**

(a) EBITDA of the SDN Group and the Q2 2015 Acquired Entities represents the aggregate EBITDA of each of such entities for the period from April 1, 2014 to March 31, 2015. These amounts are estimates in part because historical income statement information was not available for certain of these entities for the twelve months ended March 31, 2015 and such information has been converted and adjusted by us as described below. See "*Labco Unaudited Pro Forma Financial Information*."

We have estimated the EBITDA of the SDN Group and the Q2 2015 Acquired Entities using the following methodology:

- we have generally assumed that the EBITDA of the SDN Group and each Q2 2015 Acquired Entity for the twelve months ended March 31, 2015 was equal to the EBITDA of such entity for the year ended December 31, 2014;
- EBITDA of the SDN Group and each Q2 2015 Acquired Entity for the year ended December 31, 2014 was calculated on the basis of the audited historical annual financial statements of such entity prepared under relevant local generally accepted accounting principles or in the absence of audited financial statements on the basis of unaudited financial statements tax returns or unaudited internal management accounts; and
- EBITDA estimates of the SDN Group and the Q2 2015 Acquired Entities were then converted to our accounting policies by our management.

(b) Represents annual estimated synergies with respect to, and assuming full integration of, the Acquired Entities, including (i) a reduction in the cost of sales of the Acquired Entities through applying our known group purchasing cost base for reagents used in our testing procedures to the entities we acquire, (ii) the optimization of the workforces of the Acquired Entities through headcount reductions and restructuring management compensation arrangements and (iii) a reduction in other costs related to the operations of the Acquired Entities, primarily logistics costs and administrative expenses through applying our centralized group administrative function across the entities we acquire. We estimate annual synergies on the basis of standardized integration procedures applied to each acquisition we complete, which includes a compliance certificate that is used to track future performance. This compliance certificate includes key action items that we believe will result in synergies and upon execution of any such action we record corresponding synergy realizations reviewed every six months up until two to three years after the acquisition closes.

Our acquisitions of the Acquired Entities can be broadly categorized as follows:

Firstly, we target incremental acquisitions (or "bolt-on" acquisitions) in zones where we already have technical platforms since this allows us to restructure the acquired entities to enable application of our group purchasing and administrative cost base and leads to the rapid implementation of such cost synergies. In the case of these bolt-on acquisitions, which typically have an enterprise value of less than € 10.0 million, we aim to achieve all of the synergies within 12 to 24 months, with approximately half of the synergies expected from the transaction in the first year following the acquisition and then virtually all the remaining synergies during the second year following the acquisition. In 2014 and 2015, estimated synergies with respect to bolt-on acquisitions represented approximately 40% of our total expected synergies. There can be no assurance, however, as to when any such synergies will be achieved or whether such synergies will be achieved at all. See "*Risk Factors—Risks Related to Our Commercial Activities—We face risks associated with our strategy of acquiring companies*" "*Risk Factors—Risks Related to Our Commercial Activities—We may be unable to realize the expected cost savings from our recently acquired businesses and any future potential acquisition*" and "*Business—Acquisitions and External Growth Strategy*."

Secondly, we are interested in acquisitions that enable us to improve our coverage of a given region, which primarily means acquiring large platforms in new markets from which we will be able to implement our strategy of consolidating smaller operators and/or allow us to acquire new scientific or technological capabilities that can subsequently be deployed throughout our network. These acquisitions can take different forms, including purchasing multiple laboratories with the aim of combining them into a single platform and/or construction of a large centralized facility for the region. In the case of these larger acquisitions, which typically have an enterprise value of more than €10.0 million, we aim to achieve all of the synergies within the same time period as the bolt-on acquisitions; however, a greater proportion of the synergies for such larger acquisitions are usually realized in the second year following the acquisition or may be delayed further, sometimes significantly, since implementing the measures required to realize the synergies typically takes longer. This is primarily because there are often greater numbers of employees at such laboratories and so the time it takes to comply with employment regulations in relation to such employees and negotiate with works councils or other trade bodies generally takes longer. In 2014 and 2015, estimated synergies with respect to larger acquisitions represented approximately 60% of our total expected synergies. There can be no assurance, however, as to when any such synergies will be achieved or whether such synergies will be achieved at all. See "*Risk Factors—Risks Related to Our Commercial Activities—We face risks associated with our strategy of acquiring companies*," "*Risk Factors—Risks Related to Our Commercial Activities—We may be unable to realize the expected cost savings from our recently acquired businesses and any future potential acquisition*" and "*Business—Acquisitions and External Growth Strategy*."

Historically, we believe this methodology, which we use when valuing the Acquired Entities in connection with our decision to purchase such Acquired Entities, has proven reasonably accurate. We estimate that as of December 31, 2013, we had realized 80% of the expected cost-saving synergies planned with respect to acquisitions completed in 2011 and 2012 and from January 1, 2014, we continued to work on implementing the remaining 20% of synergies. Accordingly, we have only included 80% of the synergies that we expect to generate in the figure shown above for acquisitions completed in 2014 and 2015 for the purpose of calculating Estimated *Pro Forma* Adjusted EBITDA.

(c) Represents annual estimated rental cost savings and productivity gains expected to be generated following the consolidation of six laboratories and one administrative office in Barcelona into a single platform, which is due to complete in the second half of 2015. We estimate we will realize productivity gains, notably from headcount reductions, overhead cost reductions resulting from the concentration of our operations in one single facility, and the termination of the lease agreements for the facilities that are being transferred.

RISK FACTORS

An investment in the Notes involves risks. You should carefully consider the risks described below before deciding to invest in the Notes. In assessing these risks, you should also refer to the other information in this offering memorandum, including our financial statements and related notes. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties that are not currently known to us or that we currently consider immaterial could also impair our business, financial condition, operating results and our ability to make payments on the Notes.

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

Risks Related to Our Business

We operate in a highly regulated sector. Compliance with regulations applicable to our activities may increase our costs or restrict our activities. Failure to comply with such regulations may lead to penalties of various types. Future alterations to regulations applicable to us may have a material adverse impact on our activities.

The medical diagnostics industry (including clinical laboratory testing) is subject to extensive regulations and controls by various regulatory authorities in each of the countries in which we operate. Those regulations and controls have a major influence on the way we carry out our activities. For clinical laboratories, those regulations mainly pertain to operating requirements, professional qualifications of laboratory personnel, ownership and corporate governance constraints on companies that operate laboratories (which are especially strict in France), and the pricing and reimbursement levels of clinical tests. Our activities are also subject to numerous other laws and regulations, particularly as regards the handling and storing of certain chemicals and reagents, the disposal of biological waste (waste from care activities that carry a risk of infection), the handling and storage of personal data (including patients' medical records and test results), *relationships with doctors and hospitals (including laws and regulations prohibiting kickbacks and regulating gifts and fringe benefits)* and the prevention of fraud to social security systems. Our compliance with such regulations is monitored by the relevant administrative authorities in the countries and regions in which we operate, as well as by the competent professional associations such as the *Ordre des médecins* and the French *Ordre des pharmaciens*, which are self-regulatory bodies holding disciplinary powers over Labco's SELs and Labco's laboratory doctors in France, and which also maintain the registries of companies which operate clinical laboratories and laboratory doctors allowed to exercise in France. For Synlab's business in Germany, various public authorities monitor the regulatory compliance, depending on the location of the respective medical care center (*medizinische Versorgungszentren*) ("MVZ") and on the regulation to be monitored. The regional associations of public statutory health insurance (*gesetzliche Krankenversicherung*) ("SHI") physicians play a key role in the authorization of MVZ and the reimbursement of laboratory services.

Compliance with current or future laws and regulations may cause an increase in our administrative, legal and operational expenditure, force us to alter our commercial practices, our legal organization, the ownership structure and corporate governance of our subsidiaries or, more generally, reduce or limit our revenue. Those laws and regulations have a broad scope of application and their interpretation by the competent administrative authorities or professional associations is subject to change. Potential efforts to bring us in compliance with existing laws and regulations, with new interpretations of such laws and regulations, or with new laws and regulations may generate substantial new costs for us. Failure to comply with such regulations may also lead to sanctions of various kinds for us and potentially for laboratory doctors working for us. Sanctions may be administrative (fines, periodic penalty payments, temporary or permanent closures of laboratories), disciplinary (temporary or permanent removal of the right to practice), civil (damages), or criminal (a ban on operating a clinical laboratory or imprisonment).

For example, France has introduced minimum accreditation standards with which laboratories have to comply between 2016 and 2020. The implementation of these standards is proving costly and time consuming for Labco. The laboratory accreditation process is likely to require the preparation of a written application, the undertaking of site studies, assessment of the extent of changes required to comply with the new standards, the appointment of external qualified experts, the participation of Labco's staff in this process in addition to their usual workload, the payment of certain administrative fees and the implementation of new quality-control software. Accreditation may be delayed due to many factors, including the number of sites operated by a clinical laboratory and the responsiveness of the accreditation body, COFRAC. See "*Regulation—France*." The noncompliance by Labco's laboratories with the accreditation standards may force the noncomplying laboratories to abandon the activities for which they were not accredited.

Laws and regulations may also require Synlab to modify its operations or impose additional compliance expenses or burdens on it. For example, in Germany, new legislation was introduced in 2012 restricting ownership in MVZ to SHI-authorized physicians, SHI-authorized hospitals, licensed non-physician dialysis service providers and non-profit providers already licensed to provide services to publicly insured patients. Furthermore, in 2013, laboratory specialists became subject to capacity planning (*Bedarfsplanung*), which means that admission to practice in certain areas of specialization is restricted due to oversupply. These and future changes in German regulations may make the acquisition of new MVZ more difficult for Synlab and impair its ability to execute its growth strategy. See "*Regulation—Germany—Laboratory Diagnostics*."

In the Czech Republic, the Czech Institute of Accreditation introduced stricter certification and accreditation requirements in 2011, which certain health insurance providers in the Czech Republic, including the largest by number of insured customers, have as a mandatory pre-requisite for contracts with clinical laboratory service providers. In 2013, the Czech Ministry of Health introduced significant further reimbursement reductions for clinical laboratories which do not meet the requirements of such certifications, which could have a material impact on Synlab's revenue.

In Italy, recent regulations in Campania require accredited clinical laboratories that do not meet a minimum test volume threshold by 2016 to close as accredited laboratories or join a laboratory network. The required minimum test volume threshold is expected to increase further in the future in order to retain national health service accreditation and, thus, continue to operate a clinical laboratory and be entitled to reimbursements.

In general, if we fail to comply with applicable regulations, if they change or are interpreted in a manner adverse to us or if we cannot maintain, renew or secure required permits, licenses, accreditations, agreements or other necessary administrative authorizations, we may be unable to pursue our activities or market our services in the relevant jurisdictions, be excluded from participating in public healthcare programs, no longer be able to enter into contracts with third-party payers, suffer penalties or civil and criminal fines, or be subject to complaints by third parties, with the financial consequences that may result.

Changes affecting certain regulations or government programs that are not directly connected with the medical diagnostics sector, and in particular regulations relating to prescription control, co-payment, doctors, health insurers and hospitals, may also affect us and impair our operating results and our ability to expand our activities. For example, the 2010 amendment of the Portuguese regulation on doctors' pension plans caused a significant number of practicing doctors to retire before the amendment came into effect, reducing the number of practicing doctors and therefore the amount of medical prescriptions we received.

In all of the aforementioned cases, our reputation could be damaged and important relationships with government regulators or third parties could be adversely affected, resulting in a material adverse effect on our activities, development, operating results, financial condition and outlook.

The prices we may charge in certain markets are set by government-enforced rates that are often decreasing.

In many countries, our activities are subject to regulated rates (particularly for clinical services), since our services are provided under public health programs funded partly or entirely by governments. As a result, some or all of the clinical testing services provided by us are subject to prices or required rate-determination methods that are generally set by governmental authorities, and we have only limited influence on them. Rates may be revised at any time and recent revisions have involved reductions in rates. Tariff decreases may reduce our margins and may adversely affect our revenue from testing services and our operating results or even the feasibility of providing certain testing services by some or all of our laboratories. Due to continued economic and financial instability as well as increased pressure on public spending in Europe, further tariff decreases in the countries in which we operate are possible and any such decreases could be significant.

In the year ended December 31, 2014, Synlab estimates that approximately 29% of its revenue from human medicine in Germany, Switzerland, Italy, the Czech Republic and Belgium (the revenue from human medicine in those countries together accounted for 76.2% of Synlab's revenue in the year ended December 31, 2014) was generated from health insurance providers subject to regulated tariffs and approximately 26% and 31% of Synlab's revenue from human medicine in such countries was generated from private payers or other payers, respectively, with which prices for our laboratory testing services are freely negotiated. Tariffs or volume quotas are often established by or negotiated with governments and other authorities or regulatory bodies, and Synlab has limited or no influence over the levels at which they are set.

The recent financial crisis caused significant adverse changes to the prices of sovereign debt and increased financing costs for certain European countries, such as Spain and Portugal. In order to address market concerns regarding their budgetary imbalances, those countries' governments have adopted particularly harsh austerity measures that have included reductions in healthcare spending. Other European countries, including France, Italy and the United Kingdom, have also announced austerity measures aimed at curbing public healthcare expenditure. We must deal with such measures, which affects services provided by us in particular.

Governments typically control healthcare expenditure by reducing rates or reimbursement levels, seeking to reduce the number of tests prescribed by doctors, and limiting the testing services covered by their health, welfare or social security programs. In particular, the French government encourages healthcare professionals to limit the number of tests prescribed. Governments' reimbursement schemes often limit the range of tests that are covered, and certain preexisting or innovative tests that provided higher margins to us may be excluded from such coverage.

In countries such as Spain, where prices are not currently regulated, government price containment measures may impact our activities, since the public healthcare system covers most of the population. In Portugal, the Memorandum of Understanding on Specific Economic Policy Conditionality between the European Commission, the International Monetary Fund and the Central Bank was enacted in 2011 in response to the economic bailout, and resulted in financial aid of €78 billion on the basis of a three-year policy program until mid-2014. We estimate that this program, which included the aim of reducing national spending on healthcare by 10% in both 2011 and 2012, has resulted in price reductions for certain tests in Portugal since October 2011. According to the latest data available from the Portuguese national statistics institute (*Instituto Nacional de Estatistica*), public healthcare spending fell 1.1% in 2013 and 9.9% in 2012. In addition, two public healthcare insurance funds harmonized their rates in Portugal in 2012, which we believe has resulted in price reductions for certain tests in Portugal since August 2012.

In Italy, a new national pricing program (*nomenclatore tariffario*) was decided in January 2013 and provides regions with non-mandatory recommendations regarding the rates they adopt. The Liguria region adopted these new rates in October 2013 and the Campania region did so in March 2013. The adoption of these measures led to a reduction in our revenue relative to 2012. Lombardy adopted those rates in June 2015 along with significant changes in the structure of the regional healthcare system in the future. This may cause a material reduction in revenue for laboratories operated by us in the region. The Italian government has also set up a specialist committee to review national rates, which are due to be updated in 2015. This could lead to additional rate cuts, depending on whether the various regions adopt the rates.

Efforts to reduce public healthcare expenditure are also being made in Belgium.

In France, an agreement was signed on October 10, 2013 by the main French professional biologists' trade unions and UNCAM following the government's announcement of its plan to cut healthcare spending on French clinical laboratories by at least €110 million in 2012. The agreement aims to map out the business prospects of clinical laboratories for a three-year period while continuing to control healthcare spending. It aims to limit annual growth in clinical spending to 0.25% between 2014 and 2016, through moderate, gradual rate reductions and control over prescriptions, in order to offset natural volume growth. Professional unions meet with UNCAM every six months to measure the impact of enacted rate changes and to determine the upcoming changes that may need to be made to achieve the annual growth target. In late January 2015, UNCAM held discussions with professional unions to reiterate its commitment to the three-year agreement and to propose a rate revision commensurate with volume growth projected for 2014 and expected for 2015. Based on those figures, at its meeting held July 8, 2015, CNAM decided to maintain the existing nomenclature for 2015. Another meeting is planned in November 2015 to assess the market spend evolution and potentially propose a rate revision for the beginning of 2016 to align the overall spend with the three-year agreement guideline. In addition, Vitamin D tests, demand for which has grown very strongly since 2007, have seen repeated rate reductions in France: rates were cut by 25% in April 2013 and by 14% in April 2014.

Synlab is particularly sensitive to prices in Germany, as Germany accounted for 55.7% of its revenue for the year ended December 31, 2014 and 52.2% for the three months ended March 31, 2015. Synlab estimates that approximately 30% of such revenue was generated from health insurance providers subject to regulated tariffs, with the remainder generated from private payers or other payers with which prices for its laboratory testing services are freely negotiated. In 2012, German authorities introduced quotations for laboratory services on the basis of 2008 volumes and public health insurance companies reduced effective reimbursement rates by introducing regional volume caps. Furthermore, in the private health insurance system, a binding federal tariff (*Gebührenordnung für Ärzte*, "GOÄ") has been enacted by the Federal Ministry of Health. The tariff system, subject to perennial discussions with respect to amendments, may be revised in the next few years, and such amendments could result in a reduction of GOÄ prices for laboratory services. Because of the importance of the German market to Synlab's business and results of operations, further tariff reductions in Germany could significantly adversely affect Synlab's overall performance.

In Switzerland, where Synlab generated 12.1% of its revenue for the year ended December 31, 2014, tariffs are set by the Federal Department of Home Affairs and paid directly by private insurance providers on behalf of patients, or by patients directly that are reimbursed by private insurance providers in line with the Swiss private health insurance mandate. Changes to the Swiss reimbursement system in 2009 resulted in significant reductions in tariff levels, though a portion of the effect on tariffs was postponed until 2012. In addition, in the Czech Republic, which accounted for 6.3% of Synlab's revenue for the year ended December 31, 2014, a reduction of approximately 20% in outpatient reimbursement rates was introduced in 2010.

In general, we expect increased constraints on government-regulated tariffs to continue. In recent years, many European governments have announced or undertaken measures aimed at curbing spending, including healthcare expenditures, and may institute further policies designed to lower healthcare expenditures. As a result of such policies, changes in medical guidelines could lead to lower volumes of recurring tests, which could have a negative impact on our business. Furthermore, governments tend to reduce in greater proportion tariff levels on tests that are administered in high volumes, which has a multiplying effect on our results as the tests we perform in high volumes tend to be impacted by larger tariff cuts, and we may not be able to offset the impact of lower tariff levels by increasing testing volumes accordingly. Policies that limit or decrease the amounts we may charge for our services or exclude coverage of certain of our services from public health programs could have a material adverse effect on our business, results of operations, financial condition and prospects. See "*Regulation*."

We also face efforts by non-governmental third-party payers—mainly private health insurers—to reduce utilization and reimbursement for clinical laboratory testing services. In certain markets, we receive payment for our services from private health insurers that have gained significant bargaining power by only reimbursing healthcare services if such services are provided by pre-selected providers. Furthermore, in certain markets, private health insurers directly negotiate fee structures with healthcare providers, including clinical laboratories, and certain private health insurers have insisted on discounted fee structures as a condition for pre-selection in the past and may insist on further discounted fee structures in the future. If we are not pre-selected by private insurers, or are required to accept unfavorable terms to secure such pre-selection, our revenue and results of operations may be adversely affected. Private health insurers have also exerted pricing pressure on hospitals which, in turn, have exerted pricing pressure on us. Such pricing pressure on hospitals and other parties with which we conduct business reduces such parties' margins and may cause such parties to default on their obligations to us.

In markets where private insurance supplements public healthcare, private insurers may seek to control their costs by reducing levels of reimbursement under their insurance plans, requiring the patient to pay any shortfall or an increased amount of shortfall. Such efforts by third-party payers to reduce the utilization of clinical laboratory testing services, or their exposure to risks associated with such utilization, and reimbursement levels on the services we provide, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Future economic downturns may lead governments, public health authorities, private insurers and patients to further reduce their expenditures on healthcare. Where patients are directly or indirectly responsible for all or part of the cost of laboratory tests, individual decisions to reduce healthcare expenditures may result in a reduction in demand for our services. A decrease in household disposable income, or the perception thereof, in times of economic downturn can lead to a reduction in individuals' healthcare expenditures. This may result in patients postponing certain types of medical treatment and could result in a significant decrease in our volume of tests and, in turn, have a material adverse effect on our business, results of operations, financial condition and prospects.

The French regulatory environment in which we operate is particularly stringent, especially in relation to ownership and corporate structure of SELs operating clinical laboratories. If regulators were to successfully challenge Labco's existing legal structure, this could have a material adverse impact on our activities.

French regulations impose stringent restrictions on the legal structure and ownership of SELs, particularly those operating clinical laboratories. In particular, the competent administrative authorities (the ARS) and the competent professional associations (*Ordres Professionnels*) may challenge the legal structure and more specifically the corporate governance arrangements of the SELs that Labco has selected to carry out its activities in France. See "*Regulation—France*." Such challenge, if successful, could have a material adverse effect on Labco's financial condition and operating results. The *Ordre des médecins* and the *Ordre des pharmaciens* have already claimed that Labco's organization and legal structure contravened the fundamental principle of independence applying to laboratory doctors. The *Ordre des pharmaciens* has sanctioned certain SELs, which are Labco's subsidiaries, along with certain laboratory doctors working within these subsidiaries, for alleged violations of the applicable regulation. Some of those proceedings are still ongoing, although the *Ordre des pharmaciens* has in general refrained from carrying out investigations in relation to them, in order to comply with the decision of the European Commission, recently confirmed by the European General Court, which found against it.

In 2007, Labco filed a complaint against the *Ordre des pharmaciens* before the European Commission on the grounds that the *Ordre des pharmaciens* had inappropriately used the powers granted to it by impeding the development of free competition and the creation of groups of laboratories on the French clinical laboratory services market. After an investigation in 2010, the European Commission ordered the *Ordre des pharmaciens* to pay a €5 million fine for restrictions on competition. The *Ordre des pharmaciens* appealed to the European General Court, which, on December 10, 2014, confirmed that the *Ordre des pharmaciens* had restrained competition on the clinical laboratory services market. Even though the court confirmed the decision of the Commission, it reduced the fine imposed on the *Ordre des pharmaciens* from €5 million to €4.75 million. Through a press release dated February 23, 2015, the *Ordre des pharmaciens* confirmed that it would not appeal the decision of the European General Court before the Court of Justice of the European Union.

The *Ordre des pharmaciens* has generally refrained from carrying out investigations in relation to new or existing disciplinary proceedings against Labco's laboratory doctors or SELs, in order to comply with the European Commission's decision. On March 5, 2015, the *Conseil Central de la Section G,* which is the body of the *Ordre des pharmaciens* competent for clinical testing, closed, during an administrative session, several disciplinary cases without taking any action. These case closings without any action taken result from a withdrawal of the complaints filed by its president against Labco's laboratory doctors and SELs. Even though these withdrawals are not motivated, Labco believes they are the result of the decision of the *Ordre des Pharmaciens* to not appeal its conviction by the European General Court.

However, Labco cannot guarantee that the *Ordre des pharmaciens* will close its existing disciplinary proceedings without taking any action, will continue to refrain from carrying out investigations or engage new proceedings against Labco's laboratory doctors or SELs, in order to comply with the decisions of the Commission and the court. As a result, Labco could be subject to new disciplinary measures or other measures taken by the *Ordre des pharmaciens*, and the *Ordre des pharmaciens* may also, at the same time, resume proceedings that are currently dormant. The *Ordre des pharmaciens* may impose disciplinary sanctions on laboratory doctors or SELs that are registered with the *Ordre des pharmaciens*, and the *Ordre des médecins* may do likewise to laboratory doctors or SELs that are registered with the *Ordre des médecins*, including warnings, temporary suspensions or removal from the register, which may lead to withdrawals of the prefectoral approvals of the relevant SELs as well as withdrawals of the administrative authorizations of the laboratories they operate, which would disrupt Labco's activities.

In addition, if the competent administrative authorities (ARS) take the view that Labco's organizational and legal structure (including the ownership of Labco's SELs by Istituto il Baluardo S.p.A., a foreign company qualifying as a laboratory company) breaches applicable statutory or regulatory requirements, they could suspend or withdraw the prefectoral approvals or administrative authorizations granted to Labco's SELs and laboratories in France.

In this regard, Article L. 6223-5 of the French Public Health Code forbids various categories of persons, from making any direct or indirect investment in the share capital of a company operating a French clinical laboratory, on the basis of their activities or relations with certain activities in the medical or paramedical sector (the "prohibited investors"). See "*Regulation—France*."

A breach of this prohibition, which cannot be remedied, would expose Labco's French laboratories to periodic financial penalties and fines of up to €2 million per SEL which would amount to €82 million for all of our SELs. Such a situation, if it were to happen, could constitute a material adverse effect within the meaning of the Revolving Credit Facility and could consequently lead, if the lenders under the Revolving Credit Facility decided it, to the early repayment of the sums owed under the Revolving Credit Facility, as well as to its early termination.

If Labco's interpretation provided below of the aforementioned legal provisions were not borne out, any investor, natural or legal person, acquiring any stake in Labco's share capital may be imposed a penalty by the competent administrative authorities if that investor is a prohibited investor. The offending party (i.e., the prohibited investor holding a stake in our share capital) would face a fine of up to €2 million for a legal entity and €500,000 for a natural person per Group SEL (i.e., up to a maximum aggregate amount of €82 million for a legal entity and €20.5 million for a natural person given the number of our SELs).

However, based on legal advice Labco received in the context of another previous financing transaction, Labco's view is that "indirect investment" as mentioned by Article L. 6223-5 of the French Public Health Code must be interpreted in light of the rules set out by the French Commercial Code and that, accordingly, the penalties provided for by the relevant texts can only apply to Labco's SELs and the concerned prohibited investor if a prohibited investor takes control of Labco. Labco's representatives have consulted the French Ministry of Social Affairs, Health and Women's Rights (which oversees the ARS), which did not put forward any different interpretation of the related legal provisions.

Upon completion of the Labco Acquisition, compliance with the provisions of Article L. 6223-5 of the French Public Health Code will have to be considered in light of the indirect ownership of French BidCo by the Cinven Funds, which will acquire up to 100% of the share capital of Labco S.A. and may also hold other participations in companies operating in those "prohibited" activities referred to in Article L. 6223-5 of the French Public Health Code. This being said, the Cinven Funds do not have legal capacity (*absence de personnalité morale*) and as such should not likely be considered as legally "holding" the portfolio participations at stake, nor do the Cinven Funds or their limited partners exercise ownership rights over the share capital held in operating companies within their portfolio (which in addition may not be in France) that may engage in activities referred to in Article L. 6223-5 of the French Public Health Code.

Any challenge to Labco's analysis, which remains subject to interpretation, as well as a change in these legal provisions or their application by the relevant authorities, could thus have a material adverse impact on Labco's activities in France, its operating income, its financial condition and its outlook, as well as on prohibited investors, which may also be subject to personal sanctions. Finally, failure to comply with these provisions may give rise to disciplinary sanctions or adverse administrative decisions by professional associations (against Labco's SELs and the laboratory doctors working within them), or to the suspension or revocation of prefectoral approvals or administrative authorizations held by Labco's SELs and laboratories in France.

Article R. 4113-13 of the French Public Health Code forbids various categories of persons from making any direct or indirect investment in the share capital of SELs of doctors, on the basis of their activities or relations with certain activities in the medical or paramedical sector. See "*Regulation—France*." This provision will be applicable to SELs of anatomopathology doctors that Labco has acquired. Labco and its legal advisors believe that "indirect ownership" within the meaning of Article R. 4113-13 of the French Public Health Code must be interpreted in the same way as for Article L. 6223-5 of the same Code. If Labco's interpretation were challenged, this could give rise to disciplinary sanctions and adverse administrative decisions by the *Ordre des médecins* (against the anatomopathology SELs that Labco has acquired and the doctors who work within them).

Labco's activities in France represented 59% and 56% of its revenue for the financial years ended December 31, 2013 and December 31, 2014, respectively. The French market is an important market for Labco's growth strategy. As a result, any of the aforementioned events may cause material disruption to Labco's activities and may have a material adverse effect on its financial condition and operating results.

Increased quality and price competition could have a material adverse impact on our revenue and profitability.

The medical diagnostics market, including clinical testing services, is intensely competitive in each of the countries in which we operate. In markets in which fee structures are regulated, competition is based mostly on the quality of services provided, including reporting and other information technology systems offered and the skills of laboratory personnel. Reputation in the medical community is a key factor affecting the volume of testing services we provide in such markets, since healthcare professionals are an important source of patient referrals to our laboratories.

Our main competitors, some of whom are also clients, include large multinational companies, national companies in certain countries and numerous small local companies. We may not be able to offer services similar to, or more desirable than, those of our competitors or at a price comparable to that of our competitors in segments where prices are freely negotiated. Although our diagnostics testing services are generally subject to regulatory price constraints in many of our markets, in other market segments we are not subject to regulatory pricing and we compete on the basis of price. These include, in particular, testing services pursuant to hospital outsourcing agreements, environmental laboratory services, veterinary diagnostics testing and testing paid out-of-pocket by customers in certain countries. Price-based competition in countries where prices are not regulated is, however, a commercial constraint for us as we have to propose to our clients competitive conditions compared to competitors who provide services locally.

In addition, in all of our markets we face competition, including from some of our clients, from both public and private diagnostic service providers based on, among other factors, their areas of scientific and advanced expertise, the geographical footprint of their networks, their ability to process samples and report data accurately and in a timely manner, their historical experience and customer relationships and the quality of their facilities. Existing or new competitors could develop close relationships with our hospital and medical professional customers in our markets and compete for referrals, which could have a direct impact on our businesses, either through market share losses or price reductions.

We face price competition in liberalized markets such as Spain, where price is often the determining factor for healthcare providers and third-party payers in the selection of a laboratory. Pricing is also a key driver in the outsourcing decisions of hospital laboratories, for which the main objective of our potential customers is cost reduction. For example, should Labco's clients in Spain decide to regroup, they would increase their bargaining powers, and this could influence their decision to outsource or could lead them to re-internalize their clinical services. The ongoing consolidation of the European clinical laboratory industry is expected to enable larger groups to offer lower prices as they adopt large-scale automated testing allowing them to reduce their costs. The resulting testing procedures are particularly likely to induce increased cost reductions. As a result of the size and structure of our network, we may be unable to achieve competitive levels of efficiency and may lose customers or tenders as a result. This may negatively impact our operating results and cash flows. Our competitors with greater financial resources and stronger market positions than our own may reduce their prices further than we might be able to in order to increase their market share, offer bigger operational resources and broader geographical reach, or conduct more effective marketing programs. In some markets where we operate, such as Spain, scale and geographic reach provide competitive advantages because private health insurers prefer negotiating national contracts with networks that have a substantial geographic footprint and offer them more favorable terms. Our ability to compete effectively may be adversely affected if we do not have an extensive enough network in some of the markets in which we operate.

Current or future regulatory changes in France, and disputes initiated by the competent administrative authorities or professional associations, may affect our ability to develop our network of French laboratories through acquisitions, make us more dependent on laboratory doctors to check operations carried out by SELs, and call into question our organizational and legal structure.

In France, we are subject to regulatory constraints that particularly restrict the ownership of the share capital and voting rights of SELs by persons other than the laboratory doctors operating within such SELs. In order to comply with these regulations, Labco has established a legal structure under which Labco directly and indirectly holds shares representing around 99.9% of the share capital of its SELs, while certain laboratory doctors operating in such SELs hold the remainder of the shares. This structure can, as a general matter, no longer be used for SELs of laboratory doctors acquired since May 31, 2013, which is when the Law of 30 May 2013 was enacted. This law requires that more than 50% of the share capital (in addition to the 50% of the voting rights) of a SEL of laboratory doctors be held by laboratory doctors practicing within that SEL. The law also provides an exemption for existing SELs of laboratory doctors that operated under a different share capital ownership structure on the date the law was promulgated, enabling them to continue operating under their existing structure and have the majority of their share capital held by companies operating laboratories. Laboratory doctors practicing in the SELs benefiting from this exemption have preemption rights under this law in the event of a transfer of the SELs' shares. See "*Regulation—France*."

SELs of laboratory doctors in which Labco held a majority of the share capital when the law was promulgated benefit from a grandfathering exception. For SELs of laboratory doctors that joined us after 30 May 2013, the law has considerably limited Labco's ability to use the same previous structure. The new ownership and corporate governance structure, which allows Labco to own most of the SELs of laboratory doctors acquired since the law was promulgated, or that Labco may acquire in the future under arrangements that comply with the new regulations, may require the adoption of more complex legal structures than those used before the Law of 30 May 2013 came into force. See "*Regulation—France*."

The Law of 30 May 2013 may also limit Labco's ability to sell or transfer shares in SELs of laboratory doctors that Labco holds or that Labco may acquire in the future, and render more complex any restructuring Labco might consider for its subsidiaries. The competent administrative authorities could interpret this new regime as preventing some forms of restructuring, such as those involving a universal transfer of all assets where the acquired SEL is not covered by the grandfathering exception. Such interpretation, which seems to be the one adopted by the French Ministry of Social Affairs, Health and Women's Rights, may make some forms of restructuring of SELs of laboratory doctors within the Group more complex or prevent them outright. Even though the competent administrative authorities (ARSs) are not bound by the Ministry's interpretation and may have already adopted different positions authorizing restructuring operations involving SELs that are not covered by the grandfathering exception, it is nonetheless probable that they will adopt such an interpretation in the future.

Furthermore, the possible adoption in the future of any new law or regulation aiming to reduce again the proportion of SELs' share capital, or the number of SELs, that may be held directly or indirectly by the same physical or legal person (working as a professional or as a third party to the profession) would require Labco to make further changes to the structure of its French activities, in order to comply with the new legal or regulatory provisions. Even though some restructurings are already enacted in principle by the operating rules in force in some of Labco's SELs, Labco can give no assurance that the existing agreements cover all the potential cases of changes of the legislation or the regulation and will permit Labco to comply with the new legal or regulatory provisions. See "*Regulation—France*." In general, any adjustment to French regulations applicable to Labco's SELs in the future, any adverse interpretation of existing regulations, and any introduction of new rules may affect or further limit Labco's ability to own or control its subsidiaries in France.

Labco is not required to carry out any restructuring (because of the grandfathering exception set forth by the Law of 30 May 2013) and although the Law of 30 May 2013 is unlikely to prevent Labco from continuing its development and fully consolidating acquired SELs, if Labco were to alter aspects of its structure in response to regulatory changes or a challenge to its current organizational and legal structure, Labco may no longer be able to fully consolidate its French activities in its financial statements, while Labco's ability to centrally manage cash generated by French SELs or distribute dividends may be affected. Any new structure Labco may have to implement to comply with challenges or new requirements outlined above may result in Labco owning a smaller stake in its existing SELs and make Labco a minority shareholder, and would make Labco more dependent on the contractual, corporate governance and other mechanisms Labco currently uses to control its French SELs. Finally, Labco may also have to reduce our control over certain aspects relating to the activities of its French SELs or to the integration of the French SELs or the businesses they operate within Labco's network.

In addition, the competent administrative authorities (ARS) or the professional associations (which have administrative and disciplinary powers over laboratory doctors, doctors and SELs) may challenge Labco's current organizational and legal structure (and especially the corporate governance framework established in Labco's French SELs, laboratories and medical practices) and force Labco to adopt modifications to such structure. See "*Regulation—France*."

Taking into account the French legal and regulatory framework, Labco has established a corporate governance, contractual and organizational structure that enables Labco to exercise control over its SELs. However, the efficiency of such structure is limited by French regulatory and ethical constraints regarding the independence of laboratory doctors, medical doctors and pharmacists who work in such structure, and such structure does not confer on Labco powers as absolute as Labco would have if it held all or a majority of the voting rights. Labco's model aggregates laboratory doctors, medical doctors and pharmacists who join Labco's network but they retain some autonomy over the day-to-day management of the laboratories and practices for which they are responsible. This decentralized and independent management and responsibility model is required by the regulatory framework applicable in some of the countries in which Labco operates, including France.

Although that model includes various corporate governance mechanisms and other contractual and organizational arrangements entered into with laboratory doctors practicing in the SELs, relating mainly to the exercise of their voting rights and to the management of the SELs, as well as various incentives based on the performances of the SELs and the Group as a whole, in order to align their interests with ours, Labco does not have total control over day-to-day management of the SELs. As a result, with respect to certain matters, Labco should involve, with regards to Labco's decisions, the laboratory doctors who hold the majority of the voting rights in its SELs. It cannot be completely ruled out that these laboratory doctors may not share Labco's views on the way the SELs should be managed, may not respect the various corporate governance mechanisms and other contractual and organizational arrangements they had nevertheless knowingly accepted, and may exercise their voting rights in a manner adverse to Labco's interests. See "*Regulation—France*."

Even though Labco is convinced of the reality of its control of the concerned SELs, Labco can provide no absolute assurance that the existence of the various corporate governance mechanisms and other contractual and organizational arrangements, as well as of the incentivizing measures that have been enacted, will ensure that these laboratory doctors will manage their SELs in an economically satisfactory manner or in a manner consistent with Labco's interests. Labco can neither give no absolute assurance that these laboratory doctors will comply with all the requirements of the SELs, in particular regarding internal control, reporting and accounting requirements. Even though Labco considers it to be a minor possibility, it cannot be ruled out that problems in these areas, or the period required to implement the various mechanisms and other arrangements, could disrupt the operation of Labco's French SELs and divert Labco's managers' time and attention from their other activities. In addition, in the case of a failure or a non-application of the above palliative mechanisms, Labco could be unable to consolidate in full its French activities in its financial statements, whereby Labco's capacity to ensure a centralized management of the cash generated by its French SELs or the distribution of dividends could be affected.

Regulation in force in certain markets in which we operate is undergoing reform and we may not be able to respond to such reforms effectively.

Some markets in which we currently operate are reviewing their regulatory framework. These potential reforms may lead to increased competition and consolidation on such markets.

In addition, we are subject to specific regulation in Belgium relating to the operation of clinical laboratories. In particular, Belgium's Royal Decree of April 26, 2007 lists the legal forms that companies that operate clinical laboratories should take in order to be eligible for reimbursement of their services by the Belgian public health insurance system. The duration of this Royal Decree, which was initially due to expire on December 31, 2009, was extended retroactively until December 31, 2012 by a Decree of January 27, 2010. No new extension has currently been enacted but we have received informal information that the Belgian government is preparing a second retroactive extension or another solution that would remedy this legal vacuum with retroactive effect as from January 1, 2013. The relevant Belgian authorities have given no indication that reimbursements would cease. However, the absence of any extension of the duration of the Royal Decree of April 26, 2007 would have a significant impact on all Belgian laboratories run by us in this legal form.

Although we could develop a strategy to anticipate such regulatory changes, our industry and operating environment may not respond to those changes in the way we expect, and we may, as a result, be unable to maintain our position in those markets or apply our strategy in such markets. In addition, our competitors with greater financial resources or stronger market positions than us may be able to better respond to such regulatory reforms. If we cannot respond effectively to regulatory and market changes, our outlook and operating results could be adversely affected.

Third-party payers and private health insurance companies have taken steps to control the use and reimbursement of healthcare services, including clinical laboratory testing services, which may adversely affect our activities.

We face efforts by non-governmental third-party payers—mainly private health insurers—to reduce utilization and reimbursement of medical and diagnostic work, such as clinical laboratory testing services.

In certain markets (such as Spain), we receive payment for our services from private health insurers that have gained significant bargaining power allowing them to reimburse healthcare services only if such services are provided by preselected providers. Private health insurers negotiate fee structures with healthcare providers, including clinical laboratories, and some of them have already insisted on discounted fee structures as a condition for preselecting us in the past and may insist on further discounted fee structures in the future. If we are not preselected by private health insurers, or is required to accept unfavorable terms to secure such preselection, our operating results may be adversely affected. For example, four private health insurers in Spain accounted for a significant portion of our revenue in Spain in 2013. A major Spanish private health insurer, for which we serve as a preselected provider, implemented significant price decreases in the first half of 2012. Another major Spanish private health insurer also implemented significant price reductions from January 2013. A third major Spanish private health insurer introduced a per capita model for pricing in Madrid in 2008 and expanded the model to other regions in 2009, which caused a significant decrease in prices. Since the model is based on individual payments, the insurer pays a set annual fee per patient in return for which the laboratory network provides all testing services specific to that patient during the relevant year up to a preset limit. Costs associated with testing services required by such patients above the specified limit are borne by the laboratory and so some of the risks associated with changes in the volume of clinical testing services utilized by patients are transferred from the private health insurer to us, even if we set up mechanisms (based on algorithms) to control the volume of prescriptions and reduce that risk.

Pressure from private health insurers may also affect us indirectly. Private health insurers have exerted pricing pressure on private hospitals which, in turn, have exerted pricing pressure on us. For example, two large Spanish private hospitals that are our customers negotiated significant reductions in the average price per test from the first quarter of 2013, primarily due to their merger. This resulted in a total revenue reduction of around €2.5 million. Further consolidation of hospital groups in Spain could also increase the pressure on our prices and reduce our volumes to the extent that such groups conduct more clinical testing in-house. In addition, pricing pressure on private hospitals and our other customers may reduce our customers' margins and may continue to cause customers to default on their obligations to us.

In markets where private insurance supplements the public healthcare system (such as France), private insurers may seek to control their costs by reducing levels of reimbursement under their insurance plans, requiring the patient to pay all or a larger proportion of the shortfall.

Such efforts by third-party payers to reduce the utilization of clinical laboratory testing services, or their exposure to risks associated with such utilization, and reimbursement levels on the services we provide, may have a material adverse effect on our operating results.

Continued weakness in economic conditions may have an adverse effect on our activities.

The economic downturn and volatility in connection with the recent financial crisis has increased the risks associated with conducting our activities in certain countries where we have significant operations, especially in Spain and Portugal. Such risks include the risk of default by customers on their payment obligations to us. In Spain, significant payment delays by public payers are common.

Economic difficulties have also resulted in reduced levels of activities and higher unemployment and have led governments, private insurers and other third parties to reduce their healthcare spending, which may affect our revenue or margins.

Our customers include large companies to which we provide clinical laboratory testing services for their employees. Under labor laws in Spain and Portugal, employees are entitled to a regular check-up paid for by their employer. However, current economic conditions in those countries are leading to bankruptcies, headcount reductions, hiring freezes and financial difficulties for certain of these corporate customers, prompting them to reduce testing services volumes.

In addition to volume reductions or payment defaults, this economic climate has resulted in downward pressure on prices and therefore on margins. Where patients, directly or indirectly (such as through private health insurance premiums) are responsible for all or part of the cost of medical tests, individual decisions to reduce healthcare expenditures may result in a reduction of demand for our services. More generally, a decrease in household disposable incomes, or merely the perception thereof, in times of economic downturn can lead to a reduction in individuals' healthcare expenditure, including private insurance coverage and the level of such coverage, regardless of the level of reimbursement by public social security systems.

The eurozone debt crisis and related market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the eurozone, or the potential dissolution of the euro entirely, could adversely affect, including as a result of adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated, our business and our financial performance.

Recent developments in the Eurozone, including Greece failing to make an interest payment under an outstanding loan from the International Monetary Fund and the imposition of capital controls on the Greek banking system, have exacerbated the ongoing global economic crisis. Financial markets and the supply of credit have been and may continue to be negatively impacted by recent developments in the eurozone, including ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, but also Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict. For example, an anti-austerity party won the parliamentary elections in Greece on January 25, 2015 and subsequently formed a government with another anti-austerity party. The results of the Greek government's ongoing renegotiation of bailout terms and terms relating to the repayment of Greek national debt and continuing concerns that Greece could exit the eurozone could undermine confidence in the overall stability of the euro.

If the eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations and/or cease using the euro and re-establish their own national currency, or that the eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may have a material adverse effect on our business, results of operations and financial condition, especially as our operations are primarily in Europe. In addition, the departure of one or more countries from the eurozone may lead to the imposition of, among other things, exchange rate control laws. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and/or the value of the Notes and could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, because we have a substantial amount of debt denominated in euro, our financial condition may be materially affected.

Furthermore, the Indentures and the Revolving Credit Facility Agreement contain covenants restricting our and our subsidiaries' corporate activities. See "*—We are subject to restrictive covenants that limit our operating and financial flexibility*." Certain of such covenants impose limitations based on euro amounts (e.g., the amount of additional debt 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 Our Technology and Intellectual Property Rights

Failure to be supplied with new tests, technologies and services may negatively impact our testing volume and revenue.

The clinical laboratory industry faces challenges from regularly changing technology and new product introductions. We do not develop our own tests or technologies, but rely on equipment suppliers and test developers for the introduction of new tests. Other companies, including our competitors, may obtain patents, licenses or other rights that may prevent, limit or interfere with our ability to provide particular tests or that may increase our costs. In addition, the increasing development of point of care tests has affected the activity level of our laboratories regarding the analysis covered by these standard tests. Some providers are developing "point of care" tests, which are performed outside the laboratory, by the patient's bedside or even at the patient's home. These tests are used for urgent diagnostic work or routine monitoring. However, they must comply with professional laboratory quality standards. Integrated genetic diagnostic testing services, offered by certain professional websites and hardware suppliers like Affymetrix, may also reduce activity levels for our laboratories. In addition, in markets where laboratory testing prices are unregulated (such as Spain), some of our competitors could introduce new, less expensive tests that may cause a decrease in the demand for our tests. Our success in continuing to offer new tests, technology and services depends on its ability to contract with equipment suppliers and test developers on favorable terms. If we are unable to license new tests, technology and services to expand our specialty testing activity, our testing methods may become outdated and our testing volumes and revenue may be adversely affected.

Failures of our information technology systems, including failures resulting from systems conversions, may disrupt our operations and cause the loss of customers or business opportunities.

Information technology systems are used extensively in all aspects of our business, including clinical testing, test reporting, billing, customer service, logistics and the management of personal data (particularly patients' medical records). Our activities depend on the continued and uninterrupted performance of our information technology systems. Information technology systems are vulnerable because of exposure to damage from a variety of sources, including telecommunications or other network failures, individual acts and natural disasters. Moreover, despite the security measures we have implemented, our information technology systems may be subject to physical or electronic attacks, computer viruses and similar disruptive problems that may affect our ability to function.

There can be no assurances that we may not experience difficulties or disruptions with respect to the performance of our information technology systems, including during the roll-out and testing of new information technology systems or software updates. Information technology problems may impact our ability to carry out tests, deliver test results, bill for tests in due time or maintain the privacy of the medical data we collect. If we were to experience major or recurring information technology systems problems, including with the implementation of IT management systems for tests and billing, our activities would be disrupted. If our activities were so disrupted, that may adversely affect our reputation, expose us to litigation or regulatory sanction and result in a loss of customers and patients and reduce our revenue. In addition, IT systems are also vital from a financial and accounting point of view. Given the number of tests that we manage (several million patients per year), an IT systems failure at one or more of our subsidiaries could affect the reliability of our financial statements. For example, Labco recently identified an error in the programming of the IT system used for most of its French SELs, which generated a revenue figure in one SEL's financial statements that was higher than the actual figure, and a revenue figure in another SEL's financial statements that was lower than the actual figure, whereas the corresponding invoices had been correctly prepared and the incoming payments had been correctly made.

A diverse array of software platforms are used in clinical diagnostics, and, in some cases, such platforms are not the subject of regular updates and improvements common in other industries. In addition, many of the software and IT providers who develop and maintain these platforms are small and medium-sized companies with a regional focus and limited financial resources inadequate to service pan-European laboratory diagnostic providers like us. As a consequence, our IT systems may be vulnerable to and experience difficulties or disruptions which impact our ability to operate.

Historically, Synlab and Labco have grown through acquisitions, and, as a consequence, newly acquired laboratories often use older software platforms that are not consistent with the systems that have been implemented on a group-wide basis or otherwise used in the relevant country. We are continually integrating laboratory, reporting, billing and other information technology systems, particularly with respect to newly acquired laboratories but also with respect to existing laboratories which operate with older or outdated systems and software. For example, Synlab's current operational initiatives include various measures to further harmonize and optimize its IT systems across its laboratory network as well as improve internal financial and operational reporting. Labco have standardized some of its systems and are rolling out standard laboratory information and invoicing systems in all of its operations, including those of recently acquired companies. However, we sometimes continue to use nonstandard IT systems for billing and laboratory operations, as well as central information systems for certain recently acquired companies. We expect that the implementation of standardized practices and systems across the Synlab/Labco network will take several years to complete, and until such completion, there is a risk that our activities may be disrupted due to the incompatibility of some of the information technology systems we use. This could have an adverse effect on our activities and operating results.

Our trademarks may not be protected uniformly across all countries in which we operate or in countries in which we may establish operations.

Ten of Labco's trademarks, including the trademark Labco (semi-figurative), the trademark Labco NOÛS Advanced Special Diagnostics (semi-figurative) and the trademark SDN (semi-figurative) have been filed with the Office for Harmonization in the Internal Market of the European Community, and are thus protected in the 28 countries of the European Union, including France. Labco has recently filed another trademark with the Office for Harmonization in the Internal Market of the European Community that is awaiting registration. The trademark Labco (semi-figurative) was also registered in Switzerland, and other trademarks were also filed in Spain, Portugal and Italy.

However, we cannot be certain that steps taken in France and abroad to protect our trademarks will be successful or effective, or that third parties will not infringe or make unlawful use of our trademarks. Such unauthorized use of our trademarks may damage our competitive advantage and have a material adverse impact on our activities and operating results.

Given its acquisition strategy and the importance that Labco places on developing a strong identity and strong brands, we are exposed to the risk of being unable to use Labco's trademarks in jurisdictions in which they are not protected, for example where a competitor has made a previous application or where the local authorities have refused to protect the trademark. That situation could have an adverse impact on our activities or operating results. See "*Industry*."

Risks Related to Our Commercial Activities

We face risks associated with our strategy of acquiring companies.

Our growth strategy includes acquiring small and medium-sized laboratories and integrating them into our network. In the years ended December 31, 2012, 2013 and 2014, Labco completed 16, 11 and 16 acquisitions, respectively. From 2012 to 2014, Synlab completed 44 acquisitions, primarily in Germany, Italy, Belgium and North Europe.

The success of our strategy is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on terms that are favorable for us, complete such transactions and integrate the acquired businesses into us. Our objective of acquiring further companies in the future depends on the existence of suitable acquisition targets and our ability to finance their acquisition. Continued consolidation of the European medical diagnostics market, including clinical laboratory testing services, may limit opportunities for further acquisitions.

For example, the continued consolidation of the French clinical laboratory testing market, as well as the restrictions on both regional market share and outsourcing, may reduce the opportunities for acquisitions. French regulations still impose controls on, or forbid, acquisitions and restructurings of laboratories (or the SELs that operate them), particularly where those operations would cause, in a given healthcare region, the market share of the laboratory resulting from the acquisition or merger to exceed certain levels in terms of the number of clinical tests performed. See "*Regulation—France*." Those regulations could limit our ability to pursue our strategy of developing regional laboratory hubs that combine several smaller local laboratories into a larger regional entity. Furthermore, French tax reforms could limit laboratory doctors' willingness to sell their laboratory to a potential acquirer, particularly in the event of an increase in capital gains tax.

Our competitors, such as Biomnis, Cerba (which has recently announced the acquisition of Novescia), Sonic Healthcare, Unilabs Group Ltd and Amedes Holding A.G., are following similar acquisition strategies to ours. Other operators, such as Quest Diagnostics Inc. and Laboratory Corporation of America Holdings, while not yet significantly active in Europe, may choose to commence operations in Europe. Those competitors, and certain financial investors wishing to enter the markets in which we operate or may wish to enter, have greater financial resources than us or could be able to accept less favorable terms than we can accept, which may prevent us from acquiring the companies that we want and reduce the number of potential acquisition targets. In addition, through such acquisitions, some of our competitors already have or may in the future gain a major presence in a particular country or, more generally, in Europe, making them attractive acquirers of potential targets seeking to join a network, the size of which would provide greater development prospects.

If we carry out acquisitions, there can be no assurance that we will be able to retain all the customers and patients of the companies we acquire, generate expected margins or cash flows, or realize the anticipated benefits of such acquisitions, including expected growth or synergies. Although we analyze acquisition targets on an ongoing basis, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that our assessments and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Moreover, acquisition targets may be subject to risks or problems which we may not be aware of, which we may not detect or which have not been disclosed to us in the due diligence process. We may learn about such risks or problems only after consummation of the acquisitions, in particular with respect to unknown contingent liabilities and issues relating to compliance with applicable laws and regulations. If we fail to successfully identify and assess risks related to acquisitions, we may be exposed to legal, market or other risks related to companies that we acquire, which could, individually or in the aggregate, have a material adverse effect on our business, results of operations, financial condition and prospects.

In most cases, acquisitions involve the integration of a company that was previously operated independently with systems and processes that differ from those used by us. We may not be able to integrate certain acquired companies successfully, or the integration may require more time and investment than expected, and we could bear or assume unknown or unexpected liabilities or risks related to customers, employees, suppliers, competent administrative authorities, professional associations (*Ordres Professionnels* in France), public health programs, private health insurers or other persons, that could affect our operating results. The process of integrating acquired companies may disrupt our activities and cause slower growth in those companies' activities or a decrease in our operating income as a result of difficulties or risks including, in particular:

- unforeseen legal, regulatory, contractual and other issues;
- the loss of customers, patients or key employees;
- difficulty in standardizing existing information and systems;
- difficulty in consolidating facilities and infrastructure;
- difficulty in realizing operating synergies;
- failure to maintain the quality or timeliness of services that we have historically provided;
- added costs caused by dealing with such disruptions;
- unforeseen challenges from operating in new geographic areas; and
- the diversion of management's attention from our day-to-day management as a result of the need to deal with the aforementioned disruptions and difficulties.

Furthermore, we operate and acquire companies in different countries, with different regulatory and corporate cultures, which may exacerbate the risks described above.

If we were unable to implement our acquisition strategy or integrate acquired companies successfully, our activities and growth may be affected.

We may be unable to realize the expected cost savings from our recently acquired businesses and any future potential acquisition.

Our anticipated cost savings are based upon assumptions about our ability to implement these measures in a timely fashion and within certain cost parameters. Our ability to achieve the planned cost savings is dependent upon a significant number of factors, some of which may be beyond our control. If one or more of our underlying assumptions regarding these projects proves to have been incorrect, these efforts could lead to substantially higher costs than planned and we may not be able to realize fully, or realize in the anticipated timeframe, the expected benefits from our cost measures. Furthermore, pricing pressure from our customers or competitors or other variables may deprive us of some of the benefits of the cost measures that we have assumed that we will be able to retain in the calculation of Estimated *Pro Forma* Adjusted EBITDA. In particular, the realization of cost efficiencies from expected improved coverage of a given region through acquisition and consolidation of large platforms in new markets may be delayed beyond 12-24 months, potentially significantly, and may not be sustainable due to regulatory challenges, difficulties in negotiating with works councils or other trade bodies or other cost variables. Our inability to realize the anticipated cost savings and revenue enhancements from the acquisition of the SDN Group or any recent or future potential acquisition and other measures that we have taken could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our ability to successfully implement our strategy depends, in part, on our ability to successfully integrate businesses that we acquire. Generally, when we acquire businesses we identify anticipated synergies that are expected to materialize after we combine the acquired business with our own. Achieving synergies can be difficult and uncertain, and the process of integrating acquired businesses involves risks. These risks include, but are not limited to:

- diversion of management's time and attention from daily operations to the integration of newly acquired operations;
- difficulties in the assimilation of different corporate cultures, practices and sales and distribution methodologies;

- difficulties in conforming the acquired company's accounting system, book and records, internal accounting controls, and procedures and policies to ours;
- retaining the loyalty and business of the customers of acquired businesses;
- retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- difficulties and unanticipated expenses related to the integration and standardization of information technology systems, especially financial reporting and accounting systems;
- difficulties integrating technologies and maintaining uniform standards;
- difficulties in maintaining timeliness and quality of service;
- unforeseen challenges of operating in new geographic areas; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

Furthermore, we operate and acquire businesses in different countries with different regulatory environments and operating cultures, which may exacerbate the risks described above. Failure to successfully transfer business operations and otherwise integrate acquired businesses may result in reduced levels of revenue, operating efficiency or profitability compared to what we historically achieved or might have achieved if we had not acquired such businesses, as well as the loss of customers of the acquired businesses.

We have recognized a significant amount of goodwill and may never realize the full value of that goodwill.

Labco has recognized a significant amount of goodwill. Goodwill represents the excess of acquisition cost over the fair value of the net assets of companies acquired, and Labco's goodwill amounted to €581.5 million as of December 31, 2013 and €702.4 million as of December 31, 2014, equal to 60.1% and 67.1% of Labco's total assets, respectively. Synlab has also recognized a significant amount of goodwill, amounting to €373.3 million as of December 31, 2014, or 37.6% of its total assets. As of March 31, 2015, Synlab recorded €396.6 million of goodwill.

Under IFRS, goodwill is not amortized but is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, a deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations (including changes that restrict the activities of, or affect the services provided by, our laboratories) and various other factors. The amount of any impairment must be reported immediately as a charge to our income statement and cannot be reversed.

For example, as a result of the challenging market conditions prevailing in Spain and Portugal due to the global economic downturn, Labco recognized a goodwill impairment charge of €95 million on December 31, 2011 with respect to Labco's cash generating unit in Iberia. Labco also booked a €36 million goodwill impairment charge on its cash generating unit in Germany on December 31, 2012. Synlab did not recognize any impairment losses from 2012 to 2014. Any further future impairment of goodwill may result in material reductions in our net income and equity under IFRS.

In the United Kingdom, Labco operates almost exclusively through a partnership with NHS trusts. As a result, Labco's UK activities are highly dependent on the NHS. If Labco's relations with the NHS were to deteriorate, its UK activities may be materially adversely affected.

The clinical laboratory services market in the United Kingdom is dominated by the public sector, via hospital laboratories. The NHS accounted for 82% of UK healthcare spending in 2013 and so has a near monopoly in the UK market. Labco provides clinical testing services to both inpatients and outpatients. In 2013, approximately 95% of spending on clinical laboratory services took place in public-sector hospitals. (Source: L.E.K. Report).

Labco has operated in the United Kingdom since 2010 through its Integrated Pathology Partnerships (iPP) joint venture with Sodexo. Labco owns 90% of iPP (with call options to purchase the remaining 10%), which has several partnerships with the NHS. On June 1, 2012, iPP began to cooperate with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust through a partnership. Under the partnership agreement, iPP delivers the full range of laboratory services while the clinical interpretation and clinical advice functions continue to be provided by those trusts' medical staff, who remain employed by the NHS. The partnership, which has an initial term of 20 years renewable for an additional five-year period, was structured in a way that allows other medical trusts in the region to join. In May 2014, Labco—through iPP Facilities Ltd and iPP Analytics Ltd, two new entities created in the first half of 2014—signed two partnership agreements with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust to provide laboratory services. The contract has an initial term of ten years and may be renewed for a further five-year period. See "*Business—Labco's Core Markets—Overview of Labco's Northern European Market—United Kingdom*."

As a result, if Labco's relationships with the NHS or the trusts with which these joint arrangements have been formed were to deteriorate in the future, Labco's ongoing activities in the United Kingdom may be adversely affected, given its high level of dependency on the NHS, and its presence in the United Kingdom may then be compromised.

A portion of our business is dependent on large customer contracts, often with public or private insurance companies or hospitals. If we were to lose one or more of our key customers, or if contracts with these customers are renewed at reduced prices upon expiry of the contract, our revenue could be materially and adversely affected.

The success of our business depends, in part, on larger customer contracts entered into with private insurance companies, local or regional health care providers or hospital chains and our group-wide pan-European framework supply agreements for reagents. In the case of Synlab, these are typically longer-term contracts with terms of up to five years. We may not be able to renew such contracts upon their expiry or may only be able to do so on less favorable terms. If we were unable to renew or extend such contracts on terms which are not significantly less favorable to the existing terms, this could have a negative impact on our revenue and profits. Together with the adverse impact this could have on our local or regional position, such contract loss or failure to renew could lead to a material adverse effect on our business, financial condition and results of our operations.

Even though we have no reason to believe that any key customers would cancel any contracts with us, or that any key customers would default on their obligations under any contracts, there is a risk that such an event could happen. If we are unable to comply with quality requirements, legal and regulatory requirements or the required service level related to any contract, there could be a risk that we would lose such a contract, and the related revenue and profits.

Spain accounted for 17.8% of Labco's revenue for the year ended December 31, 2014. Approximately 29% of Labco's business in Spain is based on sizable contracts with hospitals or private insurance companies. These contracts are typically long-term in nature and renegotiated at expiry. Increasing bargaining power of private health insurers and private hospitals has resulted in significant reduction of reimbursement levels. For example, two large Spanish private hospitals that are customers of the Labco Group negotiated significant reductions in the average price per test from the first quarter of 2013, primarily due to their merger. This resulted in a total revenue reduction for Labco of around € 2.5 million.

In the next three years, certain of Labco's contracts generating approximately €22 million of revenue for the year ending December 31, 2014 will be up for renewal. In particular, some of Labco's largest contracts in Spain, which accounted for approximately 19% of Labco's total revenue in the country for the year ended December 31, 2014, will expire in the next three years. There can be no assurances that we will be able to renew our material contracts, and we could lose significant business to competition at upcoming expiries. Any renewal we receive could also be on terms substantially less favorable to us than those of the contract that is subject to the renewal.

To date we have been able to mitigate a degree of the impact of the reimbursement reductions through volume increases and cost savings in parts of our business, but there is a risk that we will be unable to do so in future years.

The loss of contracts or renewal of contracts at less favorable terms could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be unable to retain or recruit experienced laboratory doctors, which may weaken our relationships with local medical communities and adversely affect our operating results.

The success of our clinical laboratories depends on employing and retaining qualified, skilled and experienced laboratory doctors who can maintain and enhance our reputation by providing testing services in accordance with our standards. If competition for the services of these professionals were to increase in the future, we may not be able to continue to attract and retain such laboratory doctors, which could make it more difficult to comply with licensing requirements.

Our business depends partly on personal relationships and the professional reputation of our laboratory doctors with patients and with the customers that refer patients to our laboratories, such as general practitioners and private hospitals. Departing laboratory doctors who have close relationships with their local medical community may draw some business away from us. For example, Labco's operating results in Germany in 2009 and 2010 were adversely affected by the 2009 departure of a laboratory doctor operating in its laboratory in Duisburg, which led to the loss of a significant contract with a blood bank. Former executives, including Labco's Chief Medical Officer, along with other staff members of the laboratory operated by Labco in Karlsruhe joined a competitor in 2011, and the subsequent reduction in the laboratory's revenue affected Labco's results and operations in Germany in 2011 and 2012.

If we lose, or fail to attract and retain, qualified laboratory doctors who have positive relationships with their respective local medical communities, our revenue and earnings may be adversely affected.

If we lose the services of members of our senior management team, our activities and operating results may be adversely affected.

The execution of our strategy and our continued success depend in part on our ability to benefit from the continued skills, efforts and motivation of our senior management team, both at our corporate level and in each of the countries in which we operate. Our strategy for organic growth and improved operating efficiency depends particularly on our senior management having deep knowledge of our activities. Our external growth strategy requires knowledge of the dynamics, major players and regulatory environment in the various markets in which we operate. The departure of key members of our senior management or experienced personnel may disrupt the pursuit of our strategy. If one or more members of our senior management team or experienced personnel were unable or unwilling to continue in their present positions, including for health, family or other personal reasons, we may not be able to replace them easily or at all. An inability to attract and retain qualified members or key personnel in due time may could have a material adverse effect on our business, prospects, operating results and financial position.

The development of new, more cost-effective tests that can be performed directly by our customers or patients, or a move by hospitals or doctors to carry out in-house testing, may negatively impact our testing volumes and revenue.

Advances in technology may lead to the development of more cost-effective tests that can be performed outside a commercial clinical laboratory, such as specialty tests that can be performed by hospitals in their own laboratories, point-of-care tests that can be performed by doctors in their surgeries, or home testing that can be performed by patients or other non-medical professionals (such as test kits that already exist for HIV testing). Manufacturers of laboratory equipment and test kits may seek to increase their sales by marketing tests that can be performed in surgeries or directly by patients. In addition, consumer healthcare technology companies may succeed in developing novel approaches to laboratory diagnostics testing, including alternative methods of sample collection and testing which replace traditional ones. The development of such technology and testing methods and their use by our customers or patients would reduce the demand for our services and negatively impact our revenue.

Our customers include public and private hospitals that choose to outsource their testing, usually because they lack the expertise or the resources to conduct the testing themselves in a cost-effective manner. Some of our customers or patients, including hospitals and doctors, may choose to perform themselves tests that we perform. If such customers or patients were to perform such tests themselves, and if we did not offer new or alternative tests attractive to our customers and patients, the demand for our testing services would be reduced and this could have a material adverse effect on our business, results of operations, financial condition and prospects.

Failure to bill quickly or accurately for our services may have a material adverse effect on our activities.

We invoice various customers for our services: patients, insurance companies, social security organizations, medical doctors, hospitals and employers. Depending on the billing arrangement and the applicable regulation of the country in which we operate, the payer may be a third party responsible for providing health insurance coverage to patients (such as public health insurance provider or a private medical insurance plan), a patient or other party (such as a hospital, clinic or an employer) who outsourced testing to us, or a combination of these parties. Changes in laws and regulations, contractual terms agreed with payers or payment policies of payers may increase the complexity and cost of our billing process.

Additionally, checking compliance with applicable regulations as well as internal compliance policies and procedures further increase the costs and complexity of the billing process.

For example, billing arrangements in Spain for clinical testing services are subject to contractual arrangements that require compliance with significant administrative constraints. As a result, the billing systems for Labco's laboratories in Spain are complex and require significant, regular investments in technology in order to maintain technology at the required level. In France, one of Labco's SELs incorrectly invoiced certain tests for several years, due to an error inputting rates into our IT system. As a result, the primary health insurers concerned requested that the €2 million incorrectly invoiced be reimbursed to them, and the SEL concerned made the reimbursement. In general, failure to bill timely or accurately for our services or increased complexity in billing arrangements and procedures may result in penalties, foregone revenue (*i.e.*, no reimbursement or payment for tests already processed) delayed payment and an increase in our working capital requirements and could have a material adverse effect on our business, results of operations and financial condition.

Financial difficulties of a customer or third-party payer may result in payment delays or require us to write off debts.

We encounter third-party credit risk where we are reliant on the ability of a third party to be able to pay for services we provide. We are exposed to varying levels of third-party credit risk across our lines of business depending upon the country in which we provide the service and its specific health scheme. In certain countries, we bill patients directly for the majority of our services, in others we invoice the public healthcare system, and in others we invoice private or public hospitals directly for the majority of services performed. Collection efforts for amounts due can be difficult, especially from patients in countries where there is no primary government payer of healthcare expenses. If a third-party payer or a company with which we have a contractual relationship experiences financial difficulties, we may be unable to collect amounts payable to us, resulting in write-offs of such debt. We maintain reserves for doubtful accounts and amounts past due. However, there can be no assurances that such reserves are sufficient for the third-party credit risks we face. Significant or recurring delays in receiving payment, or incidents of bad debts, could have a material adverse effect on our business, results of operations and financial condition.

Failure to comply with environmental, health and safety laws and regulations may result in fines, penalties and other costs as well as the loss of our licenses and authorizations, which could have a material adverse effect on our operations.

Our operations are subject to various licenses, authorizations and regulations under EU, national and local laws and regulations relating to the protection of the environment, human health and occupational health and safety, including those governing the handling, transportation and disposal of medical samples and biological, infectious and hazardous waste, as well as regulations relating to the health and safety of laboratory employees. We must meet strict requirements in all jurisdictions in which we operate for the disposal of laboratory samples at authorized facilities, such as those arising from French regulations relating to "waste from care activities that carry a risk of infection."

In order to organize our waste management policy, including the disposal of samples or other waste that may qualify as waste from care activities that carry a risk of infection, our companies may use services from external providers. If those providers failed to carry out their activities in line with legal and regulatory requirements, our companies may be held liable.

In addition, we must meet a large number of requirements relating to workplace safety for employees in clinical laboratories, who may be exposed to various biological risks such as blood-borne pathogens (including HIV and the hepatitis B virus). Medical and molecular imaging present specific risks arising from the possible exposure of our staff to radiation. Requirements relate to work practice controls, the wearing of protective clothing and protective equipment implementation, training, medical follow-up, vaccinations and other measures designed to minimize exposure to, and the transmission of, blood-borne pathogens or pathogens borne by other medical samples. We also may become subject to claims from employees or other persons, such as those alleging injury or illness resulting from exposure to the samples or waste they handle.

Environmental, health and safety regulations are likely to become even more stringent over time, and the costs incurred by us to comply with these requirements are likely to increase. Moreover, we may be sanctioned and incur substantial costs, including civil and criminal fines and penalties, enforcement actions, or the suspension or termination of our operating licenses and authorizations as a result of failure to comply with our obligations under those laws and regulations, which may have a material adverse effect on our activities. For example, in 2009, one of Labco's small French laboratories was closed for three weeks as a result of disciplinary sanctions by the *Ordre des pharmaciens* due to a failure to maintain adequate safety and quality standards. We may also become subject to claims from employees or other persons claiming to be victims of injury or illness resulting from exposure to the samples or waste they have handled.

The soil and groundwater at some of the sites we own or lease may be contaminated with hazardous materials from industrial activities that may have occurred in the past. Under certain environmental, hygiene and safety laws and regulations, we may be required to investigate or remediate contamination at properties we own or occupy, even if the contamination was caused by persons unrelated to us. While we are not currently aware of any significant soil or groundwater contamination on our sites, the discovery of previously unknown contamination or the imposition of new obligations to investigate contamination at these or other sites in the future may result in substantial unanticipated costs for us.

Labor disputes could disrupt our operations or lead to higher labor costs.

We are subject to the risk of labor disputes, which may disrupt our operations and may result in an increase in our operation costs. Labor laws applicable to our business in certain countries are relatively rigorous. They are also complex and leave room for interpretation. Labor law authorities or courts may have a different interpretation than we do. In numerous cases, labor laws provide for the strong protection of employees' interests. In addition, some of our employees are members of unions or represented by works councils, employee representatives or other bodies. In many cases, we must inform, consult with and request the consent or opinion of union representatives or works councils in managing, developing or restructuring certain aspects of our business. These employee protections and rights may consequently require us to expend greater time and costs in altering or amending employees' terms of employment or making headcount reductions. These labor laws and consultative procedures could also limit our flexibility with respect to employment policy or economic reorganization and could limit our ability to respond to market changes efficiently. Even where consultative procedures are not mandatory, important strategic business decisions could be negatively received by some employees and employees' representative bodies, which could lead to labor actions that could disrupt our business.

Although we believe our relations with employees and unions are good, our operations may nevertheless be materially affected by strikes, work stoppages, work slowdowns or other labor-related developments in the future, including disagreements with unions, works councils or other employee co-determination bodies, as well as with labor law authorities. These and other similar labor-related incidents or matters could disrupt our operations and adversely affect our business, financial condition and results of operations. Our employees in certain countries benefit from collective bargaining agreements, and we may not be able to periodically renegotiate collective agreements on acceptable terms. Settlement of actual or threatened labor disputes or an increase in the number of our employees covered by collective bargaining agreements may adversely affect our labor costs, productivity and flexibility.

Failure to comply with and establish appropriate quality standards as part of our testing services may adversely impact our reputation and operating results.

Our clinical testing services are intended to supply healthcare professionals with information to help them establish or support diagnoses and prescribe medical or other treatment for their patients. Inaccuracies or negligence in providing our clinical testing services may lead to inaccurate diagnoses by healthcare professionals, prescriptions of inappropriate treatments or decisions not to prescribe treatment when treatment is required, which may have serious consequences for patients (such as illness, harm, death or other adverse effects).

Errors such as misidentifying or inaccurately labeling samples or compromising the integrity of samples, as well as errors caused by testing machines or reagents used for testing, may occur. Claims and litigation against us may result in liability for the harm or other adverse effects caused. Labco has been the subject of legal proceedings for alleged acts or omissions of Labco's laboratory personnel and other employees in the past. If we were involved in such proceedings, and even if we were successful in our defense, the proceedings would be costly, could distract management from executing our strategy and could result in substantial damage to our reputation in the medical community and with patients. Payments related to such liabilities may adversely affect our liquidity and financial position. To the extent we are held liable for misrepresentation or negligence, the damages that we be ordered to pay could have a material adverse effect on our business, results of operations and financial condition.

Business interruption at one of our central or base laboratory facilities could result in significant losses and reputational damage to our business.

We operate a large number of laboratory sites. While many of these are small, we also operate 151 strategic laboratories (i.e., central hub laboratories, specialty laboratories and integrated diagnostic centers) as of December 31, 2014, which are larger or strategic laboratory sites and more critical to our operations in certain regional or national markets. There is a risk of business interruption at these sites, which could be the result of external factors such as natural disasters, fire, vandalism or other unforeseen events. Business interruption could also be the result of internal factors such as failure to comply with regulatory requirements and the resulting loss of authorizations to operate the facility. A business interruption of this kind could have a significant adverse impact on our business, both by direct loss of revenue and profits related to the affected laboratory site, but also through the reputational damage that such a business interruption could have on our business. While we maintain business interruption insurance for most of our major locations, there can be no assurance that it would adequately offset our losses in the event of a business interruption of this kind, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

Disruption, failure or the unsuitable performance of sample transportation services may adversely affect our activities and financial results.

The proper handling of samples during collection and transportation is essential for maintaining their integrity, ensuring the quality of tests and guaranteeing safety from accidental exposure to potentially infectious microorganisms. The vehicles used to transport samples must satisfy applicable legal, practical and technical requirements, which vary depending on the type of samples transported. These requirements govern, for example, the use of appropriate containers and packaging, the labeling of containers, the manner in which samples and containers are stored in the vehicle, the temperature at which samples must be transported and the duration of the journey. Drivers employed to transport samples must be trained to handle them in accordance with best practice and applicable laws and regulations. Mishandling of the sample in the collection and transportation process may increase the likelihood of errors in laboratory testing. In addition, efficient transportation of samples is key to Synlab's business. Synlab's business operates on a model of numerous satellite and hospital laboratory sites and blood collection centers where samples are collected and, if testing is not conducted on site at the local laboratory, delivered to base or central hub laboratory sites where testing takes place. Disruption to the transportation of samples, failure to comply with requirements relating to samples or the inadequate performance of the transportation service may damage our reputation, lead to claims against us and the loss of customers and patients, which would adversely affect our operating results, financial position and outlook.

In addition, in certain of the countries in which we operate, we have entered into outsourcing arrangements with third parties for the transportation of medical samples from specified sampling points (such as hospital sites, doctors' surgeries and Sampling Centers) to our clinical laboratories. For example, in the case of Synlab, third-party logistics providers are used in particular in Finland, where specialty tests are transported to Synlab's central laboratory in Tallinn, Estonia, for processing. We do not control the facilities or operations of such third-party transport operators and therefore depend on the quality of their transportation services in order to maintain the integrity of samples. Any interruption in their services, including as a result of strikes, inclement weather conditions or otherwise, or failure to meet their contractual obligations may damage our reputation and result in claims against us and the loss of customers or patients, which would adversely affect our operating results, financial position and outlook.

Disruptions in the delivery of testing supplies could adversely affect us.

We depend on effective supply and distribution networks of our suppliers to obtain necessary reagents and consumables for our testing operations and for the maintenance of our testing equipment. Damage or disruption to such supply or distribution capabilities due to labor strikes at suppliers, loss on non-delivery of such materials or any other reason could impair our ability to process tests and provide customers results in a timely manner, which could damage our reputation and adversely impact our results of operations. To the extent that we are unable to effectively manage such events if they occur, or cannot financially mitigate the likelihood or potential impact of such events, they could have a material adverse effect on our business, financial condition and results of operations.

Extreme weather conditions may affect our activity levels and, consequently, our revenue.

A significant portion of our activities depends on the ability of patients—who are often ill, aged, pregnant or have limited mobility—to travel to see a doctor or to a laboratory or blood collection center. Accordingly, unusual or inclement climatic conditions, particularly those affecting ground transportation conditions, have already in the past caused, and may in the future cause, a decrease in demand for our testing services. We also maintain a logistics network to transport test samples from sampling points to laboratories and between laboratories. Our logistics network depends significantly on ground transportation, which may be disrupted by factors including snow and other adverse weather conditions. Disruptions to our logistics network restrict our ability to provide our services in affected areas and reduce our revenue.

For example, because of heavy snowfall, Labco's operations in Monza (Italy) and Southwest France were significantly affected in December 2011 and February 2012, respectively. Similarly, heavy snowfall in Northern France in January and February 2013 also disrupted Labco's operations and led to a reduction in revenue during that period.

We may incur liabilities that are not covered by insurance.

We carry insurance of various types, including business interruption, property and casualty, directors and officers and general liability coverage. We maintain insurance policies both at the group level as well as specific policies for individual laboratories that we operate through our various subsidiaries. While we seek to maintain appropriate levels of insurance, not all claims are insurable and there can be no assurance that we will not experience incidents of a nature that is not covered by insurance. We maintain an amount of insurance protection that we believe is adequate, but there can be no assurances that our insurance coverage will be sufficient or effective under all circumstances and against all liabilities to which we may subject. We could, for example, be subject to substantial claims for damages upon the occurrence of several events within one calendar year. In addition, our insurance costs may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost. Liabilities that are not covered by insurance or our inability to maintain our current insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Disputes and Litigation

Adverse results in material litigation could have an adverse financial impact and an adverse impact on our client base and reputation.

In the ordinary course of our business, we are involved or may in future be involved in certain contentious proceedings (including administrative, court, arbitration and disciplinary proceedings) relating to matters concerning the professional liability of our laboratories, disputes with laboratory doctors, medical doctors and employees and regulatory issues, as well as enquiries initiated by regulatory authorities, professional associations and health insurers, regarding, among other things, billing matters. For our most significant current and potential disputes and the amount of provisions we set aside with respect to proceedings underway, see "*Legal Matters*."

Some of the proceedings initiated by or against us may involve claims for material amounts and could divert management's attention and time from day-to-day business operations to address such issues. Proceedings may result in substantial monetary damages, adversely affect our customer base and reputation, and reduce demand for our services. The final outcome of those proceedings or claims might have an adverse impact on our financial position.

In some proceedings in which we are involved or could be involved, material amounts are claimed, or could potentially be claimed, from us or our subsidiaries and affiliates. Any provisions we set aside in this respect in our financial statements may prove insufficient if we were found liable, which could have material adverse consequences on our activities and financial position (particularly on our operating results and cash flow) regardless of whether or not the underlying claim is well founded.

In general, it is possible that, in the future, new proceedings, whether or not connected with those currently underway, may be initiated against us, our subsidiaries or our laboratory doctors, medical doctors or employees. Since such proceedings may be lengthy and costly, they could also, regardless of their outcome, have adverse consequences on our activities, financial position (particularly our results and cash position) and outlook.

We are subjected to stringent privacy laws and information security policies.

We are subject to legal obligations relating to respect for and the protection of personal data—particularly patients' medical records—and strict policies relating to information security. We receive, generate and store significant volumes of personal and sensitive information, such as patient medical information, and must therefore comply with privacy and data protection regulations with respect to the use and disclosure of protected health information, intended to ensure the confidentiality, integrity and availability of such information. Such regulations establish a complex regulatory framework on a variety of subjects, including:

- the circumstances under which the use or disclosure of protected medical health information is permitted or required without specific authorization by the patient;
- a patients' rights to access, ask for amendments to and receive, protected information contained in their medical records;
- requirements to notify patients of privacy measures to maintain the confidentiality of protected medical information;
- administrative, technical and physical backups required of entities that use or receive protected medical information; and
- the protection of computing systems that store protected health information.

The realization of any of these risks could have a material adverse effect our business, results of operations and financial condition. For example, in July 2012 Labco entered into a settlement agreement with one of Labco's patients in France following the involuntary disclosure of certain confidential medical information.

Additionally, it was discovered at the beginning of April 2015 that certain of Synlab's laboratory results regarding patients in the western part of Switzerland were publicly accessible via a third party mobile application. The application was immediately deactivated to prevent any further unauthorized access. The incident is the subject of an ongoing internal investigation and has prompted an information request by the Swiss Federal Data Protection and Information Commissioner. Synlab may have to bear the cost of any additional investigative or remedial measures which may be necessary in addition to any liabilities as a result of the incident. If we do not adequately safeguard confidential patient data or other protected health information, or if such information or data is wrongfully used by us or disclosed to an unauthorized person or entity, our reputation could suffer and we could be subject to fines, penalties and administrative, legal or disciplinary proceedings.

Risks Related to Taxation

We are exposed to risks related to taxation in the various countries in which we operate.

We organize our commercial and financial activities on the basis of various and complex legal and regulatory requirements in the various countries in which we operate, particularly with regard to taxation. Changes in regulations or their interpretation in the various countries in which we operate could affect the calculation of our overall tax burden (income tax, social security contributions and other taxes), along with our financial position, liquidity and results. In addition, we must interpret French, German and local regulations, international tax agreements, legal opinions and administrative practice in each of the jurisdictions in which we operate. We cannot guarantee that our application and interpretation of such provisions will not be challenged by the authorities concerned. In general, any breach of tax laws or regulations applicable in the countries in which we operate could lead to tax adjustments, late-payment interest, fines and penalties. Additionally, we are subject to routine tax audits by local authorities in the countries in which we operate. Our activities, results, financial position, liquidity and outlook could be materially affected if one or more of the aforementioned risks materialized.

Risks related to French tax rules regarding the tax-deductibility of interest

French tax rules may restrict the deductibility, for French tax purposes, of all or portion of the interest on our indebtedness incurred in France. These rules, or any adverse changes to them, could affect our ability to deduct interest payments on our borrowings from taxable income, thereby increasing our tax burden, which could have a material adverse impact on our business, results of operations, financial condition and prospects (see "*—Risks Related to Our Capital Structure—French tax legislation may restrict* *the deductibility, for French tax purposes, of all or a portion of the interest on our indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness. Similar rules exist in other countries"*).

Risks related to German tax rules regarding the tax-deductibility of interest

German tax rules may restrict the deductibility, for German tax purposes, of all or portion of the interest on our indebtedness incurred in Germany. These rules, or any adverse changes to them, could affect our ability to deduct interest payments on our borrowings from taxable income, thereby increasing our tax burden, which could have a material adverse impact on our business, results of operations, financial condition and prospects (see "*—Risks Related to Our Capital Structure—German tax legislation may restrict the deductibility, for German tax purposes, of all or portion of the interest on our indebtedness incurred in Germany*").

We are exposed to risks related to VAT and French payroll tax.

Most of our activities are exempt from VAT. We cannot recover VAT applicable to charges and expenses relating to those VAT-exempt activities. As a result, any increase in the VAT rate on those charges and expenses (such as the increase in the Italian VAT rate from 21% to 22%, which came into force in October 2013, or the application in Spain of VAT at the standard rate of 21% from January 1, 2015 instead of the reduced rate of 10% previously applied to reagents and medical equipment) would represent an additional cost for us. We would not necessarily be able to pass on this additional cost in the prices we charge to our customers. Some of our existing or future activities are subject to VAT, which allows us to deduct VAT levied on the related charges and expenses. In the United Kingdom, the tax authorities have confirmed, after a long debate, that VAT is applicable to activities such as the management and provision of our assets and equipment. However, it is possible that these tax arrangements will be challenged by the tax authorities in the future. If that happens, we may not be able to pass on the resulting increase in costs to our customers.

Similarly, given that most of our activities are VAT exempt, we are subject to payroll tax in France. As a result, any change in the regulations applicable to the French payroll tax may have an adverse impact on our results and financial position.

Risks Related to the Transactions

The Acquisitions are subject to significant uncertainties and risks.

On June 24 and 25, 2015, German BidCo, an entity directly owned by the Senior Secured Notes Issuer and indirectly owned by Cinven Funds, entered into the Synlab Acquisition Agreement to acquire the Synlab Securities from the Synlab Sellers. The consummation of the Synlab Acquisition is subject to the satisfaction of certain conditions, including clearance by the European Commission and the Swiss Competition Commission, and the performance of certain closing actions. German BidCo will not consummate the Synlab Acquisition until these clearances are received, which may extend past the Escrow Longstop Date. In addition, any of the competition authorities may choose to prevent the Synlab Acquisition from taking place. Alternatively, any of the competition authorities may permit the Synlab Acquisition but demand that German BidCo, the Senior Secured Notes Issuer and the Synlab Group implement remedies. Accordingly, German BidCo may not be permitted to undertake the Synlab Acquisition in a timely fashion, without remedies, or at all. Any such remedy may make the Synlab Acquisition less attractive.

On May 27, 2015, French BidCo, an entity directly owned by the Senior Secured Notes Issuer and indirectly owned by Cinven Funds, entered into the Labco Acquisition Agreement to acquire the Labco Securities from the Labco Sellers. The consummation of the Labco Acquisition is subject to the satisfaction of certain conditions, including clearance by the European Commission and, to the extent required, foreign investment authorization by the French Ministry for the Economy, and the performance of certain closing actions. French BidCo will not consummate the Labco Acquisition until these clearances are received, which may extend past the Escrow Longstop Date. In addition, any of the competition authorities may choose to prevent the Labco Acquisition from taking place. Alternatively, any of the competition authorities may permit the Labco Acquisition but demand that French BidCo, the Senior Secured Notes Issuer and the Labco Group implement remedies. Accordingly, French BidCo may not be permitted to undertake the Labco Acquisition in a timely fashion, without remedies, or at all. Any such remedy may make the Labco Acquisition less attractive.

Completion of the Acquisitions is a condition to releasing the proceeds from the Offerings from escrow. If the Acquisitions are not consummated on or prior to the Escrow Longstop Date for any reason and, as a result, the proceeds from the sale of the Notes to be held in escrow are not released, each of the Issuers will be required to redeem the relevant Notes pursuant to the terms of the special mandatory redemption provided under the relevant Indentures, and you may not obtain the investment return you expect on the Notes. The Issuers may also undertake a special mandatory redemption at any time if, in their reasonable judgment, the Acquisitions will not be consummated by the applicable Acquisition Longstop Date. See "*Description of the Temporary Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*" and "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*."

The Acquisitions are expected to be consummated in accordance with the terms of the Labco Acquisition Agreement and the Synlab Acquisition Agreement, as the case may be. However, the Labco Acquisition Agreement and the Synlab Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. As a condition for release, the escrow agreements will include a certification that no material term of or condition to the terms of the Acquisitions have been amended or waived in a manner or to an extent that would be materially adverse to the interests of the holders of the Notes. Furthermore, any amendment made to either Acquisition Agreement may make the applicable Acquisition less attractive. Any amendment made to either Acquisition Agreement may be materially adverse to holders of the relevant series of Notes, which, in turn, may have an adverse effect on the return you expect to receive on such Notes.

The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco.

Should a minority shareholder refuse to comply with the drag mechanism described in "*The Transactions—The Synlab Acquisition*" and provided German BidCo holds at least 95% of the outstanding shares in Synlab following the Completion Date, German BidCo currently intends to convert Synlab into a German stock corporation (*Aktiengesellschaft*) for an interim period and perform a squeeze-out of the remaining minority shareholders. In addition, following the Completion Date and the conversion but prior to (and also anytime thereafter) the squeeze-out becoming effective, German BidCo and Synlab intend to (provided German BidCo holds at least 75% of the outstanding shares in Synlab) conclude a domination and profit and loss sharing agreement (*Beherrschungs- und Ergebnisabführungsvertrag*) which would require payment of a statutory guaranteed dividend for the remaining minority shareholders as long as they are shareholders of Synlab. Any minority shareholder having voted against the conversion of Synlab into a stock corporation, the conclusion of the domination and profit and loss sharing agreement or the squeeze-out may contest the underlying shareholders' resolutions on certain limited grounds in a way that prevents the measures from being registered with the competent commercial register and, thus, from becoming effective.

Despite compliance with all procedural requirements with respect to such measures, some legal commentators argue that a minority shareholder could nevertheless challenge a shareholder resolution for a change of a German limited liability company (such as Synlab) into a German stock corporation or the subsequent squeeze out if the only reason for the change in legal form is to carry out a squeeze out of minority shareholders, which, under German law, is not possible with respect to minority shareholders in limited liability companies such as Synlab prior to its conversion into a stock corporation. Other legal scholars argue that if the relevant majority of shareholders makes use of their legal right to change the legal form of a company to benefit from the advantages of that new form, this merely reflects the risk any minority shareholder assumes. The German Federal Supreme Court (*Bundesgerichtshof*) has rejected the arguments of misuse of rights in a case where the majority shareholder reached the relevant 95% threshold required for the squeeze out only for a limited period of time through a securities lending transaction which took place only for the purpose of the squeeze out. Further, in 2012, the Regional Court of Hamburg (*OLG Hamburg*) also rejected the argument of misuse of rights in a case where it was necessary to change the legal form of the majority shareholder (not the company) to effect the squeeze out and the change of legal form took place only in order to allow the squeeze out to happen. The Regional Court of Hamburg held that a squeeze out envisaged in the German Stock Corporation Act (*Aktiengesetz*), as intended in this transaction, does not require any justification and that instead a formal view has to be taken. In another case, the Regional Court of Hamburg in 2008 held that a merger implemented in order to achieve a 95% participation did not constitute a misuse of rights if (as in its case) there are other valid and independent business reasons for the merger. Legal writers disagree whether a conversion of the company that serves no other valid business purpose than enabling a squeeze out constitutes a misuse of rights, and there are no court precedents on this specific question. It should be noted that in the present transaction German Bidco as majority shareholder would implement the conversion into a stock corporation, domination and profit and loss pooling agreement and squeeze out only to acquire the shares of any minority shareholders in Synlab which failed to comply with their obligation to transfer their shares to German Bidco pursuant to the drag notices given by the Synlab Seller.

Should (i) the conversion of Synlab into a stock corporation not be registered, (ii) the conversion be registered but the domination and profit and loss sharing agreement not be registered or (iii) either of the two be successfully challenged thereafter, then unless the minority shareholder has consented to Synlab and its subsidiaries granting the Guarantees and Collateral with respect to the Additional Senior Secured Notes and the Senior Notes, which at that point is unlikely, such Guarantees and such Collateral may not be granted at all or, if such Guarantees and Collateral are granted, they may be void or could be successfully challenged by any minority shareholder who did not approve the guarantees or Collateral or the minority shareholder may bring damage claims against German Bidco, Synlab or its subsidiaries as well as against any of their directors. As a consequence, the Additional Senior Secured Notes and the Senior Notes would not be secured by Guarantees and Collateral of Synlab and its respective subsidiaries.

The Unaudited Pro Forma Condensed Combined Consolidated Financial Information included in this offering memorandum is presented for illustrative purposes only and our actual financial condition and results of operations following the Transactions may differ materially.

Until the Completion Date, Synlab and Labco will continue to operate as separate companies. Accordingly, our operations have not previously been managed on a combined basis and will not be operated on such basis until the Completion Date. The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information in this offering memorandum has not been audited by any independent auditors, is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the Transactions been completed as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company, including the future operation of Synlab/Labco as a combined business. The presentation of the Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information is based on information available, preliminary estimates and certain *pro forma* assumptions, as described therein. The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information does not reflect future events that may occur after the Transactions, including the potential non-realization of operating cost savings, the incurrence of costs related to the planned integration, and does not consider potential negative impacts of current market conditions on revenues or expenses. Such actual events may have a material adverse impact on our business, financial condition and cash flows, our ability to make payments on the Notes and investor confidence, which in turn could affect the trading price of the Notes. See "*Unaudited Pro Forma Condensed Combined Consolidated Financial Information*."

Anticipated synergies from the Transactions may not materialize.

Upon completion of the Transactions, we expect to achieve certain synergies discussed elsewhere in this offering memorandum relating to the consolidation of the businesses of Synlab and Labco. We may not realize any or all of the anticipated synergies relating to the Transactions that we currently anticipate, including if we are unable to consummate either the Synlab Acquisition or the Labco Acquisition. The synergies that we currently expect are synergies relating to cost reductions resulting from (i) the consolidation of our operations at a single headquarters, (ii) improvements in operational efficiency and procurement due to the combined business' greater scale and (iii) consolidation of laboratories in certain geographies. Our estimated synergies from the Transactions are forward-looking and therefore subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. Such assumptions are inherently uncertain and are subject to significant business, economic and competition risks and uncertainties. In particular, because Synlab and Labco will continue to operate as separate companies until the Completion Date, the Issuers have only limited access to and insights into these input factors. There can be no assurance that such assumptions will turn out to be correct. In addition, the synergies may be offset by deterioration in the markets in which we operate, increases in other expenses or problems in the business unrelated to the Transactions. As a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we currently estimate and we may incur significant costs in realizing the Transactions and in reaching the estimated synergies. We may not be successful in integrating the Synlab and Labco businesses as currently anticipated, which may have a material adverse effect on our business and operations.

The Issuers do not currently control Synlab, Labco or their respective subsidiaries and will not control Synlab, Labco and their respective subsidiaries until completion of the Acquisitions.

Labco and its subsidiaries are currently controlled by four different categories of shareholders: founding shareholders; financial investors; laboratory doctors practicing in Labco's laboratories; and others, such as management, family members and estate planning entities of Labco's laboratory doctors. The Issuers, indirectly through German BidCo and French BidCo, will not obtain control of Synlab, Labco or their respective subsidiaries until the completion of the Acquisitions. The Issuers cannot assure you that the current shareholders will operate the business of Synlab, Labco and their respective subsidiaries during the interim period in the same way that the Issuers would. The information contained in this offering memorandum has been derived from industry publications and from surveys or studies conducted by third-party sources and, in the case of historical information relating to Synlab, Labco and their respective subsidiaries, has been provided to the Issuers by the current shareholders as well as members of management of Synlab, Labco and their respective subsidiaries, and the Issuers have relied on such information supplied to them in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the businesses. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Completion Date, none of Synlab, Labco or their respective subsidiaries will be subject to the covenants described in "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*," to be included in the Indentures. As such, the Issuers cannot assure you that, prior to such date, Synlab, Labco or their respective subsidiaries will not take an action that would otherwise have been prohibited by the Indentures had such covenants been applicable.

Synlab and/or Labco may have liabilities that are not known to French BidCo or German BidCo, as the case may be.

As part of the Acquisitions, German BidCo will assume certain liabilities of Synlab and French BidCo will assume certain liabilities of Labco. There may be liabilities that German BidCo and/or French BidCo, as the case may be, failed or was unable to discover in the course of performing due diligence investigations into Labco or Synlab, as the case may be. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations. As German BidCo integrates Synlab and French BidCo integrates Labco, German BidCo and French BidCo may learn additional information that adversely affects the Issuers, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

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

The gross proceeds from the Offerings will be held in the Escrow Accounts pending the satisfaction of certain conditions, some of which are outside of our control. If the Acquisitions do not occur on or before the Escrow Longstop Date or in the event of certain other events that trigger escrow termination, the Notes will be subject to a special mandatory redemption as described in "*Description of the Senior Secured Notes—Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption*" and "*Description of the Senior Notes—Disbursement of Funds; Senior Notes Escrow Account; Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes.

The escrowed funds will be initially limited to the gross proceeds of the Offerings and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of special mandatory redemption. In the event that the escrowed funds are insufficient to pay the special mandatory redemption price, plus any such accrued and unpaid interest and additional amounts, Cinven will be required to make an equity contribution in an amount required to enable each relevant Issuer to pay such accrued and unpaid interest and additional amounts, if any, owing to the holders of the relevant Notes. Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition, or the terms of the Acquisitions or the financing thereof, between the closing of these Offerings and the Completion Date, will have no effect on your rights as a purchaser of the Notes.

Our agreements may contain change of control provisions that if triggered, provide a right of termination.

Certain of our supplier and third-party provider agreements contain change of control clauses that entitle the relevant counterparties to terminate or enforce other rights under the agreements in the event of a change of control. If the Acquisitions are successful, such counterparties may seek to exercise these rights which could result in the termination or amendment of the applicable contract. In the event of any such termination there can be no assurance that we would be able to successfully replace the services or customer payments that were provided under the relevant contract at attractive prices or at all. Likewise, if we were required to amend any such contract we can provide no assurance that the terms of such amendment will not be materially adverse to us or will not otherwise impact our business or operations. Accordingly, any termination or amendment of a significant contract as a result of the change of control following the Acquisitions could materially or adversely affect our business and ability to provide services to our customers.

Risks Related to Our Capital Structure

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

The Issuers and certain Guarantors are holding companies with no business operations other than the equity interests they hold in each of their subsidiaries. The Issuers and such Guarantors are dependent upon the cash flow from their operating subsidiaries in the form of dividends or other distributions or payments to meet their obligations, including their obligations under the Notes or the Guarantees. The amounts of dividends and distributions available to the Issuers and such Guarantors will depend on the profitability and cash flows of their subsidiaries and the ability of those subsidiaries to declare dividends under applicable law. The subsidiaries of the Issuers and such Guarantors, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuers or such Guarantors to make payments in respect of their indebtedness, including the Notes and the Guarantees. While the Indentures limit the ability of the Issuers' subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to significant qualifications and exceptions, including exceptions for restrictions imposed by applicable law. In addition, the subsidiaries of the Issuers that do not guarantee the Additional Senior Secured Notes or the Senior Notes have no obligation to make payments with respect to the Additional Senior Secured Notes or the Senior Notes.

Our significant leverage may make it difficult for us to operate our businesses.

We currently have, and after the issuance of the Notes will continue to have, a significant amount of outstanding debt with substantial debt service requirements. As of March 31, 2015, and as adjusted to give effect to the Transactions and the application of the proceeds therefrom, our *pro forma* combined net financial debt would have been €1,896.2 million, which reflects external interest-bearing loans and borrowings less cash and cash equivalents. In addition, we will be permitted to incur additional indebtedness under the Revolving Credit Facility in the future, and other significant additional indebtedness to fund acquisitions as set out in "*Description of the Senior Secured Notes—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and "*Description of the Senior Notes—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*." Our significant leverage could have important consequences for our business and operations and for you as a holder of Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debts and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund acquisitions, organic growth projects and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or general economic or industry conditions;

- placing us at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than we have;
- limiting our flexibility in planning for or reacting to competition or changes in our business and industry;
- negatively impacting credit terms with our creditors;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. Our ability to make payments on and refinance our indebtedness and to fund acquisitions, working capital expenditures and other expenses will depend on our future operating performance and ability to generate cash from operations. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations or obtain enough capital to service our debt or fund our future acquisitions or other working capital expenditures.

In addition, we may be able to incur substantial additional debt in the future, including indebtedness in connection with any future acquisition. The terms of the Indentures and the Revolving Credit Facility Agreement permit our subsidiaries to do so, in each case, subject to certain limitations. If new debt is added to our current debt levels, the risks that we now face could intensify.

For a discussion of our cash flows and liquidity, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab—Liquidity and Capital Resources*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Liquidity and Capital Resources*."

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

We may incur substantial additional debt in the future. Although the Indentures and the Revolving Credit Facility Agreement contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Under the Indentures, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness so long as on a *pro forma* basis our fixed charge coverage ratio (as defined in the Senior Secured Notes Indenture) is at least 2.00 to 1.00. Under the Senior Secured Notes Indenture, in the event such indebtedness is secured indebtedness, we will be able to incur additional secured indebtedness so long as on a *pro forma* basis our consolidated senior secured leverage ratio (as defined in the Indenture, which, among other things, excludes certain specified permitted indebtedness from the calculation of such ratio and is calculated on a net basis) is no more than 5.50 to 1.00. We will also be able to refinance indebtedness outstanding under our Revolving Credit Facility Agreement with debt incurred in compliance with these ratios and then be able to draw amounts under our Revolving Credit Facility Agreement at a time when we do not meet these ratios. The terms of the Indentures permit us to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the Indentures. Moreover, some of the debt we may incur in the future could be structurally senior to the Notes and, in the case of the Senior Secured Notes, may be secured by collateral that does not secure the Senior Secured Notes. In addition, the Indentures and our Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those agreements. The incurrence of additional debt would increase the leverage-related risks described in this offering memorandum.

French tax legislation may restrict the deductibility, for French tax purposes, of all or a portion of the interest on our indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness.

Under Article 212 § II of the French *Code général des impôts*, deductions of interest accrued on indebtedness granted by a related party within the meaning of Article 39.12 of the French *Code général des impôts* or on indebtedness granted by a third party but guaranteed by a related party (a third party assimilated to a related party) is allowed under certain conditions but subject to limitations. Deductions for interest on such indebtedness may be disallowed in the fiscal year during which they are accrued if such interest payments exceed each of the following: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity or, under certain conditions, share capital, and (b) the average amount of indebtedness owed to related parties (or to third parties assimilated to related parties) over the relevant fiscal year; (ii) 25% of the company's earnings before tax and extraordinary items, as adjusted for purposes of these limitations; and (iii) the amount of interest received by the company from related parties. Deductions may be disallowed for the portion of interest that exceeds in a relevant fiscal year the highest of the above three limitations if such portion of interest exceeds €150,000, unless the company is able to demonstrate for the relevant fiscal year that the indebtedness ratio of the Labco Group to which it belongs is higher or equal to its own indebtedness ratio. The portion of interest for which deduction is disallowed may be deducted under certain conditions, in the following fiscal year, the remainder being subject to a 5% discount in each subsequent fiscal year. Specific rules may apply within French tax consolidated groups.

These thin capitalization rules could apply at the level of the Senior Secured Notes Issuer's French subsidiaries for any amount of the proceeds of the Existing Senior Secured Notes used by the Senior Secured Notes Issuer to grant intragroup loans to such subsidiaries as well as, more generally, in respect of any loans contracted by such French subsidiaries from any related party or party assimilated to a related party.

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

On November 30, 2012, the French tax authorities published their final administrative guidelines, referenced as BOI-IS-BASE-35-30-20130329 regarding Article 209 § IX of the French *Code général des impôts*. This tax legislation and the related administrative guidelines remain quite vague and subject to significant uncertainties as to their interpretation. Therefore, we cannot provide any assurance that this tax legislation would not limit the deductibility of interest borne by French BidCo.

Moreover, Article 212 *bis* of the French *Code général des impôts* provides for a general limitation of deductibility of net financial charges, subject to certain exceptions. Adjusted net financial charges incurred by French companies that are subject to French corporate income tax and are not members of a French tax consolidated group are deductible from their taxable result only up to 75% of their amount in respect of fiscal years starting as from January 1, 2014, to the extent that such companies' financial charges (net of financial income) are at least equal to €3.0 million in a given fiscal year. Under Article 223 B *bis* of the French *Code général des impôts*, special rules apply to companies that belong to French tax consolidated groups. The 75% limitation is factored on the basis of the Labco Group's consolidated taxable result and applies to the adjusted aggregate net financial charges incurred by companies that are members of the French tax consolidated group with respect to amounts made available by lenders outside such group, to the extent that the tax group companies' consolidated financial charges (net of financial income) are at least equal to €3.0 million in a given fiscal year.

Finally, for fiscal years ending on or after September 25, 2013, the deductibility of interest paid to a related party within the meaning of Article 39.12 of the French *Code général des impôts* is subject to a new limitation pursuant to Article 212 § I-b of French *Code général des impôts*. If the lender is a related party to the borrower within the meaning of Article 39.12 of the French Tax Code, the borrower shall now demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related party lender is domiciled or established outside France, the "corporate income tax determined under standard French tax rules" means that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass through entity for French tax purposes, a collective investment scheme referred to in Articles L. 214-1 to L. 214-191 of the French Monetary and Financial Code (*Code monétaire et financier*) (which includes UCITSs and AIFs as well as other collective investment schemes such as SICAVs and SPPICAVs with a single shareholder) or, subject to certain conditions, a similar entity organized under a foreign law.

Considering this legislation and guidelines issued by the French tax authorities (BOI-IS-BASE-35-50-20140805 and BOI-IS-BASE-35-10-20140805), this last interest deduction limitation should not apply to interest borne by French BidCo and Labco in respect of the proceeds of the Existing Senior Secured Notes that will be made available to these companies by the Senior Secured Notes Issuer by means of intragroup loans to the extent the Senior Secured Notes Issuer is subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. However, we cannot provide any assurance that this tax legislation would not limit the deductibility of interest borne by French BidCo and Labco in relation to these intragroup loans. More generally, based on this tax legislation, our ability to deduct interest payments in respect of any loans contracted by either Issuer's French subsidiaries from any related party would also depend on the tax treatment of the interest payments at the level of the person to which they are made. The impact of such rules on our ability to deduct interest paid on indebtedness could increase our tax burden and therefore negatively impact our financial condition and operating results. In addition, our cash flow might also be negatively impacted should we have to pay Additional Amounts.

There are similar rules in most countries in which we operate.

The impact of such rules on our ability to deduct interest paid on indebtedness could increase our tax burden and therefore negatively impact our financial condition and operating results. In addition, our cash flow might also be negatively impacted should we have to pay Additional Amounts as a result of the levying of the withholding tax referred to above.

German tax legislation may restrict the deductibility, for German tax purposes, of all or a portion of the interest on our indebtedness incurred in Germany, thus reducing the cash flow available to service our indebtedness. Similar rules exist in other countries.

Pursuant to the German interest barrier rule (*Zinsschranke*), section 4h German Income Tax Act (*Einkommensteuergesetz*) and section 8a German Corporate Income Tax Act (*Körperschaftsteuergesetz*), interest expenses can only be deducted for German corporate income and trade tax purposes up to the sum of (a) the amount of the interest income come in the same assessment period and (b) 30% of the EBITDA as defined in section 4h German Income Tax Act. In principle, this limitation does not apply if (a) the net interest expenses p.a. (i.e. interest expenses less interest income) is less than EUR 3,000,000, (b) the respective taxpayer does not form part of a group or (c) the respective taxpayer forms part of a group, but the debt to equity ratio of such taxpayer is, in principle equal or better than that of the group, whereby for the exceptions (b) and (c), there exist further prerequisites in the case that shareholder debt exists.

As regards German BidCo and the Synlab Group, it cannot be excluded that none of the exceptions applies and that the EBITDA is not sufficient in order to achieve a full tax-deductibility under the interest barrier rule.

If and to the extent interest expenses are deductible under the interest barrier rule, there exists a further limitation rule for German trade tax purposes pursuant to which, in principle, only 75% of all interest expenses exceeding an amount of EUR 100,000 can be deducted, except for interest expenses owed within a fiscal unity.

The impact of such rules on our ability to deduct interest owed on indebtedness could increase our tax burden and, therefore, negatively impact our financial condition and operating results. In particular, these rules might cause that a profit arises for (trade) tax purposes so that (trade) tax might be payable although a loss might have been occurred from an accounting perspective.

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

Our Revolving Credit Facility Agreement and the Indentures contain covenants which impose significant restrictions on the way we operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- make certain payments, including dividends or other distributions;
- make certain investments or acquisitions, including participating in joint ventures or undertaking capital expenditure;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries;
- agree to limitations on the ability of our subsidiaries to make distributions;
- sell assets, or consolidate or merge with or into other companies;
- sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;
- issue or sell share capital of certain subsidiaries; and
- create or incur certain liens.

These covenants could affect our ability to operate our business and may limit our ability to react to market conditions or regulatory developments or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations; pursue acquisitions, investments or alliances; restructure our organization; or finance our capital needs.

Our failure to comply with the covenants under the Revolving Credit Facility Agreement or the Indentures, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition and operating results.

Our Revolving Credit Facility Agreement and the Indentures require us to comply with various covenants.

The Revolving Credit Facility contains a financial drawstop test whereby the Consolidated Senior Secured Leverage Ratio in respect of any relevant period for which it is tested, shall not be more than 7.50:1. The Senior Secured Notes Issuer has the ability to cure such drawstop in accordance with certain conditions set out in the Revolving Credit Facility. Our ability to meet this condition could be affected by deterioration in our operating results, as well as by events beyond our control, including decreases in tariffs or reimbursements for laboratory testing services and unfavorable economic conditions, and we cannot assure you that we will be able to meet those ratios and tests. Moreover, the Revolving Credit Facility Agreement includes certain events of default (such as breach of representations and warranties, unlawfulness, invalidity, repudiation and rescission) that are in addition to the events of default set forth in the Indenture. If an event of default occurs under the Revolving Credit Facility Agreement or any other of our debt instruments and is not cured or waived, the holders of the defaulted debt could terminate their commitments and declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be immediately due and payable. Borrowings under other debt instruments, including the Notes, that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand. In these circumstances, our assets and cash flow may not be sufficient to repay in full that indebtedness and our other indebtedness, including the Notes then outstanding, if some or all of these instruments were accelerated, which could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event.

The Notes are structurally subordinated to the liabilities of non-guarantor subsidiaries.

Certain of our subsidiaries will not guarantee the Notes. Our subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuers or any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

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

As such, the Notes and each Guarantee of the Notes will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries. Any of the debt that our non-guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the Guarantees.

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

Our ability to make payments on or to refinance the Notes or our other debt obligations will depend on our future operating performance and ability to generate sufficient cash. This depends on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

Our businesses may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund our liquidity needs, we may be forced to:

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

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

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

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

We are exposed to interest rate risks, and such rates may adversely affect our debt service obligations.

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

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.

Upon the occurrence of a "change of control," as defined in the Indentures, we would be required to offer to repurchase all the relevant outstanding Notes at a purchase price equal to 101% of the aggregate principal amount thereof on the date of purchase plus accrued and unpaid interest and additional amounts, if any, to the date of purchase.

Our ability to fund the purchase price for any offer to purchase the Notes upon a change of control would be limited by our access to funds at the time and the terms of our other debt and contractual agreements, including the Revolving Credit Facility and the Intercreditor Agreement. We may not have sufficient funds at the time of any such event to make the required repurchases. The source of funds for any repurchase required will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets or sales of equity or funds provided by subsidiaries. We cannot assure you that we would be able to obtain the necessary level of financing. If an event constituting a change of control occurs at a time when our subsidiaries are prohibited from providing funds to ourselves for the purpose of repurchasing the Notes, our subsidiaries may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If a consent to repay such borrowings is not obtained, we may be prohibited from repurchasing any Notes. In addition, a change of control may result in prepayment of certain lenders under the Revolving Credit Facility, the Notes and any other indebtedness we may have outstanding. The repurchase of the Notes pursuant to such an offer could cause a default under the Revolving Credit Facility and other indebtedness, even if the change of control itself does not. Any failure by us to offer to purchase the Notes would constitute a default under the Indenture which would, in turn, constitute a default under the Revolving Credit Facility and certain other indebtedness. See "*Description of the Senior Secured Notes—Repurchase at the Option of Holders*" and "*Description of the Senior Notes—Repurchase at the Option of Holders*."

The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indentures. Except as described under "*Description of the Senior Secured Notes—Repurchase at the Option of Holders*" and "*Description of the Senior Notes—Repurchase at the Option of Holders*," the Indentures will not contain provisions that would require us to offer to repurchase or redeem the applicable Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the Indentures will include (with certain exceptions) a disposition of all or substantially all the assets of ourselves and our restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of our assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether we are required to make an offer to repurchase the Notes.

The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

The obligations of the Guarantors incorporated in France, Germany, Spain, Belgium, Italy, Austria and Switzerland and the enforcement of each such Guarantee will be limited to the maximum amount that can be guaranteed by such Guarantor under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee is not in the relevant Guarantor's corporate interests, or the burden of such Guarantee exceeds the benefit to the relevant Guarantor, or such Guarantee would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws or would cause the directors of such subsidiary Guarantor to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from such Guarantee without a corresponding increase in the amount of the Guarantee will dilute the value of such Guarantee to its beneficiaries, including the holders of the Additional Senior Secured Notes and the Senior Notes.

Accordingly, enforcement of any such Guarantee against the relevant Guarantor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the Guarantees designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance and regulations or defenses affecting the rights of creditors generally. As a result, a Guarantor's liability under its Guarantee could be materially reduced or eliminated, depending upon the law applicable to it.

Due to such restrictions under French, Italian, Austrian and Belgian law, (i) the Senior Secured Note Guarantees of the Guarantors in France, Italy and Belgium will provide credit support to the full aggregate principal amount of the Senior Secured Notes but will have no greater monetary value than the aggregate principal amount of Existing Senior Secured Notes, and the Senior Secured Note Guarantees of the Guarantors in Austria will effectively have no monetary value, as none of them will be on-lent any of the proceeds of the offering of the Additional Senior Secured Notes and (ii) the Senior Note Guarantees of the Guarantors in France, Italy, Austria and Belgium will effectively have no monetary value as none of them will be on-lent any of the proceeds of the offering of the Senior Notes.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition. Under French corporate benefit rules, a court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

It is possible that a Guarantor, or a creditor of a Guarantor, or the bankruptcy trustee or other insolvency office holder in the case of a bankruptcy/insolvency of a Guarantor, may contest the validity and enforceability of the Guarantor's guarantee on any of the above grounds and that the applicable court may determine that the Guarantee should be limited or voided. To the extent that agreed limitations on the Guarantee obligation apply, the Additional Senior Secured Notes and the Senior Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor. Future guarantees may be subject to similar limitations. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*," "*Risk Factors—Risks Related to the Notes and the Guarantees—The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco*," "*Description of the Senior Secured Notes—The Note Guarantees,*" and "*Description of the Senior Notes—The Note Guarantees.*"

The interests of our ultimate principal shareholder may be inconsistent with your interests.

As of the Completion Date, our ultimate principal shareholder, Cinven, will indirectly own almost all of our issued and outstanding shares through investment management funds. The interests of our principal shareholder could conflict with the interests of investors in the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholder could cause us to pursue acquisitions or divestitures and other transactions or to make large dividend payments (subject to limitations in the Indenture) or other distributions or payments to it as the shareholder, even though such transactions may involve increased risk for the holders of the Notes. Furthermore, no assurance can be given that our principal shareholder will not sell all or any part of its shareholding at any time nor that it will not look to reduce its holding by means of a sale to a strategic investor, an equity offering or otherwise. Such divestitures may not trigger a "Change of Control" under the Indentures.

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

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

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

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

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

The Issuers and the Guarantors and their respective subsidiaries are organized outside the United States, and their business is conducted entirely outside the United States. The directors and executive officers of the Issuers and the Guarantors are nonresidents of the United States. Although the Issuers and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws or under the Indentures, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuers and the Guarantors. In addition, because all of the assets of the Issuers and the Guarantors and their respective subsidiaries and all or a majority of the assets of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuers and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States. See "*Service of Process and Enforcement of Civil Liabilities*."

Risks Related to the Senior Secured Notes

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

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

The granting of the security interests in connection with the issuance of the Senior Secured Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods (i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with the laws applicable in certain jurisdictions).

The granting of security interests to secure the Senior Secured Notes and the Guarantees may create hardening periods for such security interests in certain jurisdictions. In addition, the Senior Secured Notes Indenture specifically permits the release and retaking of security that constitutes Senior Secured Notes Collateral in connection with the incurrence of permitted Indebtedness if certain conditions are satisfied. The granting of shared security interests to secure future indebtedness permitted to be secured on the Senior Secured Notes Collateral may restart or reopen such hardening periods. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*."

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

Given that some security interests to be granted by Labco and other French Guarantors may be granted after Labco or such French Guarantor accedes to the Senior Secured Notes Indenture and the Revolving Credit Facility Agreement, this could trigger the hardening period issues described in "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*."

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

As of the Issue Date, the Senior Secured Notes will not be secured by all of the Collateral, as further described under "*Description of the Senior Secured Notes—Security*." We will take such necessary actions so that the Additional Senior Secured Notes are secured by the security interests in the Completion Date Collateral and the Synlab Collateral described in this offering memorandum no later than the Completion Date, in the case of the Completion Date Collateral, and the date that is on the earlier of (i) the date on which any Synlab Guarantor accedes to the Revolving Credit Facility Agreement and (ii) (x) if German Bidco has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (y) if German Bidco has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, in the case of the Synlab Collateral. We will also take such necessary actions so that the Additional Senior Secured Notes are secured by the security interests in the Post-Labco Completion Date Collateral either (i) if the Additional Senior Secured Notes are issued on that date, on the earlier of (x) the date on which any such entity accedes to the Revolving Credit Facility Agreement and (y) the 90th day following the Labco Completion Date, or (ii) the 30th day following the Completion Date. There can be no assurance, however, that we will be successful in procuring such liens within the time period specified, the failure of which would result in an "event of default" under the Senior Secured Notes Indenture.

When issued, the Senior Secured Notes will not be guaranteed. We will agree to take such necessary actions so that no later than the Completion Date, the Completion Date Guarantors, and no later than the date that is on the earlier of (i) the date on which any Synlab Guarantor accedes to the Revolving Credit Facility Agreement and (ii) (x) if German Bidco has acquired 100% of the share capital of Synlab in the Synlab Acquisition, the 90th day or (y) if German Bidco has acquired less than 100% of the share capital of Synlab in the Synlab Acquisition, the 270th day, in each case, following the Completion Date, the Synlab Guarantors will become guarantors of the Senior Secured Notes by executing and delivering to the Trustee a supplemental indenture (or supplemental indentures) in the form attached to the Senior Secured Notes Indenture. We will also take such necessary actions so that the Additional Senior Secured Notes are guaranteed by the Post-Labco Completion Date Guarantors either (i) if the Additional Senior Secured Notes are issued on that date, on the earlier of (x) the date on which any such entity accedes to the Revolving Credit Facility Agreement and (y) the 90th day following the Labco Completion Date, or (ii) the Completion Date. Due to restrictions under French, Italian, Austrian and Belgian law, the Senior Secured Note Guarantees of the Guarantors in France, Italy and Belgium will provide credit support to the full aggregate principal amount of the Senior Secured Notes but will have no greater monetary value than the aggregate principal amount of Existing Senior Secured Notes, and the Senior Secured Note Guarantees of the Guarantors in Austria will effectively have no monetary value, as none of them will be onlent any of the proceeds of the offering of the Additional Senior Secured Notes. "*Limitations on the Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations,*" There can be no assurance that we will be successful in procuring such additional guarantees within the time period specified, the failure of which would result in an event of default under the Senior Secured Notes Indenture. The additional guarantees will be limited as set forth under "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations,* "*Risk Factors—Risks Related to Our Indebtedness and the Notes—The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco*," and "*Risk Factors—Risks Related to Our Indebtedness and the Notes—The insolvency laws of France and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*."

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

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

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

You may be required to pay a "soulte" in the event you decide to enforce the pledges over shares of French companies by judicial or contractual foreclosure of the Senior Secured Notes Collateral consisting of shares rather than by a sale of such Senior Secured Notes Collateral in a public auction.

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. The pledges over securities (whether in the form of a pledge over a securities account or in the form of a pledge over shareholding interests (*parts sociales*)) of French companies may be enforced at the option of the secured creditor either by a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors), by judicial foreclosure (*attribution judiciaire*) or by contractual foreclosure (*attribution conventionnelle or pacte commissoire*) of the shares to the secured creditor, following which the secured creditor becomes the legal owner of the pledged shares. In a proceeding for *attribution judiciaire* or *attribution conventionnelle*, an expert is appointed (whether contractually or by the court) to value the collateral (in this case, the pledged shares) and if the value of the collateral exceeds the amount of secured debt under the pledge, the secured creditor is required to pay the relevant pledgor a *soulte* equal to the difference between the value of the shares and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent sale of the Senior Secured Notes Collateral.

Also, if the secured creditors choose to enforce by way of foreclosure (whether an *attribution judiciaire* or an *attribution conventionnelle*), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities.

Consequently, in the event the Security Agent (acting on its own behalf as well as on behalf of the lenders under the Revolving Credit Facility and the holders of the Senior Secured Notes or as creditor of the parallel debt) decides to, and is entitled to, enforce the share pledges through a judicial or contractual foreclosure and if the value of such shares exceeds the amount of the secured debt under the pledge, the security agent (acting on its own behalf as well as on behalf of the lenders under the Revolving Credit Facility and the holders of the Senior Secured Notes or as creditor of the parallel debt) may be required to pay to the relevant pledgor a *soulte* equal to the value by which such shares exceeds the amount of secured debt under the pledge.

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

If the Security Agent (acting on its own behalf as well as on behalf of the lenders under the Revolving Credit Facility and the holders of the Senior Secured Notes or as creditor of the parallel debt) declines to request the judicial or contractual foreclosure of the shares, a sale of the pledged shares could be undertaken by public auction in accordance with applicable law. Due to the French regulatory restrictions set forth in the immediately following risk factor, the security agent (acting on its own behalf as well as on behalf of the lenders under the Revolving Credit Facility and the holders of the Senior Secured Notes or as creditor of the parallel debt) is likely to have an incentive to enforce the pledged shares through a public auction. Since public auction procedures are not designed for a sale of a business as a going concern (as the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies) it is possible that the sale price received in any such auction might not reflect the value of the Labco Group as a going concern.

Your ability to enforce the pledges over shares of our French laboratory companies will be limited by French law restrictions on the ownership of laboratory companies and future regulatory changes may have an impact on the value of the Senior Secured Notes Collateral.

French law provides that no more than 25% of the share capital of a SEL operating clinical laboratories can be held by persons who are neither laboratory doctors nor laboratory companies (Article R. 6212-82 of the French Public Health Code), and that the laboratory doctors practicing within a SEL must hold the majority of the voting rights and, for the SELs not benefiting from the grandfathering exception granted by the Law of 30 May 2013 that allows them to keep their existing structure at the date of promulgation of such Law, a majority of the share capital within such SEL. In addition, laboratory doctors practicing within a SEL which benefits from the grandfathering exception also benefit from certain pre-emption rights in connection with any sale or transfer of shares of the SELs (see "*Regulation—France*").

If the Security Agent seeks enforcement of a pledge over shares in a SEL not benefitting from the grandfathering exception, at least 51% of the shares will need to be acquired by laboratory doctors practicing within the SEL whose shares are being sold, which will decrease the pool of potential buyers, result in a lower sale price. In addition, the Security Agent may be obligated to offer the shares to the laboratory doctors in the first instance if those laboratory doctors benefit from preemptive rights. This could also limit the attractiveness of the acquisition of the laboratory to other potential buyers. In any event, the Security Agent or any other purchasers (other than the laboratory doctors practicing within such SELs) will hold a minority of the voting rights. In addition, relevant law restricts the ability of such persons or entities to own shares of SELs operating medical laboratories, thus further reducing the number of potential buyers of our medical laboratories in connection with the enforcement of the Collateral. These restrictions may limit significantly the amount you are able to recover under the Collateral in the case of an event of default.

As a result, the ability of the Security Agent to enforce a pledge on the share capital of a French SEL operating clinical laboratories will be limited because it will be able to hold, following a judicial or contractual foreclosure, a maximum of 25% of the share capital of each such SEL, which shares have been pledged.

We may issue new shares to laboratory doctors in order to comply with any new law or regulation regarding the participation of laboratory doctors in the share capital of SELs operating clinical laboratories. Since the new shares to be issued to laboratory doctors practicing within such SELs would not be pledged to secure the Senior Secured Notes and the guarantees, the percentage of shares of our French SELs that constitute part of the Collateral securing the Senior Secured Notes would decrease following such issuance and would be limited to a minority of the share capital of our SELs whose shares have been pledged as Collateral for the Senior Secured Notes. See "*—Risks Related to Our Business—Current or future regulatory changes in France, and disputes initiated by the competent administrative authorities or professional associations, may affect our ability to develop our network of French laboratories through acquisitions, make us more dependent on laboratory doctors to check operations carried out by SELs, and call into question our organizational and legal structure*" and "*Regulation—France*."

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

The obligations under the Senior Secured Notes and the Guarantees are secured on a first-ranking basis with security interests over the Senior Secured Notes Collateral that also secure our obligations under the Revolving Credit Facility and certain other indebtedness and hedging obligations (the "Super Senior Liabilities"). The Senior Secured Notes Indenture also permits the Senior Secured Notes Collateral to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement. The Intercreditor Agreement provides that the Security Agent will only enforce the Senior Secured Notes Collateral as provided for in the Intercreditor Agreement, and regulates the ability of the Trustee or the holders of the Senior Secured Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an instructing group that may consist of either (i) creditors holding more than 66.67% of the indebtedness and commitments under the Revolving Credit Facility Agreement, certain other indebtedness permitted to rank *pari passu* with the Revolving Credit Facility Agreement on the proceeds of enforcement of Senior Secured Notes Collateral (a "Credit Facility") and obligations (the "Majority Super Senior Creditors") or (ii) the holders of the aggregate principal amount of the then outstanding Senior Secured Notes, creditors in respect of indebtedness ranking *pari passu* with the Senior Secured Notes and creditors in respect of certain non-priority hedging obligations (the "Senior Secured Credit Participations") which aggregate more than 50% of the total Senior Secured Credit Participations at that time (the "Notes/*Pari Passu* Required Holders") (in each case acting through their respective creditor representatives). Prior to the discharge in full of all Super Senior Liabilities, the Notes/*Pari Passu* Required Holders (in each case acting through their respective creditor representatives) shall be the instructing group, however: (i) if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of enforcement instructions first being issued by either the Notes/*Pari Passu* Required Holders or the Majority Super Senior Creditors; or (ii) if Security Agent has not commenced enforcement action within three months of enforcement instructions first being issued by either the Notes/*Pari Passu* Required Holders or the Majority Super Senior Creditors, then the enforcement instructions provided by the Majority Super Senior Creditors will prevail.

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

If at any time an insolvency event has occurred with respect to any debtor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Notes/*Pari Passu* Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from the Majority Super Senior Creditors, provided that in the event the Security

Agent has received Proposed Enforcement Instructions from the creditor representative for the Notes/*Pari Passu* Required Holders and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the creditor representative for the Notes/*Pari Passu* Required Holders until such time as the creditor representative for the Majority Super Senior Creditors issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the creditor representative for the Notes/*Pari Passu* Required Holders.

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

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

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

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

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

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

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

The Senior Secured Notes will be secured only to the extent of the value of the Senior Secured Notes Collateral, which consists of first-ranking liens over the shares held by the Senior Secured Notes Issuer and certain Guarantors in certain of our subsidiaries incorporated under the laws of France, Spain, Belgium and Italy and certain present and future intercompany loan receivables held by the Senior Secured Notes Issuer and certain of its subsidiaries. See "*Description of the Senior Secured Notes—Security*." Not all of our assets secure the Senior Secured Notes, and the Senior Secured Notes Indenture allows the Senior Secured Notes Issuer and its restricted subsidiaries to secure any future senior secured indebtedness (as defined in the Senior Secured Notes Indenture) permitted to be incurred under the Senior Secured Notes Indenture (which may be structurally senior to the Senior Secured Notes and the guarantees) with the property and assets of the restricted subsidiaries that do not secure the Senior Secured Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Senior Secured Notes are accelerated, the Senior Secured Notes and the guarantees will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Senior Secured Notes Issuer and its restricted subsidiaries with respect to any property or assets that is or are excluded from the Senior Secured Notes Collateral securing the Senior Secured Notes or such secured debt.

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

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

The Senior Secured Notes will be secured by pledges over the shares held by the Senior Secured Notes Issuer and certain Guarantors in certain of our subsidiaries and certain present and future intercompany loan receivables held by the Senior Secured Notes Issuer and certain of its subsidiaries to certain subsidiaries. If we default on the Senior Secured Notes, holders of the Senior Secured Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the Senior Secured Notes.

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

The shares and other Senior Secured Notes Collateral that are pledged or assigned for the benefit of the holders of the Senior Secured Notes may provide for only limited repayment of the Senior Secured Notes, in part because most of these shares and intercompany loan receivables may not be liquid and their value to other parties may be less than their value to us. Likewise, we cannot assure you that the Senior Secured Notes Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Industry regulations in certain jurisdictions in which we operate, such as France, include restrictions on persons who may own or operate clinical laboratories. In the event of foreclosure, the transfer of clinical laboratories (or the ownership of an entity holding clinical laboratories) may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, the transfer of clinical laboratories may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Senior Secured Notes Collateral may be significantly decreased. Most of our assets will not secure the Senior Secured Notes and it is possible that the value of the Senior Secured Notes Collateral will not be sufficient to cover the amount of indebtedness secured by such Senior Secured Notes Collateral. With respect to any shares of our subsidiaries pledged to secure the Senior Secured Notes and the guarantees, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of this Senior Secured Notes Collateral may decline over time. If the proceeds of the Senior Secured Notes Collateral are not sufficient to repay all amounts due on the Senior Secured Notes, the holders of the Senior Secured Notes (to the extent not repaid from the proceeds of the sale of the Senior Secured Notes Collateral) would have only a senior unsecured, unsubordinated claim against the Senior Secured Notes Issuer's and the Guarantors' remaining assets. See "*—Your ability to enforce the pledges over shares of our French laboratory companies will be limited by French law restrictions on the ownership of laboratory companies and future regulatory changes may have an impact on the value of the Collateral*."

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

In certain jurisdictions, security over the Senior Secured Notes Collateral will be granted to the Security Agent rather than directly to the holders of the Senior Secured Notes. The ability of the Security Agent to enforce the Senior Secured Notes Collateral may be restricted by local law.

In France, Germany and other jurisdictions (which may include, without limitation, Austria, Spain, Belgium and Italy) where parallel debt obligations are, or a separate appointment of the security trustee for local law purposes is customary or required, the security interests in the Senior Secured Notes Collateral that will secure the obligations of the Senior Secured Notes Issuer under the Senior Secured Notes and the obligations of the Guarantors under the guarantees will not be granted directly to the holders of the Senior Secured Notes but will be granted only in favor of the Security Agent. The Senior Secured Notes Indenture and the Intercreditor Agreement provide that only the Security Agent has the right to enforce such security documents. As a consequence, holders of the Senior Secured Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Senior Secured Notes Collateral securing the Senior Secured Notes, except through the Trustee, who will provide instructions (subject to the provisions of the Senior Secured Notes Indenture) to the Security Agent.

The security over the Senior Secured Notes Collateral in France, Germany and other jurisdictions (which may include, without limitation, Austria, Spain, Belgium and Italy) where parallel debt obligations are, or a separate appointment of the security trustee for local law purposes is customary or required, will also be granted in favor of the Security Agent as beneficiary of parallel debt obligations ("Parallel Debt") created to satisfy a requirement that the Security Agent, as grantee of certain types of collateral, be a creditor of the relevant Guarantor. The Parallel Debt is in the same amount and payable at the same time as the obligations of the Senior Secured Notes Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes (the "Principal Obligations"). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. The Security Agent will have, pursuant to the Parallel Debt, a claim against the Senior Secured Notes Issuer for the full principal amount of the Senior Secured Notes. The holders of the Senior Secured Notes will not be entitled to enforce such security except through the Security Agent. Holders of the Senior Secured Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. The Parallel Debt obligations referred to above are contained in the Intercreditor Agreement or in a Debtor Accession Deed applicable to a given Debtor, which is governed by English law. In Italy, the security interests granted over the relevant Senior Secured Notes Collateral will be granted, among others, to the Trustee and to the Security Agent as beneficiary of the Parallel Debt. There can be no assurance that such a structure will be effective before Austrian, French, German, Belgian or Italian courts since there is no judicial or other guidance as to its efficacy, and therefore the ability of the Security Agent to enforce the Senior Secured Notes Collateral may be restricted as the Senior Secured Notes Collateral may be invalid or unenforceable with respect to the claims of any person who is not a party to the relevant security document, including all holders of the Senior Secured Notes.

In order to permit the beneficial holders of the Senior Secured Notes to benefit from a secured claim, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the Security Agent. Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Senior Secured Notes Indenture and the Intercreditor Agreement. To the extent that the security interests in the Senior Secured Notes Collateral created under the parallel debt structure are successfully challenged by other parties, holders of the Senior Secured Notes will not receive any proceeds from an enforcement of the security interest in the Senior Secured Notes Collateral.

Further, under a parallel debt structure, the holders of the Senior Secured Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the parallel debt.

The Trustee has certain assigned duties and rights under the Senior Secured Notes Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Senior Secured Notes.

See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—France—Limitations on Enforcement—Parallel Debt*."

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

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security, as applicable. The liens on the Senior Secured Notes Collateral securing the Senior Secured Notes may not be perfected with respect to the claims of the Senior Secured Notes if we fail or are unable to take the actions necessary to perfect any of these liens. The Security Agent will not be under any obligation to take any steps to perfect any such liens.

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

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

Risks Related to the Senior Notes

The Senior Notes are effectively subordinated to our secured debt.

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

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

The obligations of the guarantors of the Senior Notes (the "Senior Notes Guarantors") under their respective Senior Note Guarantees will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior debt of such Senior Notes Guarantor. This senior debt includes the guarantees of the Senior Secured Notes or in the case of the Senior Secured Notes Issuer, its obligations under the Senior Secured Notes, and the obligations under the Revolving Credit Facility. Although the Senior Notes Indenture will contain restrictions on the ability of the Senior Notes Guarantors to incur additional debt, any additional debt incurred may be substantial and senior to the guarantees.

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

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

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

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

Your security over the Shared Collateral ranks behind the security benefiting the holders of the Senior Secured Notes and the lenders under the Revolving Credit Facility and your rights to enforce your security over the Shared Collateral are limited.

All of the Shared Collateral is also pledged to the security agent for the benefit of the holders of the Senior Secured Notes and the lenders under the Revolving Credit Facility and to the security agent for the benefit of holders of the Senior Notes. Under the Intercreditor Agreement and the security documents, the Senior Secured Notes and the Revolving Credit Facility Agreement are secured by first-ranking security interests in all of the Shared Collateral and the proceeds of any sale of such Shared Collateral on enforcement will be applied first to repay all debt of the holders of the Senior Secured Notes, the lenders under the Revolving Credit Facility and certain hedging obligations. Consequently, you may not be able to recover on such Shared Collateral because the holders of the Senior Secured Notes, the lenders under the Revolving Credit Facility and the counterparties to certain hedging obligations will have a prior claim on all proceeds realized from any enforcement of such Shared Collateral.

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

The Senior Notes will be secured only to the extent of the value of the Senior Notes Collateral described in this Offering Memorandum. See "*Description of the Senior Notes—Security*." The Shared Collateral will also secure the Senior Secured Notes and the Revolving Credit Facility on a first-ranking basis, and may secure additional debt ranking senior to or *pari passu* with the Senior Notes and the Senior Note Guarantees, and the Senior Notes Issuer Share Pledge may secure additional debt ranking *pari passu* with the Senior Notes, to the extent permitted by the terms of the Senior Notes Indenture and the Intercreditor Agreement. The rights of the holders may therefore be diluted by any increase in the debt secured by the Senior Notes Collateral or a reduction of the Senior Notes Collateral securing the Senior Notes. In addition, pursuant to the Intercreditor Agreement, the proceeds of an enforcement of the Shared Collateral will be applied in repayment of the Revolving Credit Facility, certain priority hedging obligations followed by the Senior Secured Notes before repayment of the Senior Notes and Senior Note Guarantees. To the extent the claims of the holders of the Senior Notes exceed the value of the Senior Notes Collateral securing the Senior Notes and the Senior Note Guarantees, those claims will generally rank equally with the claims of the holders of all other existing and future senior unsecured debt ranking *pari passu* with the Senior Notes and the Senior Note Guarantees. As a result, if the value of the assets pledged as Senior Notes Collateral is less than the value of the claims of the holders of the Senior Notes, those claims may not be satisfied in full. In addition, not all of our assets will secure the Senior Notes, and the Senior Notes Indenture will allow the Senior Notes Issuer and its restricted subsidiaries to secure certain types of debt permitted to be incurred under the Senior Notes Indenture (which may be structurally senior to the Senior Notes and the Senior Note Guarantees) with the property and assets of the restricted subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Senior Notes are accelerated, the Senior Notes and the Senior Note Guarantees will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured debt of the Senior Notes Issuer and its restricted subsidiaries with respect to any property or assets that is excluded from the Senior Notes Collateral securing the Senior Notes or such secured debt.

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

In the event of an enforcement of the relevant Security Documents, the proceeds from the sale of the assets underlying the relevant Security Documents may not be sufficient to satisfy the obligations of the Senior Notes Issuer and the Senior Notes Guarantors with respect to the Senior Notes. No appraisal of the value of the Senior Notes Collateral has been made in connection with these Offerings. The value of the Senior Notes Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Senior Notes Collateral that are pledged or assigned for the benefit of the holders of the Senior Notes may provide for only limited repayment of the Senior Notes, in part because most of these shares and intercompany loan receivables may not be liquid and their value to other parties may be less than their value to us. Likewise, we cannot assure you that the Senior Notes Collateral will be salable or, if salable, that there will not be substantial delays in the liquidation thereof. Most of our assets will not secure the Senior Notes and it is possible that the value of the Senior Notes Collateral will not be sufficient to cover the amount of debt secured by such Senior Notes Collateral. With respect to any shares pledged to secure the Senior Notes and the Senior Note Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of this Senior Notes Collateral may decline over time. If the proceeds of the Senior Notes Collateral are not sufficient to repay all amounts due on the Senior Notes, the holders of the Senior Notes (to the extent not repaid from the proceeds of the sale of the Senior Notes Collateral) would have only a senior unsecured, unsubordinated claim against the Senior Notes Issuer's and the Senior Notes Guarantors' remaining assets.

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

Risks Related to the Senior Secured Notes and the Senior Notes

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

On and after the Completion Date as described elsewhere in this offering memorandum, our obligations under the relevant Notes will be guaranteed by the relevant Guarantors and secured by security interests over the relevant Collateral. The Issuers are organized under the laws of England and Wales and the Guarantors are organized under the laws of Austria, France, Germany, Italy, Spain and Switzerland. There is a rebuttable presumption that the "centre of main interest" as defined in the Council of the European Union Regulation No. 134612000 on Insolvency Proceedings is the jurisdiction where the registered office is situated. In addition, the Collateral will include a pledge over the shares in certain of our subsidiaries incorporated under the laws of France, Germany, Austria, Belgium, Italy, Spain and Switzerland and pledges of certain present and future intercompany loan receivables held by the Senior Secured Notes Issuer and certain of its subsidiaries incorporated under the laws of Austria, England and Wales, France, Germany, Italy, Spain and Switzerland.

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

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

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

- avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee or the Security Interests provided by such Guarantor;

- direct that the Issuers and the holders of the Additional Senior Secured Notes and the Senior Notes return any amounts paid under a Guarantee or any Security Interest to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; and
- take other action that is detrimental to you.

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

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

- issued such Guarantee or created such Security Interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- issued such Guarantee or created such Security Interest in a situation where a prudent businessman as a shareholder of such Guarantor would have contributed equity to such Guarantor or where the relevant beneficiary of the Guarantee or Security Interest knew or should have known that the Guarantor was insolvent or a filing for insolvency had been made; or
- received less than reasonably equivalent value for incurring the debt represented by the Guarantee or Security Interest on the basis that the Guarantee or Security Interest were incurred for our benefit, and only indirectly the Guarantor's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantee or the creation of the Security Interest, or subsequently became insolvent for other reasons; (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's assets were unreasonably small; or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

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

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

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

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

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

Certain of the Guarantors are organized under the laws of Austria, France, Germany, Italy and Spain. Enforcement of the obligations under a Guarantee against any such Guarantor will be subject to certain defenses available to the Issuers or the relevant Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance and regulations or defenses affecting the rights of creditors generally.

Under French financial assistance rules, a company is prohibited from guaranteeing, or providing security in relation to, indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition. Under French corporate benefit rules, a court could declare any guarantee or security unenforceable and, if payment had already been made under the relevant guarantee, or any proceeds have been obtained from the enforcement of any security, require that the recipient return the payment or any proceeds so obtained to the relevant guarantor or security provider, if the court found that the French guarantor or security provider did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee or security as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. The existence of a real and adequate benefit to the guarantor or security provider and whether the amounts guaranteed or secured are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Under Italian financial assistance rules (set out in article 2358 of the Italian civil code for companies incorporated as a *società per azioni* and article 2474 of the Italian civil code for companies incorporated as *società a responsabilità limitata*), an Italian company is prevented from providing, directly or indirectly, financial assistance (whether giving security or a guarantee, granting loans or providing credit support in other forms) for the acquisition and/or refinancing of acquisition of (or subscription to) its own shares or shares of any its direct or indirect parent companies.

Under Italian financial assistance rules, any guarantee or security provided in breach of the financial assistance prohibitions would be unenforceable. In the event the acquisition funds cannot be clearly identified and separated from other funds, an Italian court could consider the relevant guarantee or security provided by an Italian company unenforceable even if such guarantee or security includes general carve-outs intending to exclude from the scope of the guarantee or security any financial support which may be considered to in breach of Italian financial assistance prohibitions.

In addition, each of the Guarantees and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or security provider under the applicable laws of each jurisdiction, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such subsidiary Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. In particular, enforcement of any such Guarantee or Collateral against the relevant Guarantor or security provider would be subject to certain contractual limitations (so called "limitation language") contained in the respective Indentures (or any other document governing the Guarantees) and Security Documents, respectively, designed to ensure compliance with statutory requirements applicable to the relevant Guarantor or security provider. As a result, a Guarantor's or security provider's liability under its Guarantee or Collateral could be materially reduced or eliminated, depending upon the law and contractual enforcement restrictions applicable to it. This could lead to a situation in which such Guarantee or Collateral cannot be enforced at all. It is possible that a Guarantor or security provider, or any of their creditors, or the bankruptcy trustee or other insolvency office holder in the case of a bankruptcy/insolvency of a Guarantor or security provider, may contest the validity and enforceability of the Guarantor's Guarantee or the security provider's Collateral on any of the above grounds and that the applicable court may determine that the Guarantee or Collateral should be limited or voided. To the extent that any limitations on the relevant Guarantees or Collateral apply, the Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor or security provider, including trade payables of such Guarantor or security provider. Future Guarantees and Collateral may be subject to similar limitations.

An increase in the amount of debt that benefits from such Guarantee without a corresponding increase in the amount of the Guarantee will dilute the value of such Guarantee to its beneficiaries, including the holders of the Notes. See "*Description of the Senior Secured Notes—The Senior Secured Note Guarantees,*" "*Description of the Senior Notes—The Senior Note Guarantees*" and "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*."

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

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

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

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

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

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

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

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

We cannot assure you as to:

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

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

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

Although the Issuers have, in the Indentures, agreed to use its reasonable best efforts to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on its Global Exchange Market within a reasonable period after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuers cannot assure you that the Notes will become or remain listed. If the Issuers cannot maintain the listing on the Official List of the Irish Stock Exchange and the admission to trading on the Global Exchange Market or it becomes unduly burdensome to make or maintain such listing, the Issuers may cease to make or maintain such listing on the Official List of the Irish Stock Exchange, *provided* that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange. There can be no assurance, however, that the Issuers will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of their listing on the Official List of the Irish Stock Exchange or another recognized listing exchange for comparable issuers in accordance with the Indentures, failure to be approved for listing or the delisting of the Notes from the Official List of the Irish Stock Exchange or another listing exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

THE TRANSACTIONS

The Synlab Acquisition

On June 24 and 25, 2015, Ephios Acquisition GmbH, as purchaser ("German BidCo"), and SL Lux Investment S.C.A., as seller (the "Synlab Seller"), entered into the Synlab Acquisition Agreement regarding the acquisition of the outstanding shares in synlab Holding GmbH (the "Synlab Acquisition"). Under the terms of the Synlab Acquisition Agreement, German BidCo will acquire at least 72.15% of the issued and outstanding capital stock of synlab Holding GmbH as of the consummation of the Synlab Acquisition (the "Completion Date"). In addition, German BidCo and the Synlab Seller have offered the remaining shareholders of synlab Holding GmbH to accede to the Synlab Acquisition Agreement thereby selling some or all of their shares to German BidCo or, in some cases, to contribute some of their shares into German BidCo as part of a capital increase in kind of German BidCo simultaneously with or immediately following the Completion Date. In accordance with the articles of association of synlab Holding GmbH, the Synlab Seller issued a drag (and tag) notice to all minority shareholders of synlab Holding GmbH pursuant to which the minority shareholders are required (and entitled) to sell and transfer their shares in synlab Holding GmbH to German BidCo. If German BidCo does not acquire all of the shares in Synlab on the closing of the Synlab Acquisition despite this mechanism, there is likely to be a delay of credit support, in particular the granting of security, by Synlab and its subsidiaries for as long as there are minority shareholders opposing the credit support. To mitigate this result, German BidCo may, after a conversion of Synlab into a stock corporation (*Aktiengesellschaft*), initiate proceedings to squeeze-out minority shareholders who hold a maximum of 5% of the shares (or 10% in case of a so called merger squeeze-out, which would require German BidCo to be converted into a stock corporation as well) against a compensation in cash. Both the conversion and the subsequent squeeze-out would become effective after registration with the commercial register (*Handelsregister*), which would be delayed in the case of minority shareholder litigation against the corresponding resolutions. In such event, German BidCo may initiate fast track proceedings (*Freigabeverfahren*) in order to effect the required registrations. The timing and outcome of such fast track proceedings cannot be predicted, in particular due to the combination of a conversion and a squeeze-out. The amount of the cash compensation offered in connection with the conversion and granted in connection with the squeeze-out could be challenged by minority shareholders in separate court appraisal proceedings (*Spruchverfahren*). See "*Risk Factors—Risks Related to the Transactions—The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco.*" As of July 22, 2015, approximately 91.3% of the total outstanding shares of Synlab have been committed to be sold or contributed to German Bidco and we have received confirmation for all of the remaining shareholders that they will accede or are in the process of acceding to the Synlab Acquisition Agreement. We expect all of the remaining shareholders to accede prior to the Completion Date. The consummation of the Synlab Acquisition pursuant to the Synlab Acquisition Agreement will be subject to (a) merger control clearances by the EU Commission and the Swiss Competition Commission and (b) no-existence of enforceable judgment(s), preliminary or permanent injunction(s), order(s) or decree(s) by any governmental authority prohibiting the consummation of the transaction by the Synlab Seller. If the Synlab Acquisition is not consummated by December 15, 2015, the Synlab Acquisition Agreement may be terminated by German BidCo and/or the Synlab Seller (with effect for all acceding minority shareholders). In connection with obtaining approvals of the applicable competition authorities, we may agree to divest certain of our assets or operations. We currently do not expect that we will be required to divest assets or operations that generate a significant portion of our revenues. Please see "*Risk Factors—Risks Related to the Transactions*."

Pursuant to the Synlab Acquisition Agreement, German BidCo will acquire the capital stock of synlab Holding GmbH for €1,225 million adjusted for the number shares actually sold/contributed pursuant to the above described drag/tag/contribution mechanism and subject to the treasury shares held by synlab Holding GmbH (the "Purchase Price") subject to certain purchase price adjustments. For purposes of this offering memorandum, we have estimated the Purchase Price to be €1,266.0 million. The Purchase Price bears interest in the amount of €150,000 per calendar day from (and including) January 1, 2015 until (but excluding) the Completion Date. Should the Completion Date be after September 30, 2015, the Purchase Price bears interest in the amount of €150,000 per calendar day from (and including) January 1, 2015 until (and including) September 30, 2015 and €165,000 per calendar day from (and including) October 1, 2015 until (but excluding) the Completion Date. In addition, the Purchase Price will be reduced by the amount of any dividends or similar payment, asset transfers or certain other transfers of value from the Synlab Group to the Synlab Seller that occur prior to the Completion Date that are not permitted under the

Synlab Acquisition Agreement and certain payments to employees or directors or finding fee arrangements triggered as a result of the Synlab Acquisition but in some cases subject to a *de minimis* amount of €250,000.

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

If, until the Completion Date, German Bidco has not acquired all of the issued share capital in Synlab the Senior Secured Notes Issuer will use reasonable endeavors that German Bidco and/or any of its subsidiary acquires such shares in Synlab at some point after the Completion Date (either by way of squeeze out following a conversion of Synlab into a stock corporation (*Aktiengesellschaft*) or otherwise). In addition, Synlab and German Bidco will take steps for entering into and registration of a domination agreement (*Beherrschungsvertrag*) between Synlab as dominated entity and German Bidco as dominating entity. The Senior Secured Notes Issuer furthermore undertakes to arrange for the conversion of Synlab from a stock corporation back into a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law if either all issued shares in Synlab have been acquired or a non-appealable court ruling confirms that the squeeze out of any minority shareholders of Synlab is not permissible in the present case.

The Synlab Financing

The total aggregate financial resources required in order to consummate the Synlab Acquisition, to repay the Existing Synlab Credit Facility, to pay related fees and expenses and to use for general corporate purpose are expected to be €1,793.5 million and are expected to be financed (the "Synlab Financing") with the following cash resources:

- the Cinven Funds will make a contribution of approximately €743.5 million directly to UK TopCo through a combination of ordinary shares and preferred shares which will, indirectly through UK HoldCo I and the Senior Notes Issuer (through ordinary equity subscriptions), be contributed to the Senior Secured Notes Issuer (collectively, the "Synlab Equity Contribution"); and
- the Senior Notes Issuer will issue the Senior Notes offered hereby in the aggregate principal amount of €375.0 million and will use the proceeds to make an interest bearing loan to the Senior Secured Notes Issuer in an amount of approximately €375.0 million (the "Senior Notes Proceeds Loan");
- the Senior Secured Notes Issuer will issue the Temporary Senior Secured Notes offered hereby in the aggregate principal amount of €685.0 million and will use the proceeds, together with the €375.0 million proceeds from the Senior Notes Proceeds Loan and the €743.5 million proceeds from the Synlab Equity Contribution, to (i) make an interest-bearing loan or loans to Synlab in an amount of approximately €475.6 million (the "Synlab Proceeds Loan") and (ii) make an interest bearing loan to German BidCo in an amount of approximately €1,328.0 million (the "German BidCo Loan"); and
- German BidCo will use the proceeds from the German BidCo Loan, to: (i) fund the Purchase Price for the Synlab Acquisition and (ii) pay related transaction fees and expenses that are expected to be approximately €62 million.
- Synlab will use the proceeds received under the Synlab Proceeds Loan, together with cash on hand, to (i) repay the Existing Synlab Credit Facility and (ii) for general corporate purposes.

In connection with the Offerings, on or about the Issue Date, the Senior Secured Issuer will enter into an amendment and restatement agreement with respect to the Revolving Credit Facility Agreement which will, amongst other things and subject to completion of both Acquisitions, increase the available commitments thereunder to €250.0 million.

See "*Use of Proceeds*," "*Capitalization*," "*Description of Other Indebtedness,*" "*Description of the Temporary Senior Secured Notes*," "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

The Labco Acquisition

On May 27, 2015, French BidCo entered into the Labco Acquisition Agreement to acquire up to 100% of the share capital and voting rights of Labco from the Labco Sellers and at least 75% of the full ownership of the share capital and voting rights of Labco, failing which French BidCo will have the ability to terminate the Labco Acquisition Agreement. The Labco Sellers who signed the Labco Acquisition Agreement on May 27, 2015, already represented more than 95% of the share capital and voting rights of Labco to be sold to French BidCo under the Labco Acquisition Agreement. In accordance with the Labco Acquisition Agreement, French BidCo has requested that the Labco Sellers of Labco's B and C shares who signed the Labco Acquisition Agreement exercise their drag-along rights in respect of any shareholder of Labco that refuses to sell its securities in Labco to French BidCo; the drag along process has been launched. French BidCo may also request in accordance with the Labco Acquisition Agreement that Labco exercise its call option rights in respect of any shareholder of Labco that would be in default under the drag along process. French BidCo intends to request that the Labco Sellers and Labco exercise their respective drag-along and call option rights on or prior to the completion of the Labco Acquisition (the "Labco Squeeze-Out"). There is no assurance, however, that the Labco Squeeze-Out will be completed. The proceeds of the offering of Existing Notes will be released, subject to certain conditions, as long as French BidCo holds 95% of the entire share capital of Labco upon completion of the Labco Acquisition. The consummation of the Labco Acquisition pursuant to the Labco Acquisition Agreement is subject to the satisfaction of certain conditions, including clearance by the European Commission and the performance of certain closing actions. The French Ministry of Economy has confirmed that no prior investment authorization under foreign investment control in France is required. If clearance by the European Commission is not obtained on or prior to the Labco Acquisition Longstop Date, the Labco Acquisition Agreement will terminate automatically.

The Labco Financing

The total aggregate financial resources required in order to consummate the Labco Acquisition and to repay Labco's existing debt (including redemption premiums and fees and expenses in connection with the refinancing) are expected to be €1,290.3 million.

The total aggregate financial resources required in order to consummate the Labco Acquisition are expected to be €490.3 million and are expected to be financed with (i) an equity contribution by the Cinven Funds of approximately €438.7 million which will be indirectly contributed to French BidCo; (ii) a drawdown of €51.6 million under the Revolving Credit Facility on the Labco Completion Date (the "Labco Financing Drawdown"); and (iii) the proceeds of the French BidCo Loan which Labco will use to acquire certain warrants in the Labco Group.

As of the Completion Date, the Revolving Credit Facility Agreement will provide for a Revolving Credit Facility in the amount of €250.0 million to finance or refinance the general corporate and working capital needs of the combined business or to fund acquisitions. We currently expect that the Labco Financing Drawdown will be the only drawings under the Revolving Credit Facility as of the Labco Completion Date. French BidCo intends to repay that facility shortly after the Labco Completion Date. We may draw on the Revolving Credit Facility again on or shortly after the Labco Completion Date, however, in order to fund acquisitions or to meet the ordinary course treasury and cash management requirements of the Labco Group.

On June 17, 2015, the Senior Secured Notes Issuer completed the offering of the Existing Notes in an aggregate principal amount of €800 million. The proceeds of the offering were deposited into the Existing Escrow Account and, upon completion of the Labco Acquisition (subject to certain other conditions), will be released and used to make the Proceeds Loan to Labco to (i) redeem all of Labco's issued and outstanding €700 million 8½% Senior Secured Notes due 2018 (the "Existing Labco Notes"); (ii) pay a redemption premium in respect of the Existing Labco Notes and all accrued but unpaid interest thereon; (iii) repay €56.0 million of indebtedness under the Existing Labco Credit Facility and all accrued but unpaid interest thereon; and (iv) pay transaction fees and expenses relating to the refinancing of the Existing Labco Notes and Existing Labco Credit Facility, which are expected to be approximately €11.6 million.

USE OF PROCEEDS

We estimate that the gross proceeds from the sale of the Notes will be €1,053.2 million. We intend to use the proceeds from the Synlab Equity Contribution and the Offerings to (i) fund the purchase price for the Synlab Acquisition; (ii) repay the Existing Synlab Credit Facility; (iii) pay transaction fees and expenses relating to the Synlab Acquisition that are expected to be approximately €62.0 million and (iv) for general corporate purposes.

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below, assuming that the Acquisitions complete and the Existing Synlab Credit Facility is paid in full on September 30, 2015. Actual amounts will vary from estimated amounts depending on several factors, including accrued interest on debt being repaid, differences from our estimates of fees and expenses associated with the Transactions and the actual Completion Date. Any changes in these amounts may affect the amount of the Synlab Equity Contribution.

None of the proceeds of the Notes will be used in a manner which would constitute a "use of proceeds in Switzerland" (*Mittelverwendung in der Schweiz*) as interpreted by the Swiss tax authorities for purposes of Swiss withholding tax so that it triggers Swiss withholding tax consequences on interest payments under the Notes unless a positive written tax ruling has been obtained in advance (certified by the Issuer to be in form and substance satisfactory to the holders of the Notes) according to which such use of proceeds does not trigger Swiss withholding tax on interest payments under the Notes.

Sources of Funds	Amount (€ millions)	Uses of Funds	Amount (€ millions)
Synlab Equity Contribution[1]	743.5	Purchase price for the Synlab Acquisition[4]	1,266.0
Proceeds from the Temporary Senior Secured Notes[2]	678.2	Repayment of Existing Synlab Credit Facility Agreement, net of cash on hand[5][7]	455.5
Proceeds from the Senior Notes[3]	375.0	Transaction fees and expenses[6]	62.0
		Cash to balance sheet[7]	13.2
Total Sources	**1,796.7**	**Total Uses**	**1,796.7**

(1) Represents the indirect cash investment expected to be made by the Cinven Funds, which will be contributed through intermediate holdings companies to German BidCo.

(2) Represents the expected gross proceeds to be received from the issuance of the Temporary Senior Secured Notes.

(3) Represents the expected gross proceeds to be received the issuance of the Senior Notes.

(4) Represents the expected total cash consideration payable to the Synlab Sellers for the Synlab Acquisition. This amount assumes completion of the Synlab Acquisition on September 30, 2015 and the estimated payment of per diem interest in the total amount of €41.0 million through the assumed completion of the Synlab Acquisition on such date. This estimate is not an indication that the Synlab Acquisition will be completed on that date, at that price or at all. See "*Summary—The Transactions—The Synlab Acquisition*."

(5) Represents the full repayment of amounts due under the Existing Synlab Credit Facility Agreement based on the expected balance as of the assumed completion of the Synlab Acquisition on September 30, 2015, net of estimated cash and cash equivalents of approximately €110.0 million as of the same date, which estimate reflects payment of accrued interest to such date in the amount of €6.5 million with cash on hand. As of June 30, 2015, borrowings in a gross aggregate principal amount of €564.8 million were outstanding under the Existing Synlab Credit Facility Agreement in addition to €0.7 million of drawings under a local credit facility in Austria. We do not expect to make any scheduled installment payments under the Existing Synlab Credit Facility Agreement prior to the assumed completion of the Synlab Acquisition on September 30, 2015. This estimate is not an indication that the Synlab Acquisition will be completed on that date, at that price or at all. See "*Summary—The Transactions—The Synlab Acquisition—The Synlab Financing*."

(6) Represents estimated fees and expenses associated with the Synlab Acquisition, including underwriting fees and commisions, contingency for fee over-runs and other estimated transaction costs.

(7) Represents an estimated €110 million of cash and cash equivalents on balance sheet as of the assumed completion of the Synlab Acquisition on September 30, 2015, which reflects cash outflows relating to acquisitions signed and completed by June 30, 2015 and payment of accrued interest in the amount of €6.5 million under the Existing Synlab Credit Facility. To the extent any cash requirements should arise to fund additional acquisitions before September 30, 2015, however, this amount may change and an amount may be drawn under the Revolving Credit Facility to finance the Synlab Financing.

CAPITALIZATION

The following table sets forth, in each case, as of March 31, 2015, the cash and cash equivalents and capitalization of:

- Labco on an actual basis;
- Synlab on an actual basis; and
- the Issuers and their consolidated subsidiaries as adjusted to give effect to the Transactions. The adjustments are based on available information and contain assumptions made by our management.

The table below should be read in conjunction with "*The Transactions*," "*Selected Historical Consolidated Financial Information of Synlab*," "*Selected Historical Consolidated Financial Information of Labco*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco*," "*Description of Other Indebtedness*," "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and the Financial Statements included elsewhere in this offering memorandum. Except as set forth below, there have been no other material changes to the capitalization of the Issuers since March 31, 2015.

	As of March 31, 2015				
	Labco (actual)	**Synlab (actual)**	**Labco (as adjusted for the Existing Senior Secured Notes)**	**Synlab (as adjusted for the Offerings)**	**Combined business (as adjusted)**
			(unaudited) (€ millions)		
Cash and cash equivalents[(1)]	**83.9**	**76.0**	**2.5**	**13.2**	**15.7**
Debt					
Existing Labco Notes[(2)]	700.0	—	—	—	—
Existing Labco Credit Facility[(3)]	8.0	—	—	—	—
Existing Senior Secured Notes[(4)]	—	—	800.0	—	800.0
Existing Synlab Credit Facility[(5)]	—	529.8	—	—	—
Senior Secured Notes[(6)]	—	—	—	685.0	685.0
Senior Notes offered hereby[(7)]	—	—	—	375.0	375.0
Revolving Credit Facility[(8)]	—	—	—	—	—
Other financial liabilities[(9)]	31.7	20.2	31.7	20.2	51.9
Total debt	**739.7**	**550.0**	**831.7**	**1,080.2**	**1,911.9**
Total equity[(10)]	**152.1**	**263.0[(10)]**	**438.7**	**743.5**	**1,182.2**
Total capitalization	**891.8**	**813.0**	**1,270.4**	**1,823.7**	**3,094.1**

(1) As adjusted cash and cash equivalents reflects the amount of cash and cash equivalents as if the Transactions had occurred on March 31, 2015 and, (i) with respect to Labco, as adjusted cash and cash equivalents reflects the use of cash as set forth in "*The Transactions—The Labco Acquisition—The Labco Financing*" and footnote (8) below, and the payment made on July 15, 2015 of €29.8 million of accrued interest on the Existing Labco Notes and (ii) with respect to Synlab, as adjusted cash and cash equivalents reflects the use of cash as set forth in "*The Transactions—The Synlab Acquisition—The Synlab Financing*" and full repayment of the Existing Synlab Credit Facility as described in footnote (5) of "*Use of Proceeds*." With respect to Synlab actual, represents the carrying amount of cash and cash equivalents.

(2) Represents the aggregate principal amount of Labco's 8½% Senior Secured Notes due 2018 outstanding as of March 31, 2015, excluding accrued but unpaid interest.

(3) Between April 1, 2015 and the date of this offering memorandum, additional drawings in an amount of €42 million were made under the Existing Labco Credit Facility, resulting in an aggregate utilization of €50 million. Labco expects to make additional drawings in the amount of approximately €5 million between the date of this offering memorandum and July 31, 2015 to finance certain acquisitions. The Existing Labco Credit Facility will be terminated in connection with the Labco Acquisition.

(4) Represents the €500 million 6.25% Senior Secured Notes due 2022 issued by Labco on June 17, 2015 and the €300 million Senior Secured Floating Rate Notes due 2022 issued by Labco on June 17, 2015.

(5) Represents the outstanding principal amount of interest-bearing bank loans/overdraft facilities drawn by Synlab Holding GmbH under the Existing Synlab Credit Facility as of March 31, 2015 and includes €0.5 million of drawings under a local revolving credit facility in Austria as of March 31, 2015 which will also be repaid in full from the proceeds from the Offerings.

(6) Represents the aggregate principal amount of Senior Secured Notes offered hereby.

(7) Represents the aggregate principal amount of Senior Notes offered hereby.

(8) As amended and restated, the Revolving Credit Facility will provide for aggregate borrowings of up to €250.0 million. French BidCo will draw €51.6 million under a loan pursuant to the Revolving Credit Facility on the Labco Completion Date to finance a portion of the purchase price for the Labco Acquisition and pay certain fees related to the Labco Acquisition. French BidCo intends to repay that facility shortly after the Labco Completion Date. Other than for such loan, the Revolving Credit Facility is expected to remain undrawn on or about the Labco Completion Date. We expect that on the Labco Completion Date, the amount of cash at the Labco Group and the amount of reserves at the Labco Group that are capable of being distributed to French BidCo, will be in excess of the amount of such loan.

(9) With respect to Labco, includes finance leases in the amount of €18.3 million, indebtedness under Labco's bilateral bank loans in the amount of €12.5 million and other financial liabilities in the amount of €0.9 million. With respect to Synlab, the actual figure includes the carrying amount liabilities from finance leases in the amount of €19.6 million and other financial liabilities in the amount of €0.6 million which will not be refinanced using the proceeds from the Offerings.

(10) With respect to Synlab on an actual basis as of March 31, 2015, represents equity of parent company shareholders.

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

Introduction

The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information has been prepared to reflect the following transactions:

(i) the acquisitions of Synlab and Labco;

(ii) the repayment of certain existing Synlab and Labco indebtedness; and

(iii) the incurrence of indebtedness under the Notes offered hereby.

These transactions are referred to in "*The Transactions*" of this offering memorandum.

Basis of preparation

The unaudited *pro forma* condensed combined consolidated statement of financial position as of March 31, 2015 and the unaudited *pro forma* condensed combined consolidated income statements for the twelve months ended March 31, 2015, the three months ended March 31, 2015, the year ended December 31, 2014 and the three months ended March 31, 2014 are based on the historical consolidated financial statements of Synlab and Labco, which are included elsewhere in this offering memorandum.

The unaudited *pro forma* condensed combined consolidated income statement for the twelve months ended March 31, 2015 has been calculated by subtracting the unaudited *pro forma* condensed combined consolidated income statement for the three months ended March 31, 2014 from the unaudited *pro forma* condensed combined consolidated income statement for the year ended December 31, 2014 and then adding the unaudited *pro forma* condensed combined consolidated income statement for the three months ended March 31, 2015.

The unaudited *pro forma* adjustments to the historical financial information described in the accompanying notes give effect to the Transactions as if they has occurred on March 31, 2015, for the purpose of the unaudited *pro forma* condensed combined consolidated statement of financial position and, and on January 1, 2014 for the purposes of the unaudited *pro forma* condensed combined consolidated income statements. The unaudited *pro forma* adjustments are based on currently available financial information and certain assumptions that we believe are reasonable and supportable.

The unaudited *pro forma* income statements do not give effect to items (including costs of €40.4 million, directly attributable to the Acquisitions) that will be incurred in connection with the Transactions but will not have a continuing impact for us beyond the next twelve months following completion of the Transactions.

The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information is presented solely for informational purposes and is not intended to represent or be indicative of the consolidated income statements or financial position had the Transactions been completed as of the dates and for the periods presented, nor is it necessarily indicative of future results. The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Synlab*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco*", "*The Transactions*", and the consolidated financial statements and related notes included elsewhere in the offering memorandum.

The Unaudited *Pro Forma* Condensed Combined Consolidated Financial Information does not reflect any changes in the business of Labco or Synlab or any other changes arising from the Transactions since March 31, 2015.

The Acquisition

Ephios Holdco II plc through its wholly owned subsidiaries has made offers to acquire the entire issued share capital of Synlab and Labco for cash consideration of €463.1 million and €1,266.0 million respectively as defined herein.

The acquisitions of Synlab and Labco will be accounted by Ephios Holdco II plc as acquisitions in accordance with IFRS 3 (Revised 2008) "Business Combinations." The purchase consideration will be allocated to the identifiable assets and liabilities of Synlab and Labco measured at their fair value as of the effective date of each acquisition. Any excess of purchase consideration over the fair value of the identifiable assets and liabilities of Synlab and Labco will be recognised as goodwill in the consolidated financial statements of Ephios Holdco II plc. Pending completion of the acquisitions, we have not yet commenced our assessment of the fair values of the identifiable assets and liabilities of Synlab and Labco. Accordingly, we are unable to provide a meaningful estimate of the goodwill that will be recognised by Ephios Holdco II plc in relation to the acquisitions but provide a preliminary estimate based on the carrying amounts of the assets and liabilities recognised by Synlab and Labco as of March 31, 2015.

The actual goodwill recognised by Ephios Holdco II plc in relation to the acquisitions of Synlab and Labco is likely to differ significantly from the preliminary estimate due to differences that are likely to exist between the carrying amounts of the assets and liabilities recognised by Synlab and Labco as of March 31, 2015 and the fair value of the assets and liabilities of Synlab and Labco measured at the effective date of the Acquisitions.

Management considers that significant changes in the amount of goodwill recognised in relation to the Acquisition of Synlab and Labco may arise due to:

- the recognition of intangible assets that have been internally developed by Synlab and Labco;
- the remeasurement of intangible assets previously recognised by Synlab and Labco;
- the remeasurement of property, plant and equipment; and
- the recognition of contingent liabilities.

Furthermore, the unaudited *pro forma* condensed combined consolidated income statements do not reflect the impact that such fair value adjustments would have had on the results of Synlab and Labco operations, through, for example, increased depreciation and amortisation charges.

Unaudited *Pro Forma* Condensed Combined Consolidated Statement of Financial Position March 31, 2015

	Ephios Holdco II plc	Labco Historical	Synlab Historical	Acquisition Adj		Repayment of debt		Drawdown of debt and equity contribution		*Pro forma* Total
		Note 1	Note 2	*Pro forma* adjustments						
(€ millions)										
Non Current Assets										
Goodwill		704.8	403.2	1,342.4	3					2,450.4
Intangible assets		27.8	302.2							330.0
PPE		94.5	66.9							161.4
Investments		2.0	2.9							4.9
Other NCA		11.1	1.5							12.6
Deferred tax asset		11.0	1.4							12.4
Total NCA		**851.2**	**778.1**	**1,342.4**						**2,971.7**
Current Assets										
Cash		83.9	75.9	(1,799.3)	4	(1,237.8)	6	2,981.8	7, 8	104.5
Current receivables		132.6	152.0							284.6
Inventories		11.4	17.8							29.2
Total CA		**227.9**	**245.7**	**(1,799.3)**		**(1,237.8)**		**2,981.8**		**418.3**
Total Assets		**1,079.1**	**1,023.8**	**(456.9)**		**(1,237.8)**		**2,981.8**		**3,390.0**
Equity		(152.1)	(264.4)	456.9	5			(1,182.2)	7	(1,141.8)
Non-Current Liabilities										
Loans		(710.5)	(509.6)			1,237.8	6	(1,799.6)	8	(1,781.9)
Employee benefits Liabilities		(15.6)	(22.2)							(37.8)
Finance lease Liability		(13.2)	—							(13.2)
Provisions		(2.5)	(3.1)							(5.6)
Deferred tax liability		(6.1)	(53.5)							(59.6)
Other NCL		(10.4)	(5.3)							(15.7)
Total NCL		**(758.4)**	**(593.7)**			**1,237.8**		**(1,799.6)**		**(1,913.9)**
Current Liabilities										
Loans and finance lease liability		(21.0)	(30.6)							(51.6)
Trade and other payables		(78.1)	(97.6)							(175.7)
Provisions—current		(3.4)	(13.5)							(16.9)
Income tax liabilities		(8.8)	(10.1)							(18.9)
Other current liabilities		(57.3)	(13.9)							(71.0)
Total CL		**(168.6)**	**(165.7)**							**(334.3)**
Total Equity and Liabilities		**(1,079.1)**	**(1,023.8)**	**456.9**		**1,237.8**		**(2,981.8)**		**(3,390.0)**

NOTES TO THE UNAUDITED *PRO FORMA* CONDENSED COMBINED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 1

The Labco historical consolidated statement of financial position as of March 31, 2015 has been aligned to be presented on a consistent basis as the combined group.

	Labco Historical Financial Information	Representation Adjustments	Notes	Labco Historical
		(€ millions)		
Non Current Assets				
Goodwill	704.8	—		704.8
Intangible Assets	27.8	—		27.8
PPE	94.5	—		94.5
Investments	2.0	—		2.0
Other NCA	11.1	—		11.1
Deferred tax asset	11.0	—		11.0
Total NCA	**851.2**	**—**		**851.2**
Current Assets				
Cash	83.9	—		83.9
Current receivables	—	132.6	(i)	132.6
Trade Receivables	105.7	(105.7)	(i)	—
Other current assets	26.9	(26.9)	(i)	
Inventories	11.4	—		11.4
Total CA	**227.9**			**227.9**
Total Assets	**1,079.1**			**1,079.1**
Equity	(152.1)			(152.1)
Non-Current Liabilities				
Loans	—	(710.5)	(ii)	(710.5)
Borrowings and other financial liabilities	(724.1)	724.1	(ii)	—
Employee benefits Liabilities	(15.6)	—	(ii)	(15.6)
Finance lease liability	—	(13.2)	(ii)	(13.2)
Provisions	(2.5)	—		(2.5)
Deferred tax liability	(6.1)	—		(6.1)
Other NCL	(10.1)	(0.4)	(ii)	(10.5)
Total NCL	**(758.4)**	**—**		**(758.4)**
Current Liabilities				
Loans and finance lease liability	—	(21.0)	(iii)	(21.0)
Trade and other payables	—	(78.1)	(iii)	(78.1)
Provisions—current	(3.4)	—		(3.4)
Income tax liabilities	—	(8.8)	(iii)	(8.8)
Other current liabilities	(66.0)	8.7	(iii)	(57.3)
Current financial liabilities	(21.5)	21.5	(iii)	—
Trade liabilities	(77.7)	77.7	(iii)	—
Total CL	**(168.6)**	**—**		**(168.6)**
Total Liabilities and Equity	**(1,079.1)**	**—**		**(1,079.1)**

(i) Trade receivables and other current assets have been aggregated within current receivables;

(ii) Borrowings and other financial liabilities has been allocated to loans, finance lease liability, derivatives and other non-current liabilities;

(iii) Current financial liabilities have been represented as loans and finance lease liability have been separately analyzed, while trade liabilities have been represented as trade and other payables.

Note 2

The Synlab historical consolidated statement of financial position as of March 31, 2015 has been aligned to be presented on a consistent basis as the combined group.

	Synlab Historical Financial information	Representation Adjustments	Synlab Historical
	(€ millions)		
Non Current Assets			
Goodwill	396.6	6.6[(i)]	403.2
Intangible Assets	302.2	—	302.2
PPE	66.9	—	66.9
Investments	2.9	—	2.9
Other NCA	8.1	(6.6)[(i)]	1.5
Deferred tax asset	1.4	—	1.4
Total NCA	**778.1**	**—**	**778.1**
Current Assets			
Cash	75.9		75.9
Current Receivables	152.0	—	152.0
Inventories	17.8	—	17.8
Total CA	**245.7**	**—**	**245.7**
Total Assets	**1,023.8**		**1,023.8**
Equity	(264.4)		(264.4)
Non-Current Liabilities			
Loans	(509.6)		(509.6)
Employee benefits Liabilities	(22.2)		(22.2)
Finance lease liability	—		—
Provisions	(3.1)		(3.1)
Deferred tax liability	(53.5)		(53.5
Other NCL	**(5.3)**		**(5.3)**
Total NCL	**(593.7)**		**(593.7)**
Current Liabilities			
Loans and finance lease liability	(30.6)		(30.6)
Trade and other payables	(97.6)		(97.6)
Provisions—current	(13.5)		(13.5)
Income tax liabilities	(10.1)		(10.1)
Other current liabilities	(13.9)		(13.9)
Total CL	**(165.7)**		**(165.7)**
Total Liabilities and Equity	**(1,023.8)**		**(1,023.8)**

(i) Goodwill on acquisitions made during Q1 2015, for which a purchase price allocation has not yet been completed have been represented as Goodwill from other current assets.

Note 3

The increase in the carrying amount of goodwill arising from the acquisitions of Synlab and Labco is calculated as follows:

	Labco	Synlab	Total
		(€ millions)	
Purchase consideration	463.1	1,266.0	1,729.1
Less:			
Net assets of Labco[(1)]	122.3	—	122.3
Net assets of Synlab	—	264.4	264.4
Adjusted for:			
—Historical goodwill recognised by Labco	(704.8)	—	(704.8)
—Historical goodwill recognised by Synlab	—	(403.2)	(403.2)
Adjusted net liabilities	(582.5)	(138.8)	(721.3)
Goodwill	1,045.6	1,404.8	2,450.4
Historical goodwill	(704.8)	(403.2)	(1,108.0)
Adjustment required	340.8	1,001.6	1,342.4

(1) The net assets of Labco have been adjusted to reflect the fair value adjustment of €29.8 million on redemption of the Labco debt.

Note 4

Cash outflow in relation to the acquisition

	Labco	Synlab	Total
		(€ millions)	
Purchase consideration	455.5	1,266.0	1,721.5
Repurchase of warrants	7.6	—	7.6
Estimated acquisition fees and expenses	25.7	14.7	40.4
Premium on redemption	29.8	—	29.8
Total	**518.6**	**1,280.7**	**1,799.3**

Note 5

Elimination of share capital and reserves of Synlab and Labco and recording of acquisition fees and expenses excluding financing fees

On consolidation at Ephios Holdco II plc level, the share capital and reserves of Synlab and Labco will be eliminated. The adjustment, together with the recognition of transaction costs, will be as follows:

	Labco	Synlab	Total
		(€ millions)	
Equity	152.1	264.4	416.5
Recognition of estimated acquisition fees and expenses excluding financing fees	25.7	14.7	40.4
Total	**177.8**	**279.1**	**456.9**

Note 6

The cash outflow in relation to the repayment of Synlab and Labco debt will be as follows:

	Labco	Synlab	Total
		(€ millions)	
Repurchase consideration	700.0	529.8	1,229.8
Settlement of revolving credit facility	8.0	—	8.0
Net cash outflow	**708.0**	**529.8**	**1,237.8**

Note 7

The aggregate equity contributions made by the Cinven Funds to Ephios HoldCo II plc are as follows:

	Labco	Synlab	Total
		(€ millions)	
Equity contribution	438.7	743.5	1,182.2

Note 8

Proceeds from debt issuance

The proceeds from the debt issuances to finance the Acquisitions reflect the following:

	€ millions
Existing Senior Secured Notes	
6.25% Senior Secured Notes due 2022	500.0
Senior Secured Floating Rate Notes due 2022[(1)]	300.0
Offerings	
€400,000,000 6.25% Senior Secured Fixed Rate Notes due 2022	400.0
€285,000,000 Senior Secured Notes Floating Rate Notes due 2022	285.0
€375,000,000 8.25% Senior Notes Due 2023	375.0
Less: debt issuance costs	(60.4)
Net proceeds	1,799.6

UNAUDITED *PRO FORMA* CONDENSED COMBINED CONSOLIDATED INCOME STATEMENT

Twelve months ended March 31, 2015

(€ millions)	Labco Historical	Synlab Historical	Acquisition Adjustments	Repayment of debt	Drawdown of debt	*Pro forma*
			Pro forma adjustments			
Revenue	639.9	736.7				1,376.6
Other income	5.0	2.1				7.1
Total revenue	**644.9**	**738.8**				**1,383.7**
Payroll related expenses	(268.0)	(288.3)				(556.3)
Materials and related expenses	(138.2)	(181.0)				(319.2)
Transport expenses	(9.9)	(27.2)				(37.1)
Operating lease and rental expenses	(36.1)	(32.2)				(68.3)
Depreciation and amortisation	(25.0)	(66.9)				(91.9)
Income from reversal of impairment	—	21.0				21.0
Other operating income	0.5	8.4				8.9
Other operating expenses	(74.6)	(99.4)				(173.9)
Operating profit before strategic transaction costs and restructuring expenses	**93.6**	**73.2**				**166.9**
Restructuring expenses and provisions for major litigations	(20.0)	(5.7)				**(25.7)**
Strategic transaction costs including fair value movements on contingent consideration	(1.8)	9.3				7.5
Operating profit	**71.8**	**76.8**				**148.7**
Share of profit of associates	0.4	(0.8)				(0.5)
Finance income	1.1	5.9				6.9
Finance costs	(66.5)	(39.5)		96.5	(126.0)	(135.5)
PBT	**6.8**	**42.2**				**19.5**
Income tax	(20.1)	(11.8)		(31.1)	23.9	(39.1)
PAT	**(13.3)**	**30.1**				**(19.6)**
Net profit (loss) for the period	**(13.3)**	**30.2**				**(19.6)**

UNAUDITED *PRO FORMA* CONDENSED COMBINED CONSOLIDATED INCOME STATEMENT

Three months ended March 31, 2015

(€ millions)	Labco Historical	Synlab Historical	Acquisition Adjustments	Repayment of debt	Drawdown of debt	*Pro forma*
	Note 9a	Note 10a	*Pro forma* adjustments			
Revenue	179.0	192.3				371.3
Other income	1.2	0.5				1.7
Total revenue	**180.2**	**192.8**				**373.0**
Payroll related expenses	(71.1)	(75.5)				(146.6)
Materials and related expenses	(38.9)	(47.4)				(86.3)
Transport expenses	(2.6)	(6.4)				(9.0)
Operating lease and rental expenses	(9.4)	(8.1)				(17.5)
Depreciation and amortisation	(6.5)	(17.1)				(23.4)
Income from reversal of impairment	—	—				—
Other operating income	—	1.8				1.8
Other operating expenses	(20.1)	(23.1)				(43.2)
Operating profit before strategic transaction costs and restructuring expenses	**31.6**	**17.0**				**48.7**
Restructuring expenses and provisions for major litigations	(1.1)	(0.9)				(2.0)
Strategic transaction costs including fair value movements on contingent consideration	—	0.1				0.1
Operating profit	**30.5**	**16.2**				**46.8**
Share of profit of associates	—	(0.2)				(0.2)
Finance income	0.4	3.8				4.2
Finance costs	(16.5)	(13.4)		**24.3**	**(31.5)**	**(37.1)**
PBT	**14.4**	**6.4**				13.7
Income tax	(8.1)	(2.9)		(7.9)	6.0	(12.9)
PAT	**6.3**	**3.3**				**0.9**
Net profit for the period	**6.3**	**3.4**				**0.9**

UNAUDITED *PRO FORMA* CONDENSED COMBINED CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2014

(€ millions)	Labco Historical	Synlab Historical	Acquisition Adjustments	Repayment of debt	Drawdown of debt	*Pro forma*
	Note 9b	Note 10b	*Pro forma* adjustments			
Revenue	611.3	729.4				1,340.7
Other income	4.4	2.6				7.0
Total revenue	**615.7**	**732.0**				**1,347.7**
Payroll related expenses	(258.8)	(284.4)				(543.1)
Materials and related expenses	(130.7)	(181.1)				(311.8)
Transport expenses	(9.4)	(27.7)				(37.1)
Operating lease and rental expenses	(34.2)	(31.5)				(65.7)
Depreciation and amortisation	(23.7)	(65.8)				(89.5)
Income from reversal of impairment	—	21.0				21.0
Other operating income	0.5	8.4				8.9
Other operating expenses	(69.9)	(97.8)				(167.7)
Operating profit before strategic transaction costs and restructuring expenses	**89.5**	**73.1**				**162.7**
Restructuring expenses and provisions for major litigations	(19.5)	(4.9)				(24.4)
Strategic transaction costs including fair value movements on contingent consideration	(1.8)	8.3				6.5
Operating profit	**68.2**	**76.5**				**144.8**
Share of profit of associates	0.4	(0.7)				(0.3)
Finance income	0.9	2.4				3.3
Finance costs	(65.4)	(33.8)		94.1	(126.0)	(131.1)
PBT	**4.1**	**44.4**				**16.7**
Income tax	(18.7)	(12.3)		(30.2)	23.9	(37.3)
PAT	**(14.6)**	**32.1**				**(20.6)**
Net profit for the period	**(14.6)**	**32.1**				**(20.6)**

UNAUDITED *PRO FORMA* CONDENSED COMBINED CONSOLIDATED INCOME STATEMENT

Three months ended March 31, 2014

(€ millions)	Labco Historical	Synlab Historical	Acquisition Adjustments	Repayment of debt	Drawdown of debt	*Pro forma*
	Note 9c	Note 10c	*Pro forma* adjustments			
Revenue	150.4	185.0				335.4
Other income	0.6	1.0				1.6
Total revenue	**151.0**	**186.0**				**337.0**
Payroll related expenses	(61.9)	(71.4)				(133.3)
Materials and related expenses	(31.4)	(47.5)				(78.9)
Transport expenses	(2.1)	(6.9)				(9.0)
Operating lease and rental expenses	(7.6)	(7.4)				(15.0)
Depreciation and amortisation	(5.1)	(16.0)				(21.1)
Income from reversal of impairment	—	—				—
Other operating income	—	1.8				1.8
Other operating expenses	(15.4)	(21.6)				(37.0)
Operating profit before strategic transaction costs and restructuring expenses	**27.5**	**17.0**				**44.5**
Restructuring expenses and provisions for major litigations	(0.6)	(0.1)				(0.7)
Strategic transaction costs including fair value movements on contingent consideration	—	(0.9)				(0.9)
Operating profit	**26.9**	**16.0**				**42.9**
Share of profit of associates	—	—				—
Finance income	0.3	0.3				0.6
Finance costs	(15.4)	(7.7)		22.0	(31.4)	(32.5)
PBT	**11.8**	**8.6**				**11.0**
Income tax	(6.7)	(3.2)		(7.0)	6.0	(10.9)
PAT	**5.1**	**5.4**				**0.1**
Net profit for the period	**5.1**	**5.4**				**0.1**

NOTES TO THE UNAUDITED *PRO FORMA* CONDENSED COMBINED CONSOLIDATED INCOME STATEMENTS

Note 9

The income statements for Labco have been aligned to present the financial information on a consistent basis. The following adjustments have been reflected:

(a) Three months ended March 31, 2015 representation adjustments to the income statement

	Labco Historical Financial Information	Representation adjustments	Notes	Labco Historical
		(€ millions)		
Revenue	179.0	—		179.0
Other income	1.2	—		1.2
Total Revenue	**180.2**	**—**		**180.2**
Cost of Sales	*(41.5)*	*41.5*	(i)	—
Payroll related expenses	(70.2)	(0.9)	(ii)	(71.1)
SBP (Warrants)	*(0.9)*	*0.9*	(ii)	—
Transaction costs for usual small size acquisitions	*(0.3)*	*0.3*	(iii)	—
Provision, Impairment losses and reversals on assets	*(0.1)*	*0.1*	(iii)	—
Provision, Impairment losses and reversals on Liabilities	*(0.1)*	*0.1*	(iii)	—
Materials and related expenses	—	(38.9)	(i)	(38.9)
Transport expenses	—	(2.6)	(i)	(2.6)
Operating lease and rental expenses	—	(9.4)	(iii)	(9.4)
Depreciation and amortisation	(6.5)	—		(6.5)
Other operating income	—	—		—
Other operating expenses	(29.0)	8.9	(iii)	(20.1)
Operating profit before transaction costs, impairment and restructuring expenses	**31.6**	**—**		**31.6**
Impairment and reversal of impairment on non-operational assets	*5.9*	*(5.9)*	(iv)	—
Restructuring expenses and provisions for major litigations	(6.9)	5.9	(iv)	(1.0)
Transaction costs including fair value movements on contingent consideration	—	—		—
Operating Profit	**30.6**	**—**		**30.6**
Net Finance costs	*(16.2)*	*16.2*	(v)	—
Share of profit of associates	—	—		—
Finance income	—	0.3	(v)	0.3
Finance costs	—	(16.5)	(v)	(16.5)
Profit before tax	**14.4**	**—**		**14.4**
Income tax	(8.1)	—		(8.1)
PAT	**6.3**	**—**		**6.3**
Net profit for the period	**6.3**			**6.3**

(i) The cost of sales balance has been presented in its component parts, reflecting materials and related expenses of €38.9 million and transport expenses of €2.6 million.

(ii) SBP (Warrants) of €0.9 million have been classified within Payroll related expenses, as a component of the total payroll costs.

(iii) Operating expenses have been reduced by €9.4 million relating to operating lease and rental expenses, which has been separately disclosed on the face of the income statement, while immaterial balances relating to transaction costs for usual size transactions and provisions for impairment losses and reversals on assets and liabilities have been aggregated within operating expenses.

(iv) The category of "Impairment and reversal of impairment on non-operational assets" has been renamed as "Restructuring expenses and provisions for major litigations."

(v) Net finance costs are grossed up, i.e. finance income and costs are presented separately.

(b) Year ended December 31, 2014

	Labco Historical Financial Information	Representation Adjustments	Notes	Labco Historical
		(€ millions)		
Revenue	611.3	—		611.3
Other income	4.4	—		4.4
Total Revenue	**615.7**	**—**		**615.7**
Cost of Sales	*(140.0)*	*140.0*	(i)	—
Payroll related expenses	(256.8)	(2.0)	(ii)	(258.8)
SBP (Warrants)	*(2.0)*	*2.0*	(ii)	—
Transaction costs for usual small size acquisitions	*(1.5)*	*1.5*	(iii)	—
Provision, Impairment losses and reversals on assets	*(0.4)*	*0.4*	(iii)	—
Provision, Impairment losses and reversals on Liabilities	*(0.1)*	*0.1*	(iii)	—
Materials and related expenses	—	(130.7)	(i)	(130.7)
Transport expenses	—	(9.4)	(i)	(9.4)
Operating lease and rental expenses	—	(34.2)	(iii)	(34.2)
Depreciation and amortisation	(23.7)	—		(23.7)
Other operating income	—	0.5		0.5
Other operating expenses	(102.1)	32.3	(iii)	(69.9)
Operating profit before transaction costs, impairment and restructuring expenses	**89.1**	**0.5**		**89.6**
Perimeter effect	*(1.8)*	*1.8*	(vi)	—
Impairment and reversal of impairment on non-operational assets	*(6.4)*	*6.4*	(iv)	—
Gains and losses on sale of assets	*0.5*	*(0.5)*	(vii)	—
Restructuring expenses and provisions for major litigations	(13.1)	(6.4)	(iv)	(19.5)
Transaction costs including fair value movements on contingent consideration	—	(1.8)	(vi)	(1.8)
Operating Profit	**68.3**	**—**		**68.3**
Net Finance costs	*(64.5)*	*64.5*	(v)	—
Share of profit of associates	0.4	—		0.4
Finance income	—	0.9	(v)	0.9
Finance costs	—	(65.4)	(v)	(65.4)
Profit before tax	**4.2**	**—**		**4.2**
Income tax	(18.7)	—		(18.7)
PAT	**(14.5)**	**—**		**(14.5)**
Loss for the period	**(14.5)**	**—**		**(14.5)**

(i) The cost of sales balance has been presented in its component parts, reflecting materials and related expenses of €38.9 million and transport costs of €2.6 million.

(ii) SBP (Warrants) of €0.9 million have been classified within Payroll related expenses, as a component of the total payroll costs.

(iii) Operating expenses have been reduced by €9.4 million relating to operating lease and rental expenses, which has been separately disclosed on the face of the income statement, while immaterial balances relating to transaction costs for usual size transactions and provisions for impairments on assets and liabilities have been aggregated within operating expenses.

(iv) The category of "Impairment and reversal of impairment on non-operational assets" has been renamed as "Restructuring expenses and provisions for major litigations."

(v) Net finance costs are grossed up, i.e. finance income and costs are presented separately.

(vi) The perimeter effect reflects changes in the fair value of contingent consideration of acquisitions and has been represented as transaction costs and changes in fair value of contingent consideration.

(c) Three months ended March 31, 2014 *Pro Forma* adjustments to the income statement

	Labco Historical Financial Information	Representation Adjustments	Notes	Labco Historical
		(€ millions)		
Revenue	150.4	—		150.4
Other income	0.6	—		0.6
Total Revenue	**151.0**	**—**		**151.0**
Cost of Sales	*(33.5)*	*33.5*	(i)	—
Payroll related expenses	(61.9)	—		(61.9)
SBP (Warrants)	—	—		—
Transaction costs for usual small size acquisitions	*(0.4)*	*0.4*	(ii)	—
Provision, Impairment losses and reversals on assets	*(0.1)*	*0.1*	(ii)	—
Provision, Impairment losses and reversals on Liabilities	*0.2*	*(0.2)*	(ii)	—
Materials and related expenses	—	(31.4)	(i)	(31.4)
Transport expenses	—	(2.1)	(i)	(2.1)
Operating lease and rental expenses	—	(7.6)	(ii)	(7.6)
Depreciation and amortisation	(5.1)	—		(5.1)
Other operating income	—	—		—
Other operating expenses	(22.6)	7.3	(ii)	(15.4)
Operating profit before transaction costs, impairment and restructuring expenses	**27.6**	**—**		**27.6**
Impairment and reversal of impairment on non-operational assets	*0.3*	*(0.3)*	(iii)	—
Restructuring expenses and provisions for major litigations	(0.9)	0.3	(iii)	(0.6)
Transaction costs including fair value movements on contingent consideration	—	—		—
Operating Profit	**27.0**	**—**		**27.0**
Net Finance costs	*(15.1)*	*15.1*	(iv)	—
Share of profit of associates	—	—		—
Finance income	—	0.3	(iv)	0.3
Finance costs	—	(15.4)	(iv)	(15.4)
Profit before tax	**11.9**	**—**		**11.9**
Income tax	(6.8)	—		(6.8)
PAT	**5.1**	**—**		**5.1**
Net profit for the period	**5.1**	**—**		**5.1**
Profit attributable to NCI	**—**	**—**		**—**
Profit attributable to owners of the company	**5.1**	**—**		**5.1**

(i) The cost of sales balance has been presented in its component parts, reflecting materials and related expenses of €31.4 million and transport costs of €2.1 million.

(ii) Operating expenses have been reduced by €7.6 million relating to operating lease and rental expenses, which has been separately disclosed on the face of the income statement, while immaterial balances relating to transaction costs for usual size transactions and provisions for impairments on assets and liabilities have been aggregated within operating expenses.

(iii) The category of "Impairment and reversal of impairment on non-operational assets" has been renamed as "Restructuring expenses and provisions for major litigations."

(iv) Net finance costs are grossed up, i.e. finance income and costs are presented separately.

Note 10

The income statements for Synlab have been aligned to present the financial information on a consistent basis. The following adjustments have been reflected:

(a) Three months ended March 31, 2015 representation adjustments to the income statement

	Synlab Historical Financial Information	Representation Adjustments	Notes	Synlab Historical
		(€ millions)		
Revenue	192.3	—		192.3
Other income	—	0.5	(i)	0.5
Total Revenue	**192.3**	**0.5**		**192.8**
Payroll related expenses	(68.6)	(6.9)	(ii)	(75.5)
Materials and related expenses	(47.4)	—		(47.4)
Transport expenses	(6.4)	—		(6.4)
Operating lease and rental expenses	(8.1)	—		(8.1)
Depreciation and amortisation	(17.1)	—		(17.1)
Other operating income	3.5	(1.8)	(i)	1.8
Other operating expenses	(32.1)	9.0	(ii),(iii)	(23.1)
Operating profit before transaction costs, impairment and restructuring expenses	**16.1**	**0.7**		**17.0**
Restructuring expenses and provisions for major litigations	—	(0.9)	(iii)	(0.9)
Transaction costs including fair value movements on contingent consideration	—	0.1	(iii)	0.1
Operating Profit	**16.1**	**—**		**16.2**
Revaluation on shares in partnerships with NCI	*(0.2)*	*0.2*	(iv)	—
Share of profit of associates	(0.2)	—		(0.2)
Finance income	4.0	(0.2)		3.8
Finance costs	(13.4)	—		(13.4)
Profit before tax	**6.3**	**—**		**6.4**
Income tax	(2.9)	—		(2.9)
PAT	**3.4**	**—**		**3.4**
Net profit for the period	**3.4**			**3.4**

(i) Other income of €0.5 million has been reclassified from other operating income and reflects rental income, dunning fees and accrued income.

(ii) Payroll expenses of €6.9 million in relation to temporary staff and personnel related expenses have been reclassified from other operating expenses as payroll related costs.

(iii) Restructuring expenses and transaction costs have been reclassified from other operating expenses and separately presented.

(iv) The revaluation on shares in partnerships with NCI has been represented as finance income.

(b) Year ended December 31, 2014

	Synlab Historical Financial Information	Representation Adjustments	Notes	Synlab Historical
		(€ millions)		
Revenue	729.4	—		729.4
Other income	—	2.6	(i)	2.6
Total Revenue	**729.4**	**2.6**		**732.0**
Payroll related expenses	(257.1)	(27.3)	(ii)	(284.4)
Materials and related expenses	(181.1)	—		(181.1)
Transport expenses	(27.7)	—		(27.7)
Operating lease and rental expenses	(31.5)	—		(31.5)
Depreciation and amortisation	(65.8)	—		(65.8)
Income from reversal of impairment	21.0	—		21.0
Other operating income	27.4	(18.9)	(i)	8.4
Other operating expenses	(138.0)	40.3	(i)(ii)	(97.8)
Operating profit before transaction costs, impairment and restructuring expenses	**76.5**	**(3.3)**		**73.1**
Restructuring expenses and provisions for major litigations	—	(4.9)	(iii)	(4.9)
Transaction costs including fair value movements on contingent consideration	—	8.3	(iii)	8.3
Operating Profit	**76.5**	**—**		**76.5**
Revaluation on shares in partnerships with NCI	(0.8)	0.8	(iv)	—
Share of profit of associates	(0.7)	—		(0.7)
Finance income	3.2	(0.8)	(iv)	2.4
Finance costs	(33.8)	—		(33.8)
Profit before tax	**44.4**	**—**		**44.4**
Income tax	(12.3)	—		(12.3)
PAT	**32.1**	**—**		**32.3**
Net profit for the period	**32.3**	**—**		**32.1**

(i) Other income of €0.5 million has been reclassified from other operating income and reflects rental income, dunning fees and accrued income.

(ii) Payroll expenses of €27.3 million in relation to temporary staff and personnel related expenses have been reclassified from other operating expenses as payroll related costs.

(iii) Restructuring expenses and transaction costs have been reclassified from other operating expenses and separately presented.

(iv) The revaluation on shares in partnerships with NCI has been represented as finance income.

(c) Three months ended March 31, 2014 Pro Forma adjustments to the income statement

	Synlab Historical Financial Information	Representation Adjustments	Notes	Synlab Historical
		(€ millions)		
Revenue	185.0	—		185.0
Other income	—	1.0	(i)	1.0
Total Revenue	**185.0**			**186.0**
Payroll related expenses	(64.8)	(6.6)	(ii)	(71.4)
Materials and related expenses	(47.5)	—		(47.5)
Transport expenses	(6.9)	—		(6.9)
Operating lease and rental expenses	(7.4)	—		(7.4)
Depreciation and amortisation	(16.0)	—		(16.0)
Other operating income	2.9	(1.1)	(i)	1.8
Other operating expenses	(29.3)	7.7	(i)	(21.6)
Operating profit before transaction costs, impairment and restructuring expenses	**16.0**	**1.0**		**17.0**
Restructuring expenses and provisions for major litigations	—	(0.1)	(iii)	(0.1)
Transaction costs including fair value movements on contingent consideration	—	(0.9)	(iii)	(0.9)
Operating Profit	**16.0**	**—**		**16.0**
Revaluation on shares in partnerships with NCI	—	—		—
Share of profit of associates	—	—		—
Finance income	0.2	0.1	(iv)	0.3
Finance costs	(7.6)	(0.1)	(iv)	(7.7)
Profit before tax	**8.6**	**—**		**8.6**
Income tax	(3.2)	—		(3.2)
PAT	**5.4**	**—**		**5.4**
Net profit for the period	**5.4**	**—**		**5.4**

(i) Other income of €1.0 million has been reclassified from other operating income and reflects rental income, dunning fees and accrued income.

(ii) Payroll expenses in relation to temporary staff and personnel related expenses have been reclassified from other operating expenses as payroll related costs.

(iii) Restructuring expenses and transaction costs have been reclassified from other operating expenses and separately presented.

(iv) The revaluation on shares in partnerships with NCI has been represented as finance income.

Note 11

The adjustment to interest expense is computed as follows:

	€ millions
Existing Senior Secured Notes	
6.25% Senior Secured Notes due 2022	500.0
Senior Secured Floating Rate Notes due 2022[(i)]	300.0
Offerings	
€400,000,000 6.25% Senior Secured Fixed Rate Notes due 2022	400.0
€285,000,000 Senior Secured Notes Floating Rate Notes due 2022[(i)]	285.0
€375,000,000 8.25% Senior Notes Due 2023	375.0
Total interest expense and amortisation of transaction costs on new borrowings	126.0
Less: interest expense and amortisation of transaction costs on borrowings repaid	(96.5)
Pro forma adjustment to interest expense	29.5

(i) The assumed rate of interest applied in calculating the interest on the senior secured floating rate notes due 2022 is 5.2%.

Note 12

An income tax benefit arises on the interest expense only to the extent that it would have reduced taxable profit in the relevant period. We have tax effected any increases in taxable profits due to the interest expense apportioned to Labco at the French statutory rate of 33.3% and to Synlab at the German statutory rate of 29.6%. We have tax effected any reduction in taxable profits due to the interest expense apportioned to Holdings at the UK statutory rate of 19%.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF SYNLAB

The following tables present selected historical consolidated financial information and other data for Synlab for the periods ended and as of the dates indicated below.

The Synlab financial information marked as "audited" in tables in this offering memorandum is extracted from the Synlab Audited Financial Statements. Synlab financial information marked as "unaudited" in tables in this offering memorandum is not extracted from the Synlab Audited Financial Statements but is either extracted from the Synlab Unaudited Interim Financial Statements or Synlab's internal accounting system or is based on calculations of figures of the abovementioned sources.

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

Selected Consolidated Statement of Comprehensive Income Information

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
	(audited)			(unaudited)	
	(€ millions)				
Revenue	**600.9**	**671.2**	**729.4**	**185.1**	**192.3**
Material expenses	(163.6)	(177.4)	(181.1)	(47.5)	(47.4)
Personnel expenses	(224.0)	(240.7)	(257.1)	(64.8)	(68.6)
Expenses on rental and lease agreements	(24.0)	(28.3)	(31.5)	(7.4)	(8.1)
Transport expenses	(26.1)	(26.8)	(27.7)	(6.9)	(6.4)
Other operating income	11.1	12.6	27.4	2.9	3.5
Other operating expenses	(110.9)	(125.5)	(138.0)	(29.3)	(32.1)
Losses from deconsolidation of subsidiaries	0.0	—	—	—	—
Depreciation, amortization and impairment	(54.4)	(62.5)	(65.8)	(16.0)	(17.1)
Income from reversal of impairments of customers lists	—	—	21.0	—	—
Operating profit/loss	**9.0**	**22.6**	**76.5**	**16.1**	**16.1**
Share of profit of associates	0.4	0.6	(0.7)	0.0	(0.2)
Financial income	1.0	4.0	3.2	0.2	4.0
Financial expenses	(34.0)	(33.8)	(33.8)	(7.7)	(13.4)
Revaluation on shares in partnerships with a non-controlling interest	(1.0)	(1.0)	(0.8)	0.0	(0.2)
Income before tax	**(24.5)**	**(7.7)**	**44.3**	**8.6**	**6.2**
Income tax expense	(2.6)	(7.5)	(12.1)	(3.2)	(2.9)
Consolidated profit/loss for the year/period	**(27.1)**	**(15.2)**	**32.2**	**5.4**	**3.3**
Attributable to non-controlling interests	(0.4)	(0.1)	0.6	0.1	0.0
Attributable to the parent	(26.7)	(15.1)	31.6	5.4	3.3
Other comprehensive income					
Exchange differences from foreign operations	2.8	(6.9)	1.8	2.3	17.1
Other comprehensive income potentially reclassifiable to profit or loss	2.8	(6.9)	1.8	2.3	17.1
Actuarial gains and losses recorded in other comprehensive income	(0.8)	0.0	(6.8)	0.0	0.0
Deferred taxes on actuarial gains and losses recorded in other comprehensive income	—	—	1.2	0.0	0.0
Other comprehensive income not reclassifiable to profit or loss	**(0.8)**	**0.0**	**(5.5)**	**0.0**	**0.0**
Other comprehensive income	**2.0**	**(6.9)**	**(3.7)**	**2.3**	**17.1**
Total comprehensive income	**(25.1)**	**(22.1)**	**28.5**	**7.7**	**20.4**
Attributable to non-controlling interests	(0.4)	(0.2)	0.7	0.1	0.1
Attributable to the parent	(24.7)	(21.9)	27.8	7.7	20.3

Selected Consolidated Statement of Financial Position Information

	As of December 31,			As of March 31,
	2012	2013	2014	2015
		(audited)		(unaudited)
			(€ millions)	
ASSETS				
Non-current assets	**684.2**	**729.4**	**751.5**	**778.1**
Goodwill	311.9	350.9	373.3	396.6
Intangible assets	299.2	306.0	305.3	302.2
Property, plant and equipment	64.5	67.4	67.0	66.9
Investments in companies accounted for using the equity method	1.2	2.3	3.1	2.9
Other non-current assets	3.7	1.5	1.3	8.1
Deferred tax assets	3.8	1.3	1.4	1.4
Current assets	**190.5**	**224.6**	**240.8**	**245.8**
Inventories	17.2	19.2	17.1	17.8
Trade receivables	114.1	118.4	119.7	130.8
Income tax receivables	3.4	5.5	1.0	1.5
Other current assets	12.0	16.9	15.7	19.7
Cash and cash equivalents	43.8	64.6	87.2	76.0
Total Assets	**874.7**	**954.0**	**992.3**	**1,023.9**
EQUITY AND LIABILITIES				
Total equity	**235.2**	**216.4**	**244.1**	**264.4**
Equity of parent company shareholders	**234.4**	**215.0**	**242.8**	**263.0**
Subscribed capital	2.8	2.8	2.8	2.8
Capital reserves	212.3	199.7	199.7	199.8
Accumulated profit/loss	(0.1)	0	31.6	34.7
Cumulative changes in equity not recognized through profit/loss	19.4	12.6	8.7	25.7
Non-controlling interests	0.8	1.4	1.3	1.4
Non-current liabilities	**428.3**	**548.2**	**569.4**	**593.7**
Interest-bearing loans and borrowings	357.3	466.4	488.3	509.6
Pensions and similar obligations	10.1	11.4	19.7	22.3
Other provisions	3.8	14.8	3.1	3.1
Other financial liabilities	3.3	3.0	4.6	5.2
Deferred tax liabilities	53.6	52.5	53.8	53.5
Current liabilities	**211.3**	**189.4**	**178.8**	**165.7**
Interest-bearing loans and borrowings	54.1	41.8	30.6	30.6
Other provisions	23.0	10.5	12.9	13.5
Income tax liabilities	7.2	10.6	6.5	10.1
Trade payables	75.6	82.5	78.0	66.9
Other financial liabilities	31.6	27.8	35.8	30.7
Other liabilities	19.6	16.2	14.9	13.9
Total Equity and Liabilities	**874.7**	**954.0**	**992.3**	**1,023.9**

Selected Consolidated Cash Flow Statement Information

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
		(audited)		(unaudited)	
			(€ millions)		
Cash flow from operating activities	40.8	69.6	91.8	12.4	6.4
Cash flow from investing activities	(85.6)	(103.7)	(40.9)	(15.3)	(26.6)
Cash flow from financing activities	73.5	55.1	(28.4)	(23.1)	6.6
Cash and cash equivalents at beginning of period	15.1	43.8	64.6	64.6	87.2
Net foreign exchange differences	0.0	(0.2)	0.2	0.0	2.3
Net change in cash and cash equivalents	28.6	21.0	22.5	(26.1)	(13.6)
Cash and cash equivalents at end of period	43.8	64.6	87.2	38.5	76.0

LABCO UNAUDITED PRO FORMA FINANCIAL INFORMATION

Background to the preparation of *pro forma* financial information

Labco completed the acquisition of SDN S.p.A., an Italian laboratory testing group (the "SDN Acquisition") on July 30, 2014. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Principal Factors Affecting Labco's Results of Operations—Expansion of Labco's Network of Clinical Laboratories through Acquisitions and Dispositions*" and "*Business—Labco's Core Markets—Overview of Labco's Southern European Market—Italy*." Labco expects that the SDN Acquisition will have a significant impact on its financial position and results of operation. *Pro forma* financial information has been prepared to provide an overview of the theoretical impact of this acquisition on Labco's consolidated financial statements.

This *pro forma* financial information is presented on a voluntary basis and has been prepared in accordance with the provisions of Annex II of European Regulation no. 809/2004 on prospectuses and Articles 212-7 and 222-2 of the General Regulation of the French Financial Market Authority (*Authorité des Marchés Financiers*) (the "AMF") and complies with recommendation no. 2013-08 of the AMF. It has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

This *pro forma* financial information has been prepared for illustrative purposes only and does not represent what Labco's results of operation would have been had the SDN Acquisition occurred on January 1, 2014 nor is it indicative of Labco's results of operations or our future financial position.

The *pro forma* financial information has been prepared to show the theoretical impact that the SDN Acquisition would have had on Labco's consolidated financial statements without Labco's senior executives taking over management of the entities and assets acquired and without their implementing any industrial, financial or commercial policies or synergies.

This *pro forma* information includes Labco's consolidated statement of income for the year ended December 31, 2014 giving *pro forma* effect to the SDN Acquisition as if the SDN Acquisition had occurred on January 1, 2014. No *pro forma* balance sheet information is presented because the SDN Acquisition is already reflected in Labco's consolidated statement of financial position as of December 31, 2014 presented in its audited consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS.

Acquisitions by the Labco group during the year ended December 31, 2014, during the three months ended March 31, 2015 and during the period after March 31, 2015

Transactions not requiring pro forma financial information given their non-material impact

Usual small size acquisitions during the year ended December 31, 2014:

Acquisition date	Country	Entity	% acquired	Transaction form	Business
02/17/2014 . .	Spain	Clinic Baleares	NA	Asset deal	Routine clinical testing
02/28/2014 . .	Spain	Sanilab Molecular	60%	Controlling ownership purchase	Molecular biology
03/27/2014 . .	France	LBMR Centre	100%	Share deal	Routine clinical testing
03/27/2014 . .	France	LBMR Normandie	100%	Share deal	Routine clinical testing
03/31/2014 . .	France	LABM Lesaulnier	NA	Asset deal	Routine clinical testing
03/31/2014 . .	France	SCP Horstmann	NA	Asset deal	Routine clinical testing
04/30/2014 . .	Spain	CIG-GM	NA	Asset deal	Cito-genetic
06/20/2014 . .	Italy	Visconteo	100%	Share deal	Routine clinical testing
07/01/2014 . .	France	Bourelly	NA	Asset deal	Routine clinical testing
07/01/2014 . .	Belgium	Van Risseghem	100%	Share deal	Routine clinical testing
09/25/2014 . .	France	Alpigène	55%	Share deal	Genetic

The impact of the acquisitions made in 2014, taken individually or together, on Labco's principal indicators was not material with regard to the 25% threshold laid down in the AMF regulations. Accordingly, no *pro forma* financial information has been prepared for these transactions, since a presentation of their impact is not relevant.

Usual small size acquisitions during the three months ended March 31, 2015:

Acquisition date	Country	Entity	% acquired	Transaction form	Business
02/17/2015	France	LB Defasque	NA	Asset deal	Routine clinical testing
02/12/2015	Belgium	CPG Laboratoire	NA	Asset deal	Routine clinical testing

The impact of the above acquisitions made during the three months ended March 31, 2015, taken individually or together, on Labco's principal indicators was not material. Accordingly, no *pro forma* financial information has been prepared for these transactions, since a presentation of their impact is not relevant.

Usual small size acquisitions for the period after March 31, 2015 up to the date of this offering memorandum:

Acquisition date	Country	Entity	% acquired	Transaction form	Business
04/03/2015 . . .	Italy	TMA & TMA Medical	100%	Share deal	Imaging & Medical services
05/22/2015 . . .	France	Unibio & Unibionor	100%	Share deal	Routine clinical testing
05/27/2015 . . .	France	LABM Patrick Benoit	NA	Asset deal	Routine clinical testing
05/29/2015 . . .	France	3 entities Technipath	100%	Share deal	Anatomopathology
07/01/2015 . . .	France	Derne-Groslambert	100%	Share deal	Routine clinical testing

The impact of those acquisitions, taken individually or together, on Labco's principal indicators was not material. Accordingly, no *pro forma* financial information has been prepared for these transactions, since a presentation of their impact is not relevant.

Transactions giving rise to pro forma financial information

Strategic acquisition of the SDN Group

Labco completed the SDN Acquisition on July 30, 2014 at a price of €115.0 million, including a deferred payment of €10.0 million. The SDN Group provides integrated diagnostic services including (routine and specialty) clinical tests and the full spectrum of medical imaging services (radiology, MRI), with considerable expertise in nuclear imaging. For a description of the SDN Acquisition, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Principal Factors Affecting Labco's Results of Operations—Expansion of Labco's Network of Clinical Laboratories through Acquisitions and Dispositions*" and "*Business—Labco's Core Markets—Overview of Labco's Southern European Market—Italy*."

***Pro forma* financial information**

The *pro forma* consolidated statement of income for the year ended December 31, 2014 has been prepared as if the SDN Acquisition had occurred on January 1, 2014.

Pro forma statement of income for the year ended December 31, 2014

Pro Forma Consolidated Statement of Income

	IFRS Labco Group not adjusted *pro forma*	Pre-acquisition data SDN under Italian GAAP not adjusted *pro forma*	Total *pro forma* adjustments	IFRS data Labco Group + SDN adjusted *pro forma*
		(unaudited) (€ thousands)		
Revenue	611,269	33,855	0	645,124
Other income	4,361	81	0	4,442
Total revenue	**615,630**	**33,936**	**0**	**649,566**
Cost of sales	(140,050)	(5,597)	0	(145,647)
Payroll related expenses	(256,763)	(4,797)	0	(261,560)
Share based payment (warrants)	(1,965)	0	0	(1,965)
Other operating expenses	(102,130)	(5,460)	0	(107,590)
Transaction costs for usual small size acquisitions	(1,473)	0	0	(1,473)
EBITDA	**113,250**	**18,082**	**0**	**131,332**
Depreciation and amortization expense	(23,690)	(1,606)	1,973	(23,323)
Provisions, impairment losses and reversals on assets	(356)	(5)	0	(361)
Provisions, impairment losses and reversal on liabilities	(135)	0	0	(135)
Depreciation, impairment losses and amortization, provisions and reversals	(24,181)	(1,611)	1,973	(23,819)
Results from operating activities before non-recurring activities	**89,069**	**16,471**	**1,973**	**107,513**
Restructuring Expenses and Provision for major litigations	(13,127)	(3,816)	0	(16,943)
Perimeter effect	(1,806)	0	0	(1,806)
Impairment and reversal of impairment of non-operational assets and liabilities	(6,424)	(2,073)	0	(8,497)
Gains/ losses on sale of assets	510	122	0	632
Non recurring income and expenses	(20,848)	(5,767)	0	(26,614)
Results from operating activities after non-recurring activities	**68,221**	**10,705**	**1,973**	**80,899**
Financial income	878	218	0	1,095
Financial costs	(65,384)	(112)	(1,586)	(67,082)
Net finance costs	(64,506)	106	(1,586)	(65,986)
Income tax expenses	(18,701)	(5,932)	529	(24,104)
Share of profit of associates	431	0	0	431
Net profit of the period from Continuing Operations	**(14,554)**	**4,878**	**915**	**(8,760)**
attributable to non-controlling interest	445	0	0	445
attributable to the owners of the company	(14,999)	4,878	915	(9,205)

Notes to the *pro forma* information

Underlying financial information

The *pro forma* financial information has been prepared using the following historical financial information to which restatements and presentation adjustments have been made to produce the *pro forma* financial information:

- Labco's Audited Financial Statements for the year ended December 31, 2014, included elsewhere in this offering memorandum. Such financial statements include the SDN Group's income for the period between July 31, 2014 and December 31, 2014.

- The SDN Group's interim financial information for the pre-acquisition period from January 1 to July 30, 2014, which were prepared in accordance with Italian GAAP but classified in line with Labco's chart of accounts and did not undergo a limited review.

The *pro forma* financial information has been prepared in accordance with IFRS, as adopted by the Labco Group. See Notes 2 and 3 to Labco's Audited Financial Statements for the year ended December 31, 2014 included elsewhere in this offering memorandum. The SDN Group's interim financial information for the pre-acquisition period from January 1 to July 30, 2014 were prepared in accordance with Italian GAAP. These standards comply in a number of areas, especially those specific to clinical testing services, with IFRS, with the notable exception of goodwill amortization. Reclassifications and adjustments were also made during the preparation of the *pro forma* financial information to bring these financial statements into line with Labco's IFRS chart of accounts.

The *pro forma* financial information does not take into account:

- cost savings and other synergies that may be unlocked from the SDN Acquisition;
- special items potentially arising from restructuring or integration costs that may be incurred as a result of the acquisition;
- any tax expense or benefit that may arise from another corporate or tax reorganization of the Group.

Principal reclassifications and restatements

Following a preliminary analysis, reclassifications between aggregates were made to items in the SDN Group's statement of income to harmonize the presentation in accordance with Italian GAAP with transactions of a similar type performed by the Labco Group in accordance with IFRS.

Restatements and adjustments were made to the statement of income to (i) bring the SDN Group's financial statements in compliance with IFRS, (ii) compile the *pro forma* financial information as if the SDN Group had been acquired on January 1, 2014 with respect to the income statement adjustments.

1. The adjustments to bring the financial statements in compliance with IFRS include:
    - Cancellation of the goodwill impairment loss recognized in the SDN Group's financial statements in accordance with Italian GAAP (amounting to €3.4 million per annum).
2. The *pro forma* effects include:
    - The restatement linked to financing arrangements for the acquisition of the SDN Group. Labco adopted the actual financing arrangements and recognized their effects as if they had been put in place on January 1, 2014. An amount of €95.0 million was drawn down from Labco's revolving credit facility to finance the acquisition at an interest rate of EURIBOR + 4.5% giving rise to interest expense net of tax (estimated at a rate of 33.33%) of €1.1 million in the seven first months ended July 31, 2014, while €10.0 million came from Labco's treasury. Accordingly, the financial cost arising from non-utilization fees for the part amounting to €95.0 million (rate of 2.025%) recognized in Labco's financial statements over these periods was cancelled.

Presentation of the various pro forma adjustments made:

To Labco's statement of income for the year ended December 31, 2014

Pro Forma Consolidated Statement of Income

	***Pro forma* effect**	**IFRS adjustments**	**Total *pro forma* adjustments**
		(unaudited) (€ thousands)	
Revenue			0
Other income			0
Total revenue			0
Cost of sales			0
Payroll related expenses			0
Share based payment (warrants)			0
Other operating expenses			0
Transaction costs for usual small size acquisitions			0
EBITDA			0
Depreciation and amortization expense		1,973	1,973
Provisions, impairment losses and reversals on assets			0
Provisions, impairment losses and reversal on liabilities			0
Depreciation, impairment losses and amortization, provisions and reversals		1,973	1,973
Results from operating activities before non-recurring activities		**1,973**	**1,973**
Restructuring Expenses and Provision for major litigations			0
Perimeter effect			0
Impairment and reversal of impairment of non-operational assets and liabilities			0
Gains/losses on sale of assets			0
Non recurring income and expenses			10
Results from operating activities after non-recurring activities		**1,973**	**1,973**
Financial income			0
Financial costs	(1,586)		(1,586)
Net finance costs	(1,586)		(1,586)
Income tax expenses	529		529
Share of profit of associates			0
Net profit of the period from Continuing Operations	**(1,057)**	**1,973**	**915**
attributable to non-controlling interest			0
attributable to the owners of the company	(1,057)	1,973	915

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF LABCO

The following tables present summary historical consolidated financial information and other data for Labco for the periods ended and as of the dates indicated below.

Labco's financial data as of and for each of the years ended December 31, 2012, 2013 and 2014 included in the summary historical consolidated financial information have been derived from the Labco Audited Financial Statements included elsewhere in this offering memorandum. The audited consolidated financial statements for the years ended December 31, 2013 and 2014 were prepared in accordance with IFRS and have been audited by Labco's statutory auditors, Deloitte & Associés and Aplitec. The audited consolidated financial statements for the year ended December 31, 2012 were prepared in accordance with IFRS and have been audited by Labco's statutory auditors at that time, Deloitte & Associés and Pierre Henri Scacchi et Associés. Free English translations of their audit reports are included elsewhere in this offering memorandum, together with the Labco Audited Financial Statements.

Labco's financial data as of and for each of the three months ended March 31, 2014 and 2015 included in the summary consolidated financial information have been derived from the Labco Unaudited Interim Financial Statements included elsewhere in this offering memorandum. The Labco Unaudited Interim Financial Statements were prepared in accordance with IAS 34 and include unaudited comparable information for the three-month period ended March 31, 2014. The Labco Unaudited Interim Financial Statements have been reviewed by Labco's statutory auditors. A free English translation of this report has been included in this offering memorandum, together with the Labco Unaudited Interim Financial Statements.

The Labco Financial Statements included in this offering memorandum have not been adjusted to reflect the impact of any changes to the income statements, balance sheet or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Acquisitions, nor have they been adjusted to reflect the impact of any changes to the balance sheet as a result of limitations on our ability to use certain net operating loss carryforwards for income tax purposes following the Acquisitions. Labco expects that part of the carrying value for deferred tax assets on its balance sheet may be reduced as a result of a potential postponement of its ability to use them. Only the loss carryforwards of Labco's subsidiary in Germany will be definitively lost as a result of the Acquisitions, although these were not booked as deferred tax assets in the Labco Financial Statements. In addition, the application of purchase accounting could result in different carrying values for existing assets and assets Labco may add to its balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Labco's financial statements could be materially different from the Labco Financial Statements included in this offering memorandum once the adjustments are made.

On December 2, 2013, Labco sold its entire German operations to Sonic Healthcare for an aggregate consideration of €76.0 million. Labco has accounted for such operations as "discontinued operations" with effect from September 30, 2013 in its financial statements, in accordance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). As a result, in Labco's consolidated financial statements as of and for the year ended December 31, 2013, the contribution of its German operations appears separately under the line item "net profit of the period from discontinued operations" rather than under each line item where such contribution was previously recorded, and the consolidated financial information as of and for the year ended December 31, 2012 included for comparison purposes in such consolidated financial statements was restated. Labco has not restated its consolidated financial statements as of and for the year ended December 31, 2012, and such financial statements are therefore not directly comparable with its financial statements as of and for the year ended December 31, 2013.

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Due to the accounting impact of this transaction and the consolidation of the operating results of the SDN Group, Labco's results as of and for the years ended December 31, 2013 and 2014 are not directly comparable. In addition, Labco's results of operations for the three months ended March 31, 2014 do not reflect any results for the SDN Group for that period, whereas the SDN Group's results are fully consolidated in Labco's results of operations for the three months ended March 31, 2015. Labco's results of operations for the three months ended March 31, 2014 are therefore not directly comparable with its results of operations for the three months ended March 31, 2015.

Since January 1, 2015 Labco has applied IFRIC 21 (*Levies*) with impacts to its results of operations recognized retrospectively in accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates* *and Errors*). IFRIC 21 provides guidance on recognition of a liability to pay taxes (except for income taxes). IFRIC 21 modifies existing practices for the payment of annual taxes, which, for an entity, is triggered by being in operation on a certain date or by achieving a certain level of activity. The impact of IFRIC 21 on the Labco Group is limited to the time at which it recognized a French levy known as "C3S" (*contribution sociale de solidarité des sociétés*). To improve the comparability of Labco's results of operations for the three months ended March 31, 2015, Labco's consolidated statement of income for the comparative period of March 31, 2014 has been restated in order to reflect the impact of IFRIC 21 on the gross amount (excluding deferred tax effect of €0.1 million), which amounts to €0.4 million in other operating expenses. The application of IFRIC 21 has no impact on cash flow from operating activities as the corresponding reduction in EBITDA is offset by an increase in other current liabilities.

The following tables should be read in conjunction with "*Use of Proceeds*," "*Capitalization*," "*Selected Historical Consolidated Financial Information of Labco*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco*," "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*" and the Labco Financial Statements and the notes related thereto included elsewhere in this offering memorandum. Historical results are not necessarily indicative of future expected results. In addition, Labco's results for the three months ended March 31, 2015 should not be regarded as indicative of our expected results for the year ended December 31, 2015.

Consolidated Statement of Income

	Year ended December 31,			Three months ended March 31,	
	2012 (restated)	2013	2014	2014 (restated))	2015
				(unaudited)	
			(€ millions)		
Revenue	511.4	544.2	611.3	150.4	179.0
Other income	2.9	3.1	4.4	0.6	1.2
Total revenue	**514.2**	**547.3**	**615.6**	**151.0**	**180.2**
Cost of sales	(111.3)	(122.8)	(140.1)	(33.5)	(41.6)
Payroll-related expenses	(219.6)	(232.5)	(256.8)	(61.9)	(70.2)
Share-based payment (warrants)	(0.6)	(0.3)	(2.0)	0.0	(0.9)
Other operating expenses	(77.7)	(84.5)	(102.1)	(22.6)	(29.0)
Transactions costs for usual small size acquisitions	(1.5)	(1.0)	(1.5)	(0.4)	(0.3)
EBITDA(1)	**103.4**	**106.3**	**113.2**	**32.5**	**38.3**
Depreciation, impairment losses and amortization, provisions and reversals	(17.6)	(19.0)	(24.2)	(5.1)	(6.7)
Results from operating activities before non-recurring activities	**85.8**	**87.3**	**89.1**	**27.5**	**31.6**
Non-recurring income and expenses	(6.5)	0.3	(20.8)	(0.6)	(1.1)
Results from operating activities after non-recurring activities	**79.3**	**87.5**	**68.2**	**26.9**	**30.5**
Net finance costs	(53.8)	(59.1)	(64.5)	(15.1)	(16.2)
Income tax expenses	(18.6)	(21.1)	(18.7)	(6.7)	(8.1)
Share of profit of associates	(0.1)	(1.3)	0.4	0.0	0.0
Net profit of the period from Continuing Operations	**6.9**	**6.0**	**(14.6)**	**—**	**—**
Net profit of the period from Discontinued Operations	(35.0)	6.8	0.0	—	—
Net profit of the period	**(28.1)**	**12.8**	**(14.6)**	**5.1**	**6.3**
Profit attributable to non-controlling interest	0.4	0.1	0.4	0.2	0.1
Profit attributable to the owners of the company	(28.5)	12.7	(15.0)	4.9	6.2

(1) EBITDA represents net profit before (i) income tax expenses, net, (ii) finance costs, (iii) depreciation, impairment losses and amortization, provisions and reversals, (iv) share profit of associates, and (v) non-recurring income and expenses. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indenture.

Consolidated Statement of Financial Position

	As of December 31,			As of March 31, 2015
	2012	2013	2014	(unaudited)
	(€ millions)			
Goodwill	620.6	581.5	702.4	704.8
Intangible assets	12.6	25.0	26.8	27.8
Property, plant and equipment	59.9	67.2	93.2	94.5
Investments in associates	2.3	2.0	2.0	2.0
Other non-current assets	8.9	9.3	11.1	11.1
Deferred tax assets	7.6	8.6	10.9	11.0
Non-current assets	**712.0**	**693.5**	**846.6**	**851.2**
Inventories	8.9	8.2	11.3	11.4
Trade receivables	97.4	85.5	91.3	105.7
Other current assets	13.7	12.9	23.5	26.9
Cash and cash equivalents	56.6	167.8	74.1	83.9
Current assets	**176.7**	**274.5**	**200.2**	**227.9**
Assets classified as held for sale	0.0	0.0	0.0	0.0
Total assets	**888.6**	**968.0**	**1,046.8**	**1,079.1**
Share capital	68.5	68.5	68.7	70.6
Additional paid-in capital	211.0	211.0	93.7	94.0
Reserves attributable to owners of the parent	(85.6)	(114.1)	(4.8)	(19.7)
Currency translation adjustments	(0.2)	(0.2)	0.4	1.0
Net income (Group share)	(28.5)	12.7	(15.0)	6.2
Equity attributable to owners of the parent	**165.3**	**177.9**	**143.1**	**152.0**
Non-controlling interests	1.2	1.2	(0.06)	0.04
Total equity	**166.4**	**179.2**	**143.0**	**152.1**
Provisions—non-current	0.9	0.0	2.4	2.5
Employee benefits liabilities	8.2	8.6	15.0	15.6
Borrowings and other financial liabilities—non-current	548.7	616.0	691.3	724.1
Other non-current liabilities	2.3	1.5	11.1	10.1
Deferred tax liabilities	2.4	5.0	6.0	6.1
Non-current liabilities	**562.4**	**631.2**	**725.8**	**758.4**
Provisions—current	5.8	2.9	9.2	3.4
Current financial liabilities	31.9	33.7	33.2	21.5
Trade liabilities	57.0	60.9	74.3	77.7
Other current liabilities	65.1	60.3	61.2	66.0
Current liabilities	**159.9**	**157.7**	**178.0**	**168.6**
Liabilities classified as held for sale	0.0	0.0	0.0	0.0
Total equity and liabilities	**888.6**	**968.0**	**1,046.8**	**1,079.1**

Consolidated Statement of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2012 (restated)	2013	2014	2014 (restated)	2015
				(unaudited)	(unaudited)
			(€ millions)		
EBITDA[(1)]	**103.4**	**106.3**	**113.2**	**32.5**	**38.3**
Other calculated revenues and expenses	1.2	1.1	1.3	0.1	1.0
Dividends received from associates	0.4	0.3	0.4	0.0	0.0
Cash from (used in) non-recurring expenses net	(6.7)	(5.6)	(14.3)	(1.0)	(8.2)
Changes in inventories	1.0	0.1	(2.6)	(0.1)	0.0
Changes in trade and other receivables from operations	(0.1)	3.9	4.2	(4.1)	(16.1)
Changes in trade and other payables from operations	7.8	1.2	14.2	1.6	2.2
Changes in other receivables and payables	(3.7)	2.2	(1.5)	(1.4)	0.3
Income tax paid	(19.6)	(24.5)	(29.3)	(3.7)	(2.4)
Cash flows from (used in) operating activities of discontinued operations	6.5	8.0	—	—	—
Cash flows from (used in) operating activities (A)	**90.2**	**93.0**	**85.6**	**24.1**	**15.3**
Purchases of intangible, property, plant and equipment	(14.3)	(18.9)	(36.0)	(4.1)	(8.0)
Proceeds on disposals of intangible, property, plant and equipment	0.2	0.2	0.4	0.1	0.1
Purchases of investments, net of cash acquired and changes in debt related to acquisitions	(44.5)	(20.2)	(125.2)	(16.4)	(3.5)
Net increase (decrease) in other assets	0.2	73.0	(3.5)	(2.9)	(0.1)
Changes effect in consolidation scope	(0.4)	0.2	1.1	0.0	0.0
Cash flows from (used in) operating activities of discontinued operations	(1.3)	(6.5)	—	—	—
Cash flows from (used in) investing activities (B)	**(60.0)**	**27.7**	**(163.1)**	**(23.3)**	**(11.5)**
Proceeds from share capital increase	27.4	0.0	(19.2)	(15.0)	1.5
Cash from (used in) net financial profit (loss)	(50.6)	(52.0)	(57.8)	(26.9)	(26.5)
New borrowings and other financial liabilities	616.4	192.4	429.8	1.4	256.8
Repayment of borrowings and other financial liabilities	(627.1)	(142.2)	(361.8)	(1.0)	(224.4)
Repayment of finance lease liabilities	(6.0)	(6.0)	(6.9)	(1.6)	(1.6)
Dividends paid	(0.1)	(0.1)	0.04	0.0	0.0
Cash flows from (used in) operating activities of discontinued operations	(1.7)	(1.5)	—	—	—
Cash flows from (used in) financing activities (C)	**(41.8)**	**(9.3)**	**(16.0)**	**(43.1)**	**5.7**
Total cash flows (A+B+C)	**(11.6)**	**111.4**	**(93.5)**	**(42.3)**	**9.5**
Cash and cash equivalent at the beginning of the period	67.7	56.1	167.4	167.4	74.0
Change effect in foreign exchange rate	(0.0)	(0.1)	0.1	0.0	0.2
Cash and cash equivalent at the end of the period	56.1	167.4	74.0	125.1	83.8
Net increase (decrease) in cash and cash equivalents	**(11.6)**	**111.4**	**(93.5)**	**(42.3)**	**9.5**

(1) EBITDA represents net profit before (i) income tax expenses, net, (ii) finance costs, (iii) depreciation, impairment losses and amortization, provisions and reversals, (iv) share profit of associates non-recurring and (v) income and expenses. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indenture.

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

The following should be read in conjunction with the information set forth under "Selected Historical Consolidated Financial Information of Synlab," "Presentation of Financial and Other Information," and Synlab's Financial Statement's included elsewhere in this offering memorandum.

The following discussion includes forward-looking statements based on assumptions about Synlab's future performance. Synlab's actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described under "Forward-Looking Statements," "Risk Factors" and elsewhere in this offering memorandum.

Overview

Synlab is the market leader in the Czech Republic, Italy and Hungary and believes it is one of the top two providers of medical diagnostic services in Germany, Estonia and Finland, and one of the top three players in Switzerland, based on 2014 revenue. Synlab's strong market positions are attributable to the superior scale of its laboratory network, the high quality and reliability of its services and the broad spectrum of tests it offers across its laboratory network. The growing market for clinical laboratory and medical diagnostic services in Europe is driven by positive secular trends, including an aging population, increasing prevalence of chronic diseases, a growing focus on disease prevention and increased outsourcing of clinical laboratory testing by hospitals. Significant portions of the European market remain highly fragmented, and Synlab has established itself as one of the foremost consolidators of clinical laboratories in Europe. Since Synlab was founded in 1998, it has expanded through numerous acquisitions to build a network of over 300 laboratories across Europe, including entering at least one new market per year since 2011. Synlab believes that due to its leading market positions and its strong consolidation platform, it is well-positioned to benefit from the attractive long-term growth and consolidation trends in the clinical laboratory and medical diagnostic services market in Europe.

Synlab's business operations are characterized by a high degree of diversification across customers and payers, geographies, testing services and test parameters. Synlab's broad and diverse customer and payer base includes more than 30,000 medical practices, 700 hospitals and thousands of individuals, in addition to medical insurance companies, pharmaceutical companies and other corporate employers. Synlab's largest customer, a hospital chain operator, accounted for approximately 1% of its revenue in 2014. As of December 31, 2014, Synlab operated a network of over 300 laboratories and 285 blood collection points serving customers in 22 countries. Synlab's efficient hub-and-spoke network comprised 83 base laboratories and 208 hospital/satellite laboratories as well as 16 central hub laboratories, which perform specialty tests on samples provided from other network laboratories. Through its laboratory network, Synlab is able to offer a full spectrum of approximately 5,000 clinical laboratory tests used by the medical profession in patient diagnosis and in the monitoring and treatment of disease. In 2014, Synlab performed approximately 240 million tests, with its top test accounting for less than 1% of its revenue.

Synlab conducts clinical and medical diagnostic tests, including many specialty and routine tests using automated testing equipment, delivers results to prescribing doctors and patients and offers assistance with the interpretation of such results through its laboratory doctors. In addition to its focus in human medicine, Synlab is also active in adjacent markets in environmental and veterinary testing. Synlab is a trusted partner to leading healthcare, pharmaceutical and consumer goods companies, who also benefit from its introduction of approximately 50 new test parameters per year and provide it with further growth and diversification potential.

For the year ended December 31, 2014, Synlab generated revenue of €729.4 million and Adjusted EBITDA of €124.5 million. For the twelve months ended March 31, 2015, Synlab generated revenue of €736.6 million, Adjusted EBITDA of €125.2 million, Estimated Total Revenue of €744.1 million and Estimated Adjusted EBITDA of €139.1 million. As of March 31, 2015, Synlab had 8,006 full-time employees, including 654 laboratory doctors and 3,699 medical technical assistants.

Principal Factors Affecting Synlab's Results of Operations

You should consider the following factors when analyzing Synlab's financial condition and results of operations.

Demand for Laboratory Tests

Synlab's revenue is directly linked to the volume of tests it performs, which is dependent on a number of factors, over many of which, including general economic conditions, Synlab has little or no control. Demographic trends, including the aging of the population and the increasing prevalence of chronic diseases, such as cancer and diabetes, which require recurrent tests, are contributing to increased demand for its services. Testing volumes have also increased as the medical profession has, over time, shifted its focus from the treatment of chronic and severe illnesses to the prevention and early detection and diagnosis of such illnesses. This shift has been supported by growing demand for customized healthcare solutions and the potential for preventive medicine to reduce medication and hospitalization costs. In doing so, physicians are also increasingly relying on clinical testing for more accurate diagnoses. Furthermore, the development of new technologies and tests, combined with the reduction in costs from increased automation of testing, has increased the role of clinical testing. In addition, outsourcing of tests, in particular specialty tests, from hospital laboratories has also increased in many countries where Synlab operates, due mainly to budgetary pressures and public spending cuts. Finally, the overall greater health consciousness of the general public along with increased disposable income contribute to both volume growth and a willingness of certain patients to absorb out-of-pocket costs. Synlab is also developing new revenue streams in response to growing demand for environmental and veterinary medicine clinical testing, which are attractive growth opportunities not subject to regulated tariffs for laboratory testing.

Regulated Tariffs for Laboratory Testing

In a number of the markets in which Synlab operates, its services are provided through healthcare programs funded, at least in part, by public authorities which establish tariffs and reimbursement levels for some or all the clinical laboratory testing services it provides. Tariffs and reimbursement levels vary significantly by country, with average reimbursement levels for laboratory tests generally lower in Germany than in other European countries in which Synlab operates. In other markets, such as Switzerland, healthcare patients rely on private insurance to pay medical bills, but the pricing of medical services is regulated by the state. In such markets, tariffs are set by governments and healthcare authorities and are the basis of the prices Synlab charges to its clients. Governments also can control healthcare expenditure by cutting tariffs or reimbursement levels, and by limiting the services covered by government health programs. The timing of tariff cuts and other measures related to the reduction of healthcare expenditure may also affect the comparability of Synlab's financial results and the scope of the impact on a particular period or in a particular country. In the year ended December 31, 2014, Synlab estimates that approximately 29% of its revenue from human medicine in Germany, Switzerland, Italy, the Czech Republic and Belgium (the revenue from human medicine in those countries together accounted for 76.2% of Synlab's revenue in the year ended December 31, 2014) was generated from health insurance providers subject to regulated tariffs and approximately 26% and 31% of its revenue from human medicine in such countries was generated from private payers or other payers, respectively, with which prices for its laboratory testing services are freely negotiated.

To limit the scope of reimbursement, governments often do not extend coverage to certain specialty or innovative tests that may provide higher margins for Synlab's business. Moreover, during the periods under review, authorities in various European markets, including Germany, the Czech Republic and Italy implemented or announced their intention to implement measures aimed at curbing government expenditure, including on healthcare, and this has had and may have in the future a negative impact on tariffs and reimbursement levels and, in turn, prices Synlab charges for its tests. For example, in 2012, authorities in Germany introduced quotations for laboratory services in an effort to discourage "excessive" testing by restricting the number of clinical laboratory tests for which a patient may be fully reimbursed. Specifically, once a patient exceeds the specified limit, any additional tests are reimbursed at a discount. In addition, in the second half of 2012, the German Federal Association of Statutory Health Insurance Physicians (*Kassenärztliche Bundesvereinigung*, or national "KV") implemented a central federal quota (i.e., a capped percentage of the scheduled uniform standard fees (*Einheitlicher Bewertungsmaßstab*, "EBM")) for laboratory tests. Contrary to the former system, whereby quotas on scheduled compensations were managed at the regional level, under the new national EBM funding structure quotas are calculated nationwide and in advance for each quarter with the general objective of limiting the recent significant increase in laboratory testing expenses in Germany. The quota for the fourth quarter of 2012 was 95.4%. It decreased for the first quarter of 2013 to 89.2%. The quota for the first quarter of 2015 is 91.6%. Future quotas are not yet known.

Although the clinical laboratory services market is generally considered to be less sensitive to economic cycles and short-term fluctuations than certain other markets, a prolonged weakening of overall economic conditions may have a negative impact on Synlab's results of operations as governments and third-party payers seek to reduce healthcare expenditure. Deteriorating economic conditions have in the past led, and may in the future lead, governments and insurance providers to seek to reduce healthcare expenditure growth, which increases pressure on volumes and prices for Synlab's services. However, Synlab benefits from a broad customer base and a diversity of payers for its testing services. In addition, Synlab's increasing volumes of revenue generated from its environmental laboratory and veterinary diagnostics services, which are not subject to regulated tariffs like in human diagnostics clinical testing, will help to offset the impact of future reductions in healthcare expenditure. Nevertheless, individual decisions to reduce out-of-pocket healthcare, environmental or veterinary expenditures may result in reduced demand for Synlab's services. More broadly, a general diminution of disposable income, or the perception thereof in times of economic downturn, can lead to a reduction in individuals' health expenditures, regardless of the level of reimbursements by public social security systems or private insurance.

Expansion of Synlab's Laboratory Network through Acquisitions

The European clinical laboratory testing market is highly fragmented. For example, Synlab estimates that the accessible market in Italy has more than 5,000 laboratories and the remaining share of the accessible market in Germany includes more than 300 laboratories with a regional focus. Synlab believes that consolidation of the European clinical laboratory testing market will allow large international laboratory consolidators, like Synlab, who benefit from high testing volumes across geographic markets, to further expand regional laboratory clusters, improve efficiency and lower overall cost, and thus mitigate the effect of future price declines.

Synlab has a proven track record as an effective consolidator of small, locally-owned private laboratories and intend to continue to acquire laboratories to expand its footprint in existing markets, reinforce its scientific expertise and expand into new markets. Synlab applies rigorous investment criteria when evaluating and executing acquisition opportunities, including the geographic compatibility and operational capability of the potential target with its business, valuation multiples, synergy potential and the expected ease with which Synlab can integrate the potential target. During the periods under review, Synlab has focused on acquisitions of small- and medium-sized regional laboratories in Germany, Switzerland, Italy, Belgium and North Europe to strengthen its network in these countries and enter into new markets which present attractive growth opportunities. In the years ended December 31, 2012, 2013 and 2014, Synlab completed 14, 18 and 13 acquisitions, respectively. Cash outflows for the acquisition of subsidiaries net of cash acquired for the years ended December 31, 2012, 2013 and 2014 amounted to €63.3 million, €91.5 million and €23.2 million, respectively. In the three months ended March 31, 2015, Synlab completed eight acquisitions, with cash outflows for the acquisition of subsidiaries net of cash acquired for the same period amounting to €22.8 million. Synlab believes that these acquisitions have enhanced its competitive position considerably.

Acquisitions affect Synlab's results of operations in several tangible ways. First, Synlab's results for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in its consolidated results. As acquired businesses are consolidated from the date of their acquisition, the full impact of an acquisition is only reflected in Synlab's financial statements in the subsequent period. In addition to the accretive revenue and cost impact of acquisitions, Synlab has historically been able to extract synergies and generate cost savings as a result of acquisitions. Consistent with its investment criteria, Synlab focuses on acquiring laboratories to increase regional market share and scale, which allows Synlab to further improve the efficiency of its organization. In addition, Synlab has historically been successful in generating synergies when it integrates acquired laboratories, including improved scale benefits through volume consolidation and procurement.

Changes in regulation can affect Synlab's ability to expand its laboratory network. For example, as result of changes in the requirements for opening and licensing additional medical care centers (*Medizinische Versorgungszentren*) ("MVZ") in Germany in 2012, no new acquisitions in Germany which would have necessitated the establishment of a new MVZ could be made in the first half of 2013. Accordingly, Synlab's acquisition activity in that period was concentrated on the expansion of existing MVZs in Germany and acquisitions in other markets. In the past, such regulatory changes have only temporarily affected Synlab's acquisition strategy in the applicable country without having a significant impact on its ability to make acquisitions in other markets.

Because of the nature of the businesses Synlab acquires, it carries a significant amount of goodwill and intangible assets from purchase price allocations on its consolidated statement of financial position. As of December 31, 2013 and 2014 and March 31, 2015, Synlab recorded goodwill of €350.9 million, €373.3 million and €396.6 million, respectively. Under IFRS, goodwill is recorded as an intangible asset and measured at cost less any accumulated impairment losses. Goodwill is subject to an impairment test annually and whenever there are indications of impairment. Synlab may record significant charges in its consolidated statement of comprehensive income in case of impairment under IFRS.

Synlab intends to further expand its network by continuing to acquire laboratories in each of the markets where it currently operates, and Synlab will continue to be selective in exploring opportunities in other countries.

Organic Growth

Synlab's results of operations are also affected by organic growth in its various businesses, varying from one type of business and one geographical market to another. Synlab determines organic growth between one given financial period and an earlier comparative financial period by calculating the growth in revenue excluding the consolidation perimeter effects arising from acquisitions and disposals completed in either of the financial periods under comparison. In particular, when Synlab analyzes organic growth in revenue between one accounting period ("period n") and the prior comparative accounting period ("period n-1"), the impact of consolidation perimeter effects are determined as follows:

- organic growth for acquisitions that took place during financial period n-1 is calculated by comparing revenue in period n with *pro forma* revenue in period n-1 adjusted for the effects of acquisitions (i.e., by adding back revenue from the acquisitions made during the period prior to the date on which the relevant operations were added to the scope of consolidation). The full-year contribution from the acquisitions made during financial period n-1 consists of the estimate of revenue recognized by the newly acquired companies prior to the date on which they were added to the perimeter of consolidation;
- organic growth for acquisitions that took place during period n is calculated by subtracting revenue generated by the businesses acquired between the date on which they joined the perimeter of consolidation and the end of period n; and
- the percentage of organic growth is then calculated as the ratio of revenue in period n restated for the acquisitions completed during period n/*pro forma* revenue in period n-1 adjusted for the impact of the acquisitions.

In addition to organic growth, Synlab analyzes its results by considering the estimated consequences for revenue of differences in the number of working days between two periods.

Synlab's organic growth between 2012 and 2013 was 1.7% and between 2013 and 2014 was 3.8%.

Synergies and Cost Savings Initiatives

Synergies and cost savings are key components of Synlab's profitability, because they allow Synlab to compensate, in part, for the price pressure from government and third-party payers while continuing to grow its business.

Synlab has been and continues to be focused on achieving operational efficiencies and synergies across its network by optimizing its laboratory networks, particularly in its primary markets, to improve the efficiency of its operations and the effectiveness of its customer service, while reducing cost. In Germany, following a phase of significant growth since 2009, Synlab implemented a number of operational changes to adapt the structure of its operations and management to the increasing size of its laboratory network, including hiring of a new chief executive officer for Germany in 2013 and the establishment of a country management team with regional business unit heads. Additional projects launched in Germany in 2013, which Synlab expects to be largely implemented by the end of 2015, are focused on the reorganization of certain business units, including Synlab's hospital business, increased laboratory and process standardization, purchasing optimization and sales force effectiveness. These have been complemented by enhanced internal reporting quality and transparency to permit benchmarking of certain performance indicators by region, laboratory or location and cost center.

Synlab is also implementing additional operational improvement initiatives in other core markets to drive profitability. In Switzerland, Synlab is focused on further centralizing specialty testing, introducing electronic order capabilities and unifying its laboratory IT system structure to one system for each language. In the Czech Republic, Synlab is continuing to roll out its business-to-customer business with a standardized offering, new blood collection points for full market coverage and increase sharing of knowhow with its Swiss and German genetics specialty laboratories to broaden the spectrum of tests in the Czech Republic. In addition, in Italy, Synlab is standardizing its blood collection points, improving the sharing of best practices to expand into the hospital outsourcing market and reinforcing its sales force with a specialized team focused on hospitals.

Seasonality

Synlab experiences some seasonality in the volumes of tests it performs and, consequently, in its revenue. Synlab has historically performed fewer tests during holiday and vacation periods, notably in the summer months and around the winter holidays, and also during the winter and other periods of adverse weather conditions. The extent of the impact of the seasonality varies among the countries in which Synlab operates and is also affected by the number of working days in a period. Synlab's net working capital requirements generally follow the seasonality of the business and are typically higher in January, with fluctuations also occurring due to the timing of collections and the timing of payments.

Foreign Currency Effects

As of December 31, 2014, Synlab operated in 22 countries throughout Europe and the Middle East. Consequently, a number of Synlab's subsidiaries transact business and report their financial results in currencies other than the euro, Synlab's consolidated reporting currency. Accordingly, Synlab's results of operations are subject to currency effects, primarily currency translation exposure as transaction-related exposure at its subsidiaries is limited because revenue and costs are largely incurred in their respective operating currencies. For those countries with a reporting currency other than euro, income and expense amounts are translated into euro at annual average exchange rates, and assets and liabilities are translated into euro at the reporting date rates. Fluctuations in exchange rates against the euro will give rise to period-on-period differences in Synlab's results of operations. For example, Synlab expects its business operations in Switzerland to contribute more to its consolidated revenue and earnings in 2015 than it has in the past due to the January 2015 abolishment of the peg to the euro that had been in place for the Swiss franc since September 2011. Synlab's primary foreign currency risk relates to fluctuations in the Swiss franc, the Czech crown and the Hungarian forint. See "*—Qualitative and Quantitative Disclosures on Financial Risk—Foreign Currency Risk*."

Description of Key Income Statement Items

Set forth below is a summary description of the key elements of the line items of Synlab's consolidated income statement.

Revenue

Revenue consists of Synlab's sales for its testing services to third parties, including health insurance companies, privately insured patients, hospitals and clinics, physicians and laboratories as well as revenue from environmental analyses, veterinary medicine, other examinations, studies and expert opinions and from trading goods (such as sales of laboratory equipment).

Material Expenses

Material expenses primarily include the costs of reagents and expenses "per reported result," other consumables Synlab purchases from suppliers and which are used for providing its testing services, costs of other purchased or external analysis services and merchandise. Framework agreements with laboratory equipment manufacturers provide for payments to suppliers based on the analyses performed on a per reported result billing basis. Costs per reported result comprise material inputs such as reagents, consumables and calibrators as well as, in some cases, allocated service charges for maintenance and leasing.

Personnel Expenses

Personnel expenses include salaries and wages, overtime pay, bonuses and other variable compensation, expenses resulting from share-based remuneration, pension expenses and social security contributions and other expenses directly related to Synlab's personnel, including termination benefits.

Expenses on Rental and Lease Agreements

Expenses on rental and lease agreements comprise expenses related to Synlab's laboratories and offices, other fixtures and fittings, office equipment and lease payments for analysis equipment and the automobiles comprising Synlab's logistics fleet.

Transport Expenses

Transport expenses comprise operating costs related to Synlab's vehicle fleet and expenses for external logistics providers.

Other Operating Income

Other operating income include income from reversals of valuation allowances, other income unrelated to the reporting period (such as receivables due from health insurance companies), overdue charges (dunning fees), income from disposals of non-current assets and foreign currency translation, rental income, reimbursements of travel expenses, income from recoveries on derecognized receivables and other income. In 2014, other operating income also included changes in the value of contingent consideration, revenue from reversals of provisions and liabilities and passed-on consultancy expenses.

Income from changes in value of contingent consideration primarily relates to the reversal of earn outs in the acquisition of Synlab Finland OY. Income from reversal of provisions and liabilities primarily relates to provisions in connection with legal disputes.

Other Operating Expenses

Other operating expenses principally consist of expenses for temporary employees, IT and communications expenses, administrative costs, legal and consulting fees, advertising and marketing expenses, additions to allowances for doubtful accounts, cost of premises, repair and maintenance expenses, personnel-related expenses (such as training and recruiting), energy expenses and miscellaneous other operating expenses.

Depreciation, Amortization and Impairment and Reversals of Impairments

Depreciation, amortization and impairment mainly comprise amortization of intangible assets, in particular customer lists from acquisitions of companies, and regular depreciation on property, plant and equipment. In 2014, impairment reversals were also recorded in connection with impairment testing on the cash generating unit Germany as of December 31, 2014 due to the improved earnings situation of the cash generating unit Germany. For additional information, see note 2.4(b) of the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 included elsewhere in this offering memorandum.

Financial Income

Financial income represents income from derivative financial instruments measured at fair value, exchange gains, income from other securities and borrowings and other finance income.

Financial Expenses

Financial expenses primarily include interest expense on interest-bearing loans and borrowings, exchange losses, the interest portion of pension and similar obligations, the unwinding of discounts on other non-current provisions and other finance costs.

Income Tax Expense

Income tax expense includes current and deferred income tax expense. The tax rates and tax laws used to compute current income taxes are those that are enacted in the countries where the respective Group companies operate and generate taxable income.

Results of Operations

Comparison of the Three Months Ended March 31, 2015 and 2014

The following table shows Synlab's results of operations for the periods indicated.

	Three months ended March 31,	
	2014	2015
	(€ millions) (unaudited)	
Revenue	**185.1**	**192.3**
Material expenses	(47.5)	(47.4)
Personnel expenses	(64.8)	(68.6)
Expenses on rental and lease agreements	(7.4)	(8.1)
Transport expenses	(6.9)	(6.4)
Other operating income	2.9	3.5
Other operating expenses	(29.3)	(32.1)
Depreciation, amortization and impairment	(16.0)	(17.1)
Income from reversal of impairments of customer lists	—	—
Operating profit/loss	**16.1**	**16.1**
Share of profit of associates	0.0	(0.2)
Financial income	0.2	4.0
Financial expenses	(7.7)	(13.4)
Revaluation on shares in partnerships with a non-controlling interest	0.0	(0.2)
Income before tax	**8.6**	**6.2**
Income tax expense	(3.2)	(2.9)
Consolidated profit/loss for the period	**5.4**	**3.3**

Revenue

Synlab's revenue increased by €7.2 million, or 3.9%, from €185.1 million in the three months ended March 31, 2014 to €192.3 million in the three months ended March 31, 2015.

The table below sets forth, for each of the periods indicated, Synlab's revenue from external customers by geography.

	Three months ended March 31,	
	2014	2015
	(€ millions) (unaudited)	
Germany	104.6	100.4
Switzerland	20.8	26.0
Italy	17.4	20.0
Czech Republic	11.6	12.3
Belgium	6.2	6.8
Hungary	6.3	6.1
Austria	5.0	5.2
North Europe	4.5	5.4
Slovakia	3.1	2.8
Other (Rest of World)	5.5	7.3
Total	**185.1**	**192.3**

Revenue in Germany decreased by €4.2 million, or 4.0%, from €104.6 million in the three months ended March 31, 2014 to €100.4 million in the three months ended March 31, 2015. The decrease was mainly driven by a decrease in human medicine revenues by €3.2 million and a decrease in environmental revenues by €0.9 million and was partly offset by the revenue contribution of acquisitions in April and May 2014.

Revenue in Switzerland increased by €5.2 million, or 25.0%, from €20.8 million in the three months ended March 31, 2014 to €26.0 million in the three months ended March 31, 2015. The increase in revenue in Switzerland was driven to a significant extent by the positive impact of the favorable exchange rate movement in the three months ended March 31, 2015 compared to the same period in the prior year.

Revenue in Italy increased by €2.6 million, or 14.9%, from €17.4 million in the three months ended March 31, 2014 to €20.0 million in the three months ended March 31, 2015. The increase was primarily driven by the contributions of acquisitions in 2014 to increase coverage in certain regions, all of which occurred after March 31, 2014 and therefore did not contribute to Synlab's revenue in the three months ended March 31, 2014.

Revenue in the Czech Republic increased by €0.7 million, or 6.0%, from €11.6 million in the three months ended March 31, 2014 to €12.3 million in the three months ended March 31, 2015. The increase was primarily driven by continued growth in the core business in human medicine and genetic testing services. The increase was partly offset by continuing weakness in the Czech crown.

Revenue in Belgium increased by €0.6 million, or 9.7%, from €6.2 million in the three months ended March 31, 2014 to €6.8 million in the three months ended March 31, 2015. The increase was supported by the revenue contribution of an additional laboratory in April 2014, which, consequently, did not contribute to Synlab's revenue for the three months ended March 31, 2014.

Revenue in Hungary decreased by €0.2 million, or 3.2%, from €6.3 million in the three months ended March 31, 2014 to €6.1 million in the three months ended March 31, 2015. The decrease was primarily driven by currency translation effects as a result of the continuing weakness of the Hungarian forint.

Revenue in Austria increased by €0.2 million, or 4.0%, from €5.0 million in the three months ended March 31, 2014 to €5.2 million in the three months ended March 31, 2015. The increase was primarily due to positive organic growth in the market.

Revenue in North Europe increased by €0.9 million, or 20.0%, from €4.5 million in the three months ended March 31, 2014 to €5.4 million in the three months ended March 31, 2015. The increase was supported by the revenue contribution of Lab1 AS, through the acquisition of which on December 31, 2014 Synlab entered the market in Norway and which, consequently, did not contribute to its revenue for the three months ended March 31, 2014.

Revenue in Slovakia decreased by €0.3 million, or 9.7%, from €3.1 million in the three months ended March 31, 2014 to €2.8 million in the three months ended March 31, 2015. The decrease was primarily driven by the loss of an outsourcing contract in 2014 after March 31, 2014, thereby negatively affecting the revenue generated in the three months ended March 31, 2015 relative to the same period in the prior year.

Revenue in other countries (Rest of World) increased by €1.8 million, or 32.7%, from €5.5 million in the three months ended March 31, 2014 to €7.3 million in the three months ended March 31, 2015. The increase was primarily attributable to generally positive in various countries comprising this segment.

Material Expenses

Synlab's material expenses decreased slightly by €0.1 million, or 0.2%, from €47.5 million in the three months ended March 31, 2014 to €47.4 million in the three months ended March 31, 2015. The decrease was primarily due to a decline in material expenses in Germany and Northern Europe, due to, respectively, a favorable renegotiations of several hospital contracts and improved production efficiency and was offset, in part, by an increase in material expenses in Italy and Switzerland due to, respectively, lower reimbursement rates and higher percentage of sales to hospitals, which have lower margins.

Personnel Expenses

Synlab's personnel expenses increased by €3.8 million, or 5.9%, from €64.8 million in the three months ended March 31, 2014 to €68.6 million in the three months ended March 31, 2015. The increase was primarily due to an increase in personnel expenses in Switzerland, which increased from €7.8 million in the three months ended March 31, 2014 to €10.1 million in the three months ended March 31, 2015 and related to the significant exchange rate movement in the Swiss franc compared to the euro in January 2015. The increase was partly offset by smaller declines in personnel expenses in other countries, such as Italy, the Czech Republic and Belgium, among others.

Expenses on Rental and Lease Agreements

Synlab's expenses on rental and lease agreements increased by €0.7 million, or 9.5%, from €7.4 million in the three months ended March 31, 2014 to €8.1 million in the three months ended March 31, 2015. The increase was primarily due to an increase in expenses on rental and lease agreements in Italy, related to new acquisitions and the opening of new blood collection points, and to a lesser extent in Switzerland.

Transport Expenses

Synlab's transport expenses decreased by €0.5 million, or 9.5%, from €6.9 million in the three months ended March 31, 2014 to €6.4 million in the three months ended March 31, 2015. The decrease was primarily due to generally lower transport expenses across most of Synlab's markets and was partly offset by an increase in Switzerland due to the significant exchange rate movement in the Swiss franc compared to the euro in January 2015.

Other Operating Income

Other operating income increased by €0.6 million, or 20.7%, from €2.9 million in the three months ended March 31, 2014 to €3.5 million in the three months ended March 31, 2015. The increase was primarily due to an increase in operating income in Belgium, the Czech Republic and Switzerland and was partly offset by a decrease in Germany.

Other Operating Expenses

Other operating expenses increased by €2.8 million, or 9.6%, from €29.3 million in the three months ended March 31, 2014 to €32.1 million in the three months ended March 31, 2015. The increase was primarily due to legal and consultancy expenses for acquisitions increasing by €0.8 million, auditing expenses increasing by €0.4 million and increased operating expenses in Switzerland, including customer loyalty costs increasing by €0.5 million and IT expenses increasing by €0.2 million.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment increased by €1.1 million, or 6.9%, from €16.0 million in the three months ended March 31, 2014 to €17.1 million in the three months ended March 31, 2015. The increase was primarily due to amortization of intangible assets in the Czech Republic in the amount of €0.6 million and depreciation on customer lists in Italy in an amount of €0.5 million.

Financial Income

Synlab's financial income increased by €3.8 million from €0.2 million in the three months ended March 31, 2014 to €4.0 million in the three months ended March 31, 2015. The increase was primarily due to non-realized exchange rate gains from long-term financings in various countries, including, in particular, Austria and Germany.

Financial Expenses

Synlab's financial expenses increased by €5.7 million, or 74.0%, from €7.7 million in the three months ended March 31, 2014 to €13.4 million in the three months ended March 31, 2015. The increase was primarily due to non-realized exchange rate gains from long-term financings in various countries, including, in particular, Germany and Switzerland.

Income Tax Expense

Income tax expense decreased by €0.3 million, or 9.4%, from €3.2 million in the three months ended March 31, 2014 to €2.9 million in the three months ended March 31, 2015.

Comparison of the Years ended December 31, 2014 and 2013

The following table shows Synlab's results of operations for the periods indicated.

	Year ended December 31,	
	2013	2014
	(€ millions)	
Revenue	**671.2**	**729.4**
Material expenses	(177.4)	(181.1)
Personnel expenses	(240.7)	(257.1)
Expenses on rental and lease agreements	(28.3)	(31.5)
Transport expenses	(26.8)	(27.7)
Other operating income	12.6	27.4
Other operating expenses	(125.5)	(138.0)
Depreciation, amortization and impairment	(62.5)	(65.8)
Income from reversal of impairments of customer lists	0	21.0
Operating profit/loss	**22.6**	**76.5**
Share of profit of associates	0.6	(0.7)
Financial income	4.0	3.2
Financial expenses	(33.8)	(33.8)
Revaluation on shares in partnerships with a non-controlling interest	(1.0)	(0.8)
Income before tax	**(7.7)**	**44.3**
Income tax expense	(7.5)	(12.1)
Consolidated profit/loss for the year	**(15.2)**	**32.2**

Revenue

Synlab's revenue increased by €58.2 million, or 8.7%, from €671.2 million in the year ended December 31, 2013 to €729.4 million in the year ended December 31, 2014.

The table below sets forth, for each of the periods indicated, Synlab's revenue from external customers by geography.

	Year ended December 31,	
	2013	2014
	(€ millions)	
Germany	381.6	406.1
Switzerland	77.5	88.1
Italy	62.1	67.1
Czech Republic	45.2	46.1
Belgium	23.5	24.8
Hungary	25.2	24.7
Austria	20.2	20.3
North Europe	6.9	18.2
Slovakia	12.3	11.4
Other (Rest of World)	16.7	22.3
Total	**671.2**	**729.4**

Revenue in Germany increased by €24.5 million, or 6.4%, from €381.6 million in the year ended December 31, 2013 to €406.1 million in the year ended December 31, 2014. The increase was driven by the revenue contribution of acquisitions in the last two years as well as strong organic growth in southern Germany and increasing demand for environmental analyses, particularly legionella testing. Acquisition activity in Germany in 2014 was primarily focused in the areas of environmental and pharmaceutical testing. The increase was partly offset by Synlab's continuous active hospital contract management and the termination of certain loss-making contracts as well as the loss of certain GPs.

Revenue in Switzerland increased by €10.6 million, or 13.7%, from €77.5 million in the year ended December 31, 2013 to €88.1 million in the year ended December 31, 2014. The increase in revenue in

Switzerland was primarily supported by organic growth across the Swiss laboratory network as well as, to a lesser extent, revenue contributions from newly acquired companies. Further revenue growth was achieved as a result of several new hospital contracts, a reduction in hospital rebates agreed with one of Synlab's primary customers and the acquisition of an environmental laboratory, which allowed Synlab to enter the pharmaceutical analysis segment of the market. Revenue from environmental analysis in Switzerland increased from €1.6 million in the year ended December 31, 2013 to €3.4 million in the year ended December 31, 2014.

Revenue in Italy increased by €5.0 million, or 8.1%, from €62.1 million in the year ended December 31, 2013 to €67.1 million in the year ended December 31, 2014. The increase was primarily driven by the contributions of acquisitions in the previous two years as well as, to a lesser extent, further acquisitions in 2014 to increase coverage in certain regions.

Revenue in the Czech Republic increased by €0.9 million, or 2.0%, from €45.2 million in the year ended December 31, 2013 to €46.1 million in the year ended December 31, 2014. The increase was primarily driven by growth in the core business in human medicine and increasing order flow toward the end of the year in higher-margin genetic testing services. The increase was considerably higher in the local currency but was negatively affected by unfavorable exchange rate movements upon translation into Synlab's consolidated financial statements.

Revenue in Belgium increased by €1.3 million, or 5.5%, from €23.5 million in the year ended December 31, 2013 to €24.8 million in the year ended December 31, 2014. The increase was primarily driven by intensified sales activity and an inflation adjustment and was partly offset by the tariff reform (a reduction in reimbursement) which went into effect in November 2013 and affected revenue and earnings in Belgium in 2014. Revenue from veterinary analysis testing increase from €1.4 million in the year ended December 31, 2013 to €1.6 million in the year ended December 31, 2014.

Revenue in Hungary decreased by €0.5 million, or 2.0%, from €25.2 million in the year ended December 31, 2013 to €24.7 million in the year ended December 31, 2014. The decrease was primarily driven by currency translation effects as a result of the continuing weakness of the forint.

Revenue in Austria increased by €0.1 million, or 0.5%, from €20.2 million in the year ended December 31, 2013 to €20.3 million in the year ended December 31, 2014. The slight increase in revenue was primarily due to higher revenue from human medicine, which increased from €16.3 million to €16.8 million, and was partly offset by a decline in revenue from environmental analysis, which decreased from €2.5 million to €2.0 million over the same period.

Revenue in North Europe increased by €11.3 million from €6.9 million in the year ended December 31, 2013 to €18.2 million in the year ended December 31, 2014. The increase was primarily the result of the first full year revenue contribution of the Quattromed Group, which Synlab acquired in July 2013.

Revenue in Slovakia decreased by €0.9 million, or 7.3%, from €12.3 million in the year ended December 31, 2013 to €11.4 million in the year ended December 31, 2014. The decrease was primarily driven by the loss of an outsourcing contract, which reduced the available budget for billing.

Revenue in other countries (Rest of World) increased by €5.6 million, or 33.5%, from €16.7 million in the year ended December 31, 2013 to €22.3 million in the year ended December 31, 2014. The increase was primarily attributable to the increase of Synlab's shareholdings in companies in Turkey, in which Synlab acquired a majority interest in 2014, and the United Arab Emirates, in which Synlab acquired a majority interest in 2013 and the full year contribution of which is first reflected in 2014. Results were also generally positive in the other countries comprising this segment, namely Slovenia, Macedonia, Croatia, Romania, Poland, Belarus and the United Kingdom.

The table below sets forth, for each of the periods indicated, Synlab's revenue by type.

	Year ended December 31, 2013	Year ended December 31, 2014
	(€ millions)	
Health insurance companies	239.4	250.3
Privately insured patients	203.0	215.5
Clinics	97.4	104.4
Laboratories	31.7	33.6
Doctors	26.3	40.7
Other revenue from human medicine	2.5	1.6
Revenue from human medicine	**600.3**	**646.0**
Revenue from environmental analysis	25.9	34.7
Revenue from other examinations	18.1	17.5
Revenue from veterinary medicine	10.5	11.8
Revenue from trading goods	10.4	7.3
Revenue from studies and expert opinions	3.6	8.1
Other revenue	2.3	4.0
Total	**671.2**	**729.4**

Material Expenses

Material expenses increased by €3.7 million, or 2.1%, from €177.4 million in the year ended December 31, 2013 to €181.1 million in the year ended December 31, 2014. The increase was primarily attributable to an increase in reagents and expenses "per reported result" from €108.9 million in the year ended December 31, 2013 to €120.3 million in the year ended December 31, 2014, which was partly offset by a decrease in consumables during the same period from €50.5 million to €41.9 million. The increase in reagents and expenses "per reported result" reflects the effect of the acquisitions completed in 2014 and the incremental effect of the acquisitions closed in 2013, whereas the decrease in expenses for consumables was attributable to a change in the reporting of non-production-related consumables, which Synlab began reporting under other operating expenses in 2014. As a percentage of revenue, material expenses decreased from 26.4% in the year ended December 31, 2013 to 24.8% in the year ended December 31, 2014.

Personnel Expenses

Synlab's personnel expenses increased by €16.4 million, or 6.8%, from €240.7 million in the year ended December 31, 2013 to €257.1 million in the year ended December 31, 2014. The increase was primarily attributable to an increase in salaries and social security expenses consistent with Synlab's increase in headcount in connection with its acquisitions completed in 2014 and its efforts to increase its sales force team. As a percentage of revenue, personnel expenses decreased from 35.9% for the year ended December 31, 2013 to 35.2% for the year ended December 31, 2014, supported by a decrease in other personnel expenses from €4.9 million to €3.6 million over the same period.

Expenses on Rental and Lease Agreements

Synlab's expenses on rental and lease agreements increased by €3.2 million, or 11.3%, from €28.3 million in the year ended December 31, 2013 to €31.5 million in the year ended December 31, 2014. The increase was due to a combination of increases in expenses for buildings and other fixtures and fittings and office equipment as a result of the effect of the acquisitions completed in 2014 and the first time full-year effect of the acquisitions completed in 2013. The increase was partly offset by a decline in lease payments for analysis equipment.

Transport Expenses

Synlab's transport expenses increased by €0.9 million, or 3.4%, from €26.8 million in the year ended December 31, 2013 to €27.7 million in the year ended December 31, 2014. The increase was attributable to an increase in transport expenses for external logistics providers, from €20.9 million in the year ended December 31, 2013 to €22.2 million in the year ended December 31, 2014 as a result of acquisitions in 2014 in countries where Synlab does not operate its own logistics services. The increase was partly offset by a decrease in expenses for Synlab's vehicle fleet, primarily due to a decrease in fuel and maintenance expenses.

Other Operating Income

Other operating income increased by €14.8 million from €12.6 million in the year ended December 31, 2013 to €27.4 million in the year ended December 31, 2014. The increase was primarily attributable to income in the amount of €8.9 million recorded as changes in value of contingent consideration in the year ended December 31, 2014, of which €8.7 million related to the reversal of earn outs in the acquisition of Synlab Finland OY and the absence of such income in the year ended December 31, 2013. The increase was also attributable, to a lesser extent, to €4.1 million in income from reversal of provisions and liabilities in connection with legal disputes and €3.3 million from passed-on consultancy expenses related to a proposed transaction which was not consummated.

Other Operating Expenses

Other operating expenses increased by €12.5 million, or 10.0%, from €125.5 million in the year ended December 31, 2013 to €138.0 million in the year ended December 31, 2014. The increase was primarily attributable to an increase in legal and consulting fees from €10.6 million in the year ended December 31, 2013 to €14.0 million in the year ended December 31, 2014 related to company acquisitions, legal disputes and restructuring activities, as well as an increase in advertising and marketing expenses from €11.6 million to €14.0 million over the same period mainly related to an increase in customer loyalty expenses in Switzerland by €1.7 million and an increase in advertising and marketing expenses in the Czech Republic by €0.7 million.

Depreciation, Amortization and Impairment and Impairment Reversals

Depreciation, amortization and impairment increased by €3.3 million, or 5.3%, from €62.5 million in the year ended December 31, 2013 to €65.8 million in the year ended December 31, 2014. The increase was primarily attributable to an increase in amortization of intangible assets related to amortization of customer lists from acquisitions. In addition, in the year ended December 31, 2014, Synlab recorded income from the reversal of impairments of customer lists in an amount of €21.0 million as a result of impairment testing of the cash generating unit Germany as of December 31, 2014.

Financial Income

Synlab's financial income decreased by €0.8 million, or 20.0%, from €4.0 million in the year ended December 31, 2013 to €3.2 million in the year ended December 31, 2014. The decrease was primarily attributable to decreases in income from derivative financial instruments measured at fair value and other financial income.

Financial Expenses

Synlab's financial expenses remained unchanged at €33.8 million in the year ended December 31, 2013 compared to the year ended December 31, 2014.

Income Tax Expense

Income tax expense increased by €4.6 million, or 61.3%, from €7.5 million in the year ended December 31, 2013 to €12.1 million in the year ended December 31, 2014. The increase was attributable to an increase of current income taxes as a result of a significant increase in income before tax, from €−7.7 million in the year ended December 31, 2013 to €44.3 million in the year ended December 31, 2014, and a decrease in deferred taxes.

Comparison of the Years Ended December 31, 2013 and 2012

The following table shows Synlab's results of operations for the periods indicated.

	Year ended December 31,	
	2012	2013
	(€ millions)	
Revenue	**600.9**	**671.2**
Material expenses	(163.6)	(177.4)
Personnel expenses	(224.0)	(240.7)
Expenses on rental and lease agreements	(24.0)	(28.3)
Transport expenses	(26.1)	(26.8)
Other operating income	11.1	12.6
Other operating expenses	(110.9)	(125.5)
Depreciation, amortization and impairment	(54.4)	(62.5)
Operating profit/loss	**9.0**	**22.6**
Income from associated companies	0.4	0.6
Financial income	1.0	4.0
Financial expenses	(34.0)	(33.8)
Revaluation on shares in partnerships with a non-controlling interest	(1.0)	(1.0)
Income before tax	**(24.5)**	**(7.7)**
Income tax expense	(2.6)	(7.5)
Consolidated profit/loss for the period	**(27.1)**	**(15.2)**

Revenue

Synlab's revenue increased by €70.3 million, or 11.7%, from €600.9 million in the year ended December 31, 2012 to €671.2 million in the year ended December 31, 2013.

The table below sets forth, for each of the periods indicated, Synlab's revenue from external customers by geography.

	Year ended December 31,	
	2012	2013
	(€ millions)	
Germany	369.9	381.6
Switzerland	64.9	77.5
Italy	56.9	62.1
Czech Republic	47.9	45.2
Belgium	0	23.5
Hungary	17.8	25.2
Austria	19.4	20.2
Baltic States(1)	0	6.9
Slovakia	11.5	12.3
Other / Rest of World	12.6	16.7
Total	**600.9**	**671.2**

(1) Renamed "North Europe" in the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 following Synlab's acquisition of a laboratory in Norway. See also "*Presentation of Financial and Other Information*."

Revenue in Germany increased by €11.7 million, or 3.2%, from €369.9 million in the year ended December 31, 2012 to €381.6 million in the year ended December 31, 2013. The increase was primarily due to organic growth in Synlab's existing laboratory network, despite the quota regulation introduced in the German state health care system effective for the full year 2013. The increase in revenue was supported by Synlab's acquisitions in Germany in 2012 and 2013, the latter of which contributed €6.2 million of revenue in the year ended December 31, 2013. Furthermore, significant investments made in businesses active in pathology, human genetics, coagulation analytics and environmental testing were only partially reflected in revenue for 2013.

Revenue in Switzerland increased by €12.6 million, or 19.4%, from €64.9 million in the year ended December 31, 2012 to €77.5 million in the year ended December 31, 2013. The increase in revenue in Switzerland was supported by strong organic growth and revenue contributions from newly acquired companies in Switzerland in 2013, including the expansion into Central Switzerland through the acquisition of Bakteriologisches Institut Olten BIO AG. The increase was also the result of the expansion of existing hospital contracts and new hospital contracts secured. The acquisition of an environmental firm allowed Synlab to enter this segment and contributed an additional €1.6 million of revenue the year ended December 31, 2013.

Revenue in Italy increased by €5.2 million, or 9.1%, from €56.9 million in the year ended December 31, 2012 to €62.1 million in the year ended December 31, 2013. The increase was primarily driven by organic growth and the first time full-year contributions of acquisitions in 2012 as well as two additional acquisitions in the first half of 2013 to enter new regions.

Revenue in the Czech Republic decreased by €2.7 million, or 5.6%, from €47.9 million in the year ended December 31, 2012 to €45.2 million in the year ended December 31, 2013. The decrease was attributable to a temporary interruption of a contract with health insurers related to genetic testing and which was not fully offset by the recovery of revenue from genetic testing the fourth quarter (following the contract interruption) or the revenue contributions of three small acquisitions in the first part of 2013.

Revenue in Belgium amounted to €23.5 million in the year ended December 31, 2013 and was the result of Synlab's acquisition of Laboratoire Collard in December 2012. Belgium was reported as a segment for the first time in 2013.

Revenue in Hungary increased by €7.4 million, or 41.6%, from €17.8 million in the year ended December 31, 2012 to €25.2 million in the year ended December 31, 2013. The increase was primarily driven by the acquisition made in 2012 and the first full-year contribution in 2013. The increase was partly offset by currency losses on the forint and the delayed renewal of an existing contract. Hungary was reported as a separate segment for the first time in 2013.

Revenue in Austria increased by €0.8 million, or 4.1%, from €19.4 million in the year ended December 31, 2012 to €20.2 million in the year ended December 31, 2013. The increase in revenue was primarily due to higher revenue from environmental analysis, which increased from €1.9 million to €2.5 million and, to a lesser extent, by an increase in revenue from human medicine, which rose from €16.0 million to €16.3 million over the same period despite increasingly intense competition in certain regions of the country.

Revenue in Baltic States amounted to €6.9 million in the year ended December 31, 2013 and was the result of Synlab's acquisition of the Quattromed Group, with subsidiaries in Estonia, Finland and Lithuania, in July 2013.

Revenue in Slovakia increased by €0.8 million, or 7.0%, from €11.5 million in the year ended December 31, 2012 to €12.3 million in the year ended December 31, 2013. The increase was primarily due to organic growth of Synlab's human medicine testing services in Slovakia.

Revenue in other countries (Rest of World) increased by €4.1 million, or 32.5%, from €12.6 million in the year ended December 31, 2012 to €16.7 million in the year ended December 31, 2013. The increase was primarily attributable to the increase of Synlab's shareholding in 2014 in Freiburg Medical Laboratory Middle East LLC in the United Arab Emirates, in which Synlab previously only held a minority interest, and to its entry into the market in the United Kingdom. Results were also generally positive in the other countries comprising this segment, namely Slovenia, Macedonia, Croatia, Romania, Poland, Belarus and Turkey.

The table below sets forth, for each of the periods indicated, Synlab's revenue by type.

	Year ended December 31, 2012	Year ended December 31, 2013
	(€ millions)	
Health insurance companies	208.6	239.4
Privately insured patients	184.4	203.0
Clinics	99.4	97.4
Laboratories	29.4	31.7
Doctors	18.5	26.3
Other revenue from human medicine	2.3	2.5
Revenue from human medicine	542.6	600.3
Revenue from environmental analysis	17.7	25.9
Revenue from other examinations	15.1	18.1
Revenue from veterinary medicine	8.9	10.5
Revenue from trading goods	10.0	10.4
Revenue from studies and expert opinions	4.0	3.6
Other revenue	2.6	2.3
Total	**600.9**	**671.2**

Material Expenses

Synlab's material expenses increased by €13.8 million, or 8.4%, from €163.6 million in the year ended December 31, 2012 to €177.4 million in the year ended December 31, 2013. The increase was primarily attributable to an increase in reagents and expenses "per reported result" from €101.8 million in the year ended December 31, 2012 to €108.9 million in the year ended December 31, 2013, as well as an increase in consumables during the same period from €42.2 million to €50.5 million. The increase in reagents and expenses "per reported result" reflects the effect of the acquisitions completed in 2013 and the incremental effect of the acquisitions closed in 2012. As a percentage of revenue, however, material expenses decreased from 27.2% in the year ended December 31, 2012 to 26.4% in the year ended December 31, 2013.

Personnel Expenses

Synlab's personnel expenses increased by €16.7 million, or 7.5%, from €224.0 million in the year ended December 31, 2012 to €240.7 million in the year ended December 31, 2013. The increase was primarily attributable to an increase in salaries and social security expenses consistent with Synlab's increase in headcount in connection with its acquisitions completed in 2013, in particular its acquisitions in North Europe, and was partly offset by a decrease in variable compensation compared to the prior year. As a percentage of revenue, personnel expenses decreased from 37.3% for the year ended December 31, 2012 to 35.9% for the year ended December 31, 2013.

Expenses on Rental and Lease Agreements

Synlab's expenses on rental and lease agreements increased by €4.3 million, or 17.9%, from €24.0 million in the year ended December 31, 2012 to €28.3 million in the year ended December 31, 2013. The increase was primarily attributable to an increase in building expenses and other fixtures and fittings and office equipment as a result of the effect of the acquisitions completed in 2013 and the first time full-year effect of such expenses for the acquisitions completed in 2012.

Transport Expenses

Synlab's transport expenses increased by €0.7 million, or 2.7%, from €26.1 million in the year ended December 31, 2012 to €26.8 million in the year ended December 31, 2013. The increase was attributable to an increase in expenses incurred for Synlab's own vehicle fleet, whereas transport expenses related to external logistics providers remained stable.

Other Operating Income

Other operating income increased by €1.5 million, or 13.5%, from €11.1 million in the year ended December 31, 2012 to €12.6 million in the year ended December 31, 2013. The increase was primarily attributable to an increase in other operating income, other, from €0.7 million in the year ended December 31, 2012 to €4.7 million in the year ended December 31, 2013, €1.0 million of which related to earnings from a license agreement with a laboratory in Germany. The increase was partly offset by an absence of income from reversal of provisions in 2013 compared to €4.6 million recorded in the year ended December 31, 2012 as a result of a purchase price adjustment related to the acquisition of the MVZ Leverkusen Group.

Other Operating Expenses

Other operating expenses increased by €14.6 million, or 13.2%, from €110.9 million in the year ended December 31, 2012 to €125.5 million in the year ended December 31, 2013. The increase was primarily attributable to an increase of €4.2 million in miscellaneous other operating expenses as well as smaller increases in administrative costs and advertising and marketing expenses. As a percentage of revenue, other operating expenses increased slightly from 18.5% for the year ended December 31, 2012 to 18.7% for the year ended December 31, 2013.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment increased by €8.1 million, or 14.9%, from €54.4 million in the year ended December 31, 2012 to €62.5 million in the year ended December 31, 2013. The increase was primarily attributable to an increase in amortization of intangible assets related to amortization of customer lists from acquisitions and, to a lesser extent, to an increase in depreciation of property, plant and equipment.

Financial Income

Synlab's financial income increased by €3.0 million from €1.0 million in the year ended December 31, 2012 to €4.0 million in the year ended December 31, 2013. The increase was primarily attributable to €2.0 million of income from derivative financial instruments measured at fair value recorded in the year ended December 31, 2013 compared to no such earnings recorded in the prior year.

Financial Expenses

Synlab's financial expenses decreased by €0.2 million, or 0.6%, from €34.0 million in the year ended December 31, 2012 to €33.8 million in the year ended December 31, 2013. The decrease was primarily attributable to €1.6 million of expenses from derivative financial instruments measured at fair value recorded in the year ended December 31, 2012 compared to no such expenses recorded in the year ended December 31, 2013. The decrease was partly offset by an increase in interest and similar expenses from €30.2 million in the year ended December 31, 2012 to €31.2 million in the year ended December 31, 2013.

Income Tax Expense

Income tax expense increased by €4.9 million from €2.6 million in the year ended December 31, 2012 to €7.5 million in the year ended December 31, 2013. The increase was attributable to an increase of current income taxes as a result of a significant increase in income before tax, from €−24.5 million in the year ended December 31, 2012 to €−7.7 million in the year ended December 31, 2013, and a decrease in deferred income taxes.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service obligations, capital expenditures, contractual obligations and other commitments, as well as acquisitions. Synlab's primary sources of liquidity are provided by its cash from operating activities and its financings. Synlab's liquidity requirements arise primarily to fund acquisitions, to meet its debt service obligations, working capital needs and, to a lesser extent, to fund capital expenditures.

Synlab's financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- Synlab's ability to generate cash flows from its operations;
- the level of Synlab's outstanding indebtedness and the indebtedness of its subsidiaries, and the interest Synlab is obligated to pay on such indebtedness, which affects its net financial expense;
- Synlab's ability and the ability of its subsidiaries to continue to borrow funds from financial institutions; and
- Synlab's external growth funding requirements, which consist primarily of the funding of acquisitions of laboratories.

Synlab's cash requirements consist mainly of the following:

- funding acquisitions, Synlab's working capital requirements and capital expenditure needs;
- servicing Synlab's indebtedness and the indebtedness of its subsidiaries; and
- operating activities and paying taxes.

Synlab expects its future sources of liquidity will consist mainly of the following:

- cash generated from Synlab's operating activities; and
- borrowings under the Revolving Credit Facility.

Synlab's principal source of liquidity on an ongoing basis is expected to be its operating cash flows. Synlab will also have access to the Revolving Credit Facility following the Completion Date. The continued availability of the Revolving Credit Facility is dependent upon certain conditions as described further under "*Description of Other Indebtedness—Revolving Credit Facility Agreement.*" In addition, Synlab's ability to generate cash depends on its future operating performance, which, in turn, depends to some extent on general economic, financial, industry and other factors, many of which are beyond its control. See "*Risk Factors*."

Although Synlab believes that its expected cash flows from operating activities, together with available borrowings under the Revolving Credit Facility, will be adequate to meet its anticipated liquidity and debt service needs, Synlab cannot assure you that its business will generate sufficient cash flows from operating activities or that future debt financing will be available to Synlab in an amount sufficient to enable Synlab to pay its debts when due, including the Notes, or to fund its other liquidity needs.

Cash Flow

The table below sets forth certain line items from Synlab's cash flow statement for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
			(€ millions)	(unaudited)	
Cash flow from operating activities	40.8	69.6	91.8	12.4	6.4
Cash flow from investing activities	(85.6)	(103.7)	(40.9)	(15.3)	(26.6)
Cash flow from financing activities	73.5	55.1	(28.4)	(23.1)	6.6
Cash and cash equivalents at beginning of period	15.1	43.8	64.6	64.6	87.2
Net foreign exchange differences	0.0	(0.2)	0.2	0.0	2.3
Net change in cash and cash equivalents	28.6	21.0	22.5	(26.1)	(13.6)
Cash and cash equivalents at end of period	43.8	64.6	87.2	38.5	76.0

Cash Flow from Operating Activities

Cash flow from operating activities decreased by €6.0 million, or 48.4%, from €12.4 million in the three months ended March 31, 2014 to €6.4 million in the three months ended March 31, 2015. The decrease was primarily the result of changes in net working capital. In the three months ended March 31, 2014, net cash inflow from a decrease in inventories amounted to €3.2 million as a result of stock management improvements, while in the three months ended March 31, 2015, there was a net cash outflow from an increase in inventories that amounted to €0.7 million. In addition, Synlab experienced a net cash outflow relating to accruals and provisions for personnel expenses in the three months ended March 31, 2015 as a result of higher deferred expenses being incurred during the period.

Cash flow from operating activities increased by €22.2 million, or 31.9%, from €69.6 million in the year ended December 31, 2013 to €91.8 million in the year ended December 31, 2014. The increase was primarily attributable to a significant increase in profit/loss before changes in net working capital, which increased from €88.6 million in the year ended December 31, 2013 to €117.2 million in the year ended December 31, 2014, and a decrease in change in other net working capital from €8.7 million in the year ended December 31, 2013 to €5.0 million in the year ended December 31, 2014. The increase was partly offset by a significant decrease in change in trade payables as a result of an increasing use of cash discounts with significant suppliers, and an increase in income taxes paid as a result of higher in income before tax in 2014 compared to 2013.

Cash flow from operating activities increased by €28.8 million, or 70.6%, from €40.8 million in the year ended December 31, 2012 to €69.6 million in the year ended December 31, 2013. The increase was primarily attributable to an increase in profit/loss before changes in net working capital, which increased from €63.3 million in the year ended December 31, 2012 to €88.6 million in the year ended December 31, 2013, and an improvement in net working capital. The increase was primarily attributable to improvements in change in trade receivables, which was a result of dunning process improvements, and change in other net working capital, which related to the partial settlement of former shareholder liabilities, the utilization of provisions for restructuring and onerous contracts, as well as other utilizations of provisions.

Cash Flow from Investing Activities

Cash flow from investing activities decreased by €11.3 million, or 73.9%, from a cash outflow of €15.3 million in the three months ended March 31, 2014 to a cash outflow of €26.6 million in the three months ended March 31, 2015. The decrease was primarily the result of greater cash outflows for acquisitions of subsidiaries net cash acquired. In the three months ended March 31, 2014, €8.9 million of cash outflows for acquisitions of subsidiaries net of cash acquired related to one major acquisition with an additional €1.8 million of outflows relating to minor acquisitions and payments of earnouts. In the three months ended March 31, 2015, €17.2 million of cash outflows for acquisitions of subsidiaries net of cash acquired related to two major acquisitions with an additional €5.6 million of outflows relating to five minor acquisitions and payments of earnouts.

Cash flow from investing activities improved by €62.8 million, or 60.6%, from a cash outflow of €103.7 million in the year ended December 31, 2013 to a cash outflow of €40.9 million in the year ended December 31, 2014. The lower cash used in investing activities was primarily due to a significant decrease in cash outflows for acquisition of subsidiaries net of cash acquired, which decreased from €91.5 million in the year ended December 31, 2013 to €23.2 million in the year ended December 31, 2014. In the year ended December 31, 2013, cash outflows due to company acquisitions related primarily to acquisitions in North Europe and Germany. In the year ended December 31, 2014, cash outflows due to company acquisitions related primarily to the acquisition of INTERLAB GmbH central lab services.

Cash flow from investing activities decreased by €18.1 million, or 21.1%, from a cash outflow of €85.6 million in the year ended December 31, 2012 to a cash outflow of €103.7 million in the year ended December 31, 2013. The higher net cash used in investing activities was primarily due to an increase in cash outflows for acquisition of subsidiaries net of cash acquired, which increased from €63.3 million in the year ended December 31, 2012 to €91.5 million in the year ended December 31, 2013. In the year ended December 31, 2012, cash outflow due to company acquisitions related primarily to acquisitions in Belgium, Hungary and Germany. In the year ended December 31, 2013, cash outflow due to company acquisitions related primarily to acquisitions in North Europe and Germany.

Cash Flow from Financing Activities

Cash flow from financing activities improved by €29.7 million, from a cash outflow of €23.1 million in the three months ended March 31, 2014 to a cash inflow of €6.6 million in the three months ended March 31, 2015. The change was primarily the result of proceeds from interest-bearing loans and borrowings of €20.0 million, the amount being drawn under the Existing Synlab Credit Facility in the three months ended March 31, 2015, whereas in the three months ended March 31, 2014, repayments of interest-bearing loans and borrowings were €10.0 million higher than in the three months ended March 31, 2015.

Cash flow from financing activities decreased by €83.5 million from a cash inflow of €55.1 million in the year ended December 31, 2013 to a cash outflow of €23.4 million in the year ended December 31, 2014. The decrease was primarily attributable to a significant decrease in proceeds from interest-bearing loans and borrowings, which decreased from €142.8 million to €37.0 million over the same period due to considerably lower acquisition costs in 2014 compared to 2013.

Cash flow from financing activities decreased by €18.4 million, or 25.0%, from €73.5 million in the year ended December 31, 2012 to €55.1 million in the year ended December 31, 2013. The decrease was primarily attributable to a significant decrease in proceeds from interest-bearing loans and borrowings, which decreased from €394.7 million to €142.8 million over the same period, and was partly offset by lower repayments of interest-bearing loans and borrowings, which decreased from €279.1 million to €43.8 million over the same period. The above mentioned development stems from the group-wide refinancing undertaken in the year ended December 31, 2012 as certain debt was fully repaid by new facilities drawn under the Existing Synlab Credit Facility Agreement. In the year ended December 31, 2013, the abovementioned amount of €142.8 million was drawn following an amendment to the Existing Synlab Credit Facility Agreement.

Capital Expenditures

Synlab's acquisition capital expenditure is primarily related to customer lists from the acquisitions of laboratories. Synlab's capital expenditures primarily relate to the acquisition of technical machines and equipment, and other equipment, fixtures, fittings and office equipment. Synlab calculates capital expenditures as the sum of the cash outflows from the purchase of intangible assets and purchase of property, plant and equipment and does not include the cash outflows from the acquisition of subsidiaries net of cash acquired, each as set out in its consolidated cash flow statements. Such capital expenditures for the years ended December 31, 2012, 2013 and 2014 and the three and twelve-month periods ended March 31, 2015 were €25.6 million, €16.5 million, €23.4 million, €4.5 million and €23.2 million respectively.

Capital expenditures decreased in 2013 compared to 2012 due to lower investments in expansion and maintenance projects and as a result of stricter investment controls. Expansion capital expenditures in 2013 were primarily focused on the following: (i) IT investments in Germany and the Czech Republic, (ii) investments in refurbishments of a building in the Czech Republic and a laboratory in Switzerland, (iii) new analysis equipment in Italy and Germany and (iv) an upfront fee in connection with the award of a new hospital outsourcing contract in Switzerland.

Capital expenditures increased in 2014 compared to 2013 due primarily to an increase in expansion capital expenditures. Expansion capital expenditures in 2014 included the relocation of Synlab's central laboratory in Italy from Brescia to Castenedolo and the opening of new blood collection points in the Czech Republic. In addition, Synlab's expansion capital expenditures related to (i) IT investments in Switzerland (in connection with the implementation of new laboratory information systems in three laboratories), the Czech Republic and Germany and (ii) new laboratory equipment in Italy and Austria. Maintenance capital expenditure also increased slightly in 2014 compared to 2013, primarily related to IT maintenance in Germany (mostly comprising license fees), Italy and Slovakia as well as office equipment in Switzerland and Italy.

Capital expenditures in the three months ended March 31, 2015 related to the purchase of intangible assets in the amount of €1.2 million, including primarily licences and the purchase of property, plant and equipment in the amount of €3.2 million, primarily machinery and other technical equipment in Germany for about €1.5 million and other countries for an additional €1.5 million.

Synlab expects capital expenditure, excluding acquisitions, for the year ended December 31, 2015 to be in line with Synlab's capital expenditures, excluding acquisitions, for the year ended December 31, 2014.

Contractual Obligations and Commercial Commitments

Financial Obligations

As of December 31, 2014, the maturity structure of Synlab's financial obligations, excluding interest-bearing loans and borrowings, was as follows:

	Residual Maturity			
	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
		(€ millions)		
Trade payables[(1)]	78.0	0.0	0.0	78.0
Other financial liabilities[(2)]	35.8	1.7	2.9	40.4
Total	**113.8**	**1.7**	**2.9**	**118.4**

(1) Represents primarily trade liabilities as well as provisions for outstanding invoices, advisory and audit costs and short-term accruals for fees and other taxes.

(2) Represents purchase price liabilities, liabilities to minority shareholders and former shareholders as well as personnel-related liabilities and tax relevant items.

Operating Leases

Synlab is a party, as lessee, to various rental and lease agreements, which relate primarily to company buildings, fixtures, fittings and office equipment, IT equipment and vehicles. The lease agreements have average terms of between three and five years. For the year ended December 31, 2014, Synlab's operating lease payments amounted to €41.8 million, of which €22.5 million related to leases on buildings and €10.3 million related to analysis equipment (much of which was provided by suppliers under "price per reported results" contracts).

The table below sets forth the future minimum lease payment obligations arising from contractual operating leases for the periods indicated, as of December 31, 2014.

	Payments due by period as of December 31, 2014			
	Up to 1 year	1 - 5 years	More than 5 years	Total
		(€ millions)		
Fixtures, fittings and office equipment	3.7	12.8	1.5	18.0
Analysis equipment	5.2	16.7	0	21.8
Leases on buildings	19.8	44.2	19.3	83.3
Other	4.0	4.4	0.2	8.6
Total	**32.7**	**78.1**	**21.0**	**131.7**

Financial Leases

Synlab has entered into financial leases for various technical equipment and for fixtures, fittings and office equipment. These lease agreements provide for lease extensions at prevailing market conditions, with options for extensions exercisable by the corresponding contracting company. For the year ended December 31, 2014, Synlab's payments for financial leases amounted to €8.6 million.

The table below sets forth the future minimum lease payment obligations arising from Synlab's financial leases for the periods indicated, as of December 31, 2014.

	Payments due by period as of December 31, 2014			
	Up to 1 year	1 - 5 years	More than 5 years	Total
		(€ millions)		
Financial leases	8.0	13.2	0.1	21.3

Pensions and Similar Obligations

Synlab's provisions for pensions and similar obligations amounted to €19.7 million as of December 31, 2014. For a description of Synlab's pension obligations, see Note 6.14, "Pension and similar obligations," to the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 included elsewhere in this offering memorandum.

Off-Balance Sheet Commitments

As of December 31, 2014, Synlab had provided lease guarantees for buildings and equipment in a total amount of €5.2 million and a contract performance guarantee in the amount of €0.3 million.

Except as described above, Synlab is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on its financial condition, results of operations, liquidity, capital expenditure or capital resources.

Qualitative and Quantitative Disclosures on Financial Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prior to the offering of the Notes, Synlab's exposure to the risk of changes in market interest rates related primarily to limited variable interest rate financial liabilities under the Existing Senior Facilities Agreement.

Synlab maintains interest rate swaps, collars and caps to minimize the risk from variable cash flows or convert variable cash flows into fixed cash flows, and to hedge against interest rate fluctuations. As Synlab carries financial liabilities at amortized costs instead of market value, there is no economic risk from changes in the carrying amount of the financial liabilities due to interest rate changes. Synlab bears interest rate risk primarily in the euro zone, the Czech Republic, Hungary and Switzerland.

The Revolving Credit Facility bears interest at variable rates. While Synlab may enter into additional hedging agreements in the future, Synlab may also elect not to do so or the terms on which Synlab hedges may not be satisfactory or may fail to adequately protect it from changes in market interest rates.

Credit Risk

Synlab's primary exposure to credit risk relates to its trade receivables. Synlab has no significant concentrations of credit risk due to the large number of disparate customers, customer groups and geographies. Outstanding receivables from customers are regularly monitored and collected on when overdue by way of a multi-step collections procedure. While Synlab is limited in its ability to minimize credit risk of customers prior to transactions due to its public service obligations, Synlab receives a significant portion of its revenue from business with health insurers who are nationwide partners under statutory health insurance schemes or public authorities.

Foreign Currency Risk

Synlab conducts its business in various currencies other than the euro, and Synlab is therefore exposed to foreign currency risk. The largest part of Synlab's foreign currency risk is attributed to business operations and fluctuations in Swiss francs, the Czech crown and the Hungarian forint. However, because Synlab's revenue and expenses are generally denominated in the local currencies of the local operating subsidiary, its exposure to currency risks from operating activities is limited. For an illustration of the sensitivity of Synlab's profit/loss before tax to fluctuations in the Swiss franc, the Czech crown and the Hungarian forint for the years ended December 31, 2013 and 2014, see Note 7 to the Synlab Audited Financial Statements as of and for the years ended December 31, 2014 included elsewhere in this offering memorandum.

Liquidity Risk

Liquidity risk is the risk of not being able to fulfil current or future obligations if Synlab does not have sufficient funds available to meet such obligations at the time they become due. Liquidity risk arises primarily in relation to cash flows generated and used in working capital and from financing activities, particularly by serving Synlab's debt and its payment obligations relating to its ordinary course business activities. Synlab manages liquidity risk by ongoing monitoring of its cash flows on a daily basis. In order to manage its liquidity needs, Synlab also uses an eight-week forecast prepared weekly and a twelve-month rolling liquidity plan prepared on a monthly basis.

Critical Accounting Policies and Estimates

Synlab's preparation of its consolidated financial statements requires management to make assumptions, undertake estimates and exercise judgment that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. See Note 2.4 to the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 included elsewhere in this offering memorandum. All assumptions, expectations and forecasts used as a basis for certain estimates within the consolidated financial statements represent good-faith assessments of Synlab's future performance for which management believes there is a reasonable basis. Estimates and judgments used in the determination of reported results are continuously evaluated.

Assumptions, estimates and judgments are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Goodwill and Intangible Assets

Goodwill and intangible assets are Synlab's largest assets. Under IFRS, goodwill is recorded as an intangible asset and not amortized but subject to an annual impairment test during the year-end closing process, and additionally whenever there are indications that an impairment of goodwill or intangible assets with indefinite useful lives may have occurred. Synlab conducts impairment testing based on calculations of recoverable amount using the discounted cash flow method. Cash flows are projected based on financial planning for the next five years. Cash flows beyond the planning period are projected using individual growth rates. The recoverable amount depends largely on the discount rate used in the discounted cash flow method, on the expected cash inflows and outflows, and on the growth rate used for extrapolation. Although management believes that the assumptions it has used in calculating recoverable amount are reasonable, unforeseeable changes in these assumptions could lead to impairment expenses that could have a negative impact on the financial position, financial performance and cash flows. The basic assumptions made to calculate the recoverable amount of goodwill for the individual cash generating units and of intangible assets with indefinite useful lives including sensitivity analysis are outlined in detail in Notes 6.2 and 6.3 to the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 included elsewhere in this offering memorandum. As of December 31, 2014, the carrying amount of goodwill was €373.3 million (as of December 31, 2013: €350.9 million). No impairment losses were recognized in the years 2012, 2013 or 2014.

Pension and Similar Obligations

The expenditure on post-employment defined-benefit plans and the present value of pension obligations are determined based on actuarial calculations. The actuarial calculation is based on various assumptions, which may differ from actual future developments. This includes the determination of discount rates, future wage and salary increases, the mortality rate and future increases in pension benefits. Due to the complexity of calculations, the assumptions used and its long-term nature, a defined-benefit plan obligation is very sensitive to changes in these assumptions. For further details and a description of the assumptions used in the calculation of post-employment obligations, see Note 6.14 to the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 included elsewhere in this offering memorandum.

Deferred Tax Assets

Deferred tax assets are recognized for tax loss carryforwards. The recognition of deferred tax assets on tax loss carryforwards requires management estimates to the extent that it is probable that taxable profits will be available against which the losses can by utilized. If there is doubt regarding the extent to which the tax loss carry-forwards can be realized, appropriate impairments are recognized in relation to the deferred tax assets as required. There is uncertainty regarding the interpretation of complex tax provisions, changes in the tax code and the amounts concerned in and dates of future taxable events. Given the large scope of international business transactions and the long-term nature and complexity of existing contractual agreements, it is possible that differences between the actual results and assumptions made or future changes in such assumptions could lead to adjustments in taxable income of tax expense already recorded. Synlab accrues provisions based on realistic estimates of the potential impact of tax audits in those countries in which Synlab conducts transactions. The amount of such provisions is based on various factors, including, for example, experience gained from previous tax audits and differing interpretations of tax provisions by the taxable company and the tax authorities. Such diverging interpretations occur when a large number of different tax issues are present, depending upon the conditions prevailing in the country of domicile of the respective Group company.

At each reporting date, Synlab evaluates whether future tax benefits are sufficiently likely to justify the recognition of deferred tax assets. This requires management to assess the tax advantages resulting from available tax strategies and future taxable income, in addition to other positive and negative factors. Expected taxable income as projected in company forecasts is used in these assessments. The amount of deferred tax assets stated could be reduced if projected taxable income and the tax benefits to be gained from available tax strategies are lower, or if changes in current tax provisions limit the time frame or the scope of realization of future tax benefits.

Deferred tax assets are recorded for all unused tax loss carryforwards (including interest carryforwards) in the amount in which it is likely that taxable income will be available against which the tax loss and interest carryforwards can actually be used. When determining the amount of the deferred tax assets, management must exercise a substantial amount of discretion in estimating the amount and timing of future taxable income as well as future tax planning strategies.

Measurement of Contingent Consideration at Fair Value

Contingent consideration arising in the scope of business combinations is recorded as part of the business combination at fair value as of the date of acquisition. If the contingent consideration satisfies the definition of a derivative, and thus of a financial liability, it will be re-measured at fair value in subsequent periods at the balance sheet date. Fair value is determined using discounted cash flows. Basic assumptions take into consideration the likelihood of fulfilment of every performance target as well as the discount rate.

On July 31, 2013, Synlab acquired the Estonian company Medicap Holding AS (which was merged into synlab Eesti OÜ as surviving entity) and its subsidiaries synlab Eesti OÜ (formerly Quattromed HTI Laborid OÜ) in Estonia, OÜ Viljandi Tervisekeskus in Estonia, Synlab Finland OY (formerly Quattromed Finland Oy) in Finland and synlab Lietuva UAB (formerly UAB "SORPO") in Lithuania. Two contingent consideration elements were agreed as part of the acquisition price agreement with the former owners of Medicap Holding AS. Accordingly, a payment to the sellers of a maximum €2.7 million fell due in 2014 upon reaching a defined revenue threshold in Finland in fiscal year 2013. A further payment of a maximum €11.8 million was linked to revenue recorded in Finland in 2014 and will be due for disbursement in 2015. As of December 31, 2014, only €3.1 million remained in provisions for contingent consideration.

As of December 31, 2014, the fair value of consideration recorded under "Other provisions" was €8.1 million (as of December 31, 2013: €15.5 million). For further details, see Note 2.4(e) to the Synlab Audited Financial Statements as of and for the year ended December 31, 2014 included elsewhere in this offering memorandum.

Fair Value of Financial Instruments

If the fair value of financial assets and liabilities recorded in the statement of financial position cannot be determined using data from an active market, it is determined using valuation techniques such as the discounted cash flow method. The inputs used in the model are based on observable market data whenever possible. If this is not possible, the determination of fair values is to a certain extent a matter of discretion. Discretionary decisions involve inputs such as liquidity risk, default risk and volatility. Changes in the assumptions with respect to these factors could have an impact on the recorded fair value of the financial instruments. As of December 31, 2014, obligations from financial liabilities recognized at fair value through profit or loss (derivatives not used as hedges) amounted to €0.5 million (as of December 31, 2013: €2.3 million).

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

The following should be read in conjunction with the information set forth under "Selected Historical Consolidated Financial Information of Labco," "Presentation of Financial and Other Information," and Labco's Financial Statement's included elsewhere in this offering memorandum.

The following discussion includes forward-looking statements based on assumptions about Synlab's future performance. Labco's actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described under "Forward-Looking Statements," "Risk Factors" and elsewhere in this offering memorandum

Overview

Labco is one of the leading groups in the European clinical laboratory services market, with the broadest geographical reach. Labco performs over 150 million tests per annum at its 165 laboratories. Labco provides its services to more than 20 million patients per annum and has almost 6,000 employees and medical staff in the countries in which it operates.

Labco's business activities are organized into two geographical operating segments: (i) Northern Europe, encompassing France, the United Kingdom, Belgium, Switzerland and, until 2013, Germany; and (ii) Southern Europe, encompassing Spain and Portugal (both managed by the same management team), and Italy. In line with IFRS 8, segment reporting is prepared based on the internal management data used to allocate resources to the segments and for the analysis of their performance by Labco's Chief Executive Officer and the executive committee. The segments' performance is measured based on revenue and EBITDA in a manner consistent with the income statement published in Labco's consolidated financial statements included elsewhere in this offering memorandum. Labco's financial items (including financial income and expenses) and income tax expense are managed centrally by the Labco Group and are not presented in the operating segment figures. Where shared resources, provided in most cases by Labco's holding companies, are used, this is taken into account in the segment results by reallocating the costs to the segments in proportion to each segment's revenue.

Labco is the market leader in Spain and Portugal (Labco ranked number one in these markets based on 2014 revenue). In France and Italy, Labco is one of the two leading players in its business sector. In Italy, Labco has a strong presence in medical imaging and poly-ambulatory medicine following its acquisition of the SDN Group in July 2014 (based on *pro forma* 2013 and 2014 revenues). Labco also has a significant foothold in Belgium, where it ranks third (based on 2014 revenue). In addition, since 2010 Labco has been present in the United Kingdom where it delivers laboratory outsourcing services to hospitals and other healthcare providers. In December 2013, Labco pulled out of the German market to focus on national markets in which it has achieved or may shortly achieve a leadership position, significant market share or a distinctive positioning. Labco also set up a business in Switzerland in 2013 through its joint venture subsidiary, Test S.A. In addition, Labco provides clinical laboratory testing services to customers in Latin America, the Middle East, Eastern Europe and North Africa, with analyses for those countries performed by its Labco NOÛS specialty laboratory located in Barcelona, and the related revenue is included in its Iberia cash-generating unit.

For the year ended December 31, 2013, revenue from Labco's Northern Europe segment amounted to €357.9 million (representing 65% of the Labco Group total) and EBITDA amounted to €75.5 million (71% of the Labco Group total), representing an EBITDA margin of 21.1%. Concurrently, revenue from Labco's Southern Europe segment amounted to €189.4 million (35% of the Labco Group total) and its EBITDA amounted to €30.8 million (29% of the Labco Group total), representing an EBITDA margin of 16.2%.

For the year ended December 31, 2014, revenue from Labco's Northern Europe segment amounted to €401.3 million (representing 65% of the Labco Group total) and EBITDA amounted to €79.2 million (70% of the Labco Group total), representing an EBITDA margin of 19.7%. Concurrently, revenue from Labco's Southern Europe segment amounted to €214.3 million (35% of the Labco Group total) and its EBITDA amounted to €34.0 million (30% of the Labco Group total), representing an EBITDA margin of 15.9%.

The differences in the EBITDA margin between the Southern Europe and Northern Europe segments reflect: (i) differences in profitability of the clinical testing activities between countries where Labco is present given the business models adopted and prices implemented by the public health authorities or private-sector organizations in those countries; (ii) differences in profitability between the medical diagnostics activities that Labco performs (routine testing, specialty testing, anatomical pathology testing, medically assisted reproduction and medical imaging); and (iii) the geographical positioning and the size of its laboratories in the various national markets.

The greater profitability of the Northern Europe segment compared with that of the Southern Europe segment for the years ended December 31, 2012, 2013 and 2014 reflects the size of France's contribution to the Northern Europe segment during this period. In addition, the profitability of Labco's operations in Belgium progressed significantly between 2012 and 2014 with the take-off in nutritional testing. Since the profitability of Labco's outsourced clinical testing activities in the United Kingdom is below the Labco Group's average, the expansion of iPP's activities in the United Kingdom is having an unfavorable impact on the Northern Europe segment's margin. In addition, as outlined above, the principal countries in the Southern Europe segment experienced a major economic and financial crisis over the period, which affected the operations of this segment. However, with the July 2014 acquisition of the SDN Group, which is a leading player in integrated diagnostics with higher profitability than the rest of the Labco Group, Labco expects profitability to improve in the Southern Europe segment.

Labco has a catalogue of over 5,000 routine and specialty tests used by health professionals to diagnose their patients and to care for and treat their conditions. Aside from the patients who go to Labco's clinical testing laboratories, Labco's customers are also doctors, hospitals, insurance companies and employers. Labco performs clinical analysis, generally using automated testing equipment or devices. Labco delivers the results to prescribing doctors and patients and offers assistance with the interpretation of these results through its laboratory doctors. In certain countries, some of Labco's laboratories are also responsible for sampling and the delivery of the samples to its testing facilities.

Between 2012 and 2014, Labco recognized significant growth in its revenue as a result of solid organic growth as well as profitable, accretive growth through acquisitions, mainly through the purchase of small and medium-sized laboratories that are merged with its existing organization or strategic acquisitions of new regional platforms.

In 2014, Labco generated revenue of €615.6 million and EBITDA of €113.3 million (or €649.6 million and €131.3 million, respectively, after giving *pro forma* effect to the acquisition of the SDN Group as if the acquisition had occurred on January 1, 2014).

Principal Factors Affecting Labco's Results of Operations

You should consider the following factors when analyzing Labco's financial condition and results of operations.

General Economic Conditions and Legal Framework

Economic Environment

Labco is exposed to the general economic conditions in the markets in which it operates. Although the market for clinical testing services is not generally regarded as very sensitive to macroeconomic cycles, Labco believes that a downturn in general economic conditions affects demand for its services and thus has a negative impact on its results of operations. This impact derives from the fact that governments and third-party payers (see "*—Description of Key Income Statement Items—Revenue*" for a detailed explanation of third-party payers) are seeking to reduce healthcare expenditure, and existing and potential customers may face financial difficulties. In addition, where patients, directly or indirectly (such as through private health insurance premiums), are responsible for all or part of the costs of laboratory tests, individual decisions to reduce out-of-pocket healthcare expenditures may result in weaker demand for Labco's services.

The economic recession and the volatility generated by the economic and financial crisis that began in 2007 have increased the risk associated with conducting Labco's business in certain countries where it has significant operations, such as the risk of customers defaulting on their payments. Economic difficulties have also given rise to weaker levels of activity and higher unemployment and have led governments, private insurers and other organizations to reduce their healthcare spending, which may curb Labco's revenue or margins. Moreover, competition and pricing pressures tend to increase during such periods, which may reduce Labco's ability to win additional outsourcing contracts and may require it to agree to the renegotiation of contracts on less favorable terms (see "*Risk Factors—Risks Related to Our Commercial Activities*").

Tough economic conditions can, however, have a positive impact on the outsourcing of clinical laboratory testing insofar as the roll-out of cost-cutting or deficit reduction plans may prompt companies or public-sector institutions to outsource clinical testing services more rapidly and to a greater extent. Likewise, price cuts in Spain have, for example, been offset by volume growth owing to an increase in the number of patients relying on private healthcare plans. Labco believes this trend reflects the erosion of trust in the public health insurance system and a poorer quality of service provided by the public healthcare systems amid fiscal austerity.

Specific Impact of Volume and Price Effects

Like most businesses providing healthcare services, Labco's performance, particularly the organic growth in its business, is influenced by the combined effects of trends in volumes and the average price per file, which is in turn affected by pricing trends and the nature of the clinical testing performed (the "Mix Effect"). Volume growth flows from macroeconomic trends and developments in society with the aging of the population, the increase in chronic conditions and a shift towards preventative and personalized medicine, for which diagnosis is crucial. In many countries where Labco operates, services are delivered to patients under healthcare programs funded at least to some extent by public organizations that set prices or a method of determining prices covering all or some of the clinical laboratory testing services that Labco provides. These prices vary significantly from one country to another. Prices may be changed at any time, and recent price revisions have generally resulted in price reductions.

Amid the tough economic environment prevailing in Europe, governments and public-sector payers took additional measures to reduce their overall health spending over the period between 2011 and 2014, including the clinical laboratory testing services provided by the Labco Group. Governments typically control healthcare expenditure by cutting prices or reimbursement levels, seeking to reduce the number of tests prescribed by doctors, and limiting the testing services covered by their health, protection and social security programs.

These measures, particularly those capping or reducing the prices that Labco is allowed to charge for its services or totally excluding some of its services from the scope of reimbursed health services, have a negative impact on clinical testing volumes and the prices that can be charged for these tests, which adds to a negative impact on Labco's revenue. In addition, the date from which price reductions and other measures intended to cut health spending may also affect comparisons between Labco's results and the size of these reductions in a given period.

Since 2011, many European governments, particularly those in France, Spain, Portugal, Germany, Italy and the United Kingdom, have introduced or announced their intention of introducing austerity measures with a view to reducing public spending, including health expenditure. In France, for example, the government announced its intention of securing at least €110 million in mandatory annual savings on health expenditure from French clinical laboratory testing services in 2012. However, an agreement was signed on October 10, 2013 by the main French biologists' trade unions and UNCAM. The purpose of the agreement is to give clinical laboratories visibility on their financial prospects over a three-year period and to facilitate control over public healthcare spending. This led to a three-year agreement setting annual growth in clinical laboratory spending at 0.25% for the period 2014 to 2016. This target will be achieved by reductions in prices to be spread over the period, and control of prescriptions, in order to offset the natural growth in volumes. Trade unions meet with UNCAM every six months, in order to assess the impact of changes in prices and determine what future changes may be necessary to meet the annual growth target.

In Portugal, the "Memorandum of Understanding on Specific Economic Policy Conditionality" between the European Commission, the International Monetary Fund and the European Central Bank in 2011 was enacted in response to the economic bailout, which resulted in financial aid of €78 billion on the basis of a three-year political program until mid-2014. Labco believes that this program, which included the aim of reducing national spending on healthcare by 10% in each of 2011 and 2012, has resulted in price reductions in excess of 10% for certain tests in Portugal since October 2011. In addition, two public health insurance funds aligned their prices in Portugal during 2012, which has led, in Labco's opinion, to price cuts applicable to certain tests there since August 2012. In Italy, where prices are set on an indicative basis at the national level and subject to adjustments at the regional level, prices in Liguria were lowered in October 2012, and a new reduction of 20% to 30% for molecular imaging services was agreed in 2013. Campania also adopted lower prices in March 2013.

Labco must also contend with efforts by nongovernmental third-party payers (mainly private health insurers) to reduce the utilization and reimbursement of clinical laboratory testing services. In certain markets, Labco receives payment for its services from private health insurers that have gained significant bargaining power by reimbursing healthcare services only if such services are provided by pre-selected providers. These private health insurers negotiate fee structures with healthcare providers, including clinical laboratories, and certain private health insurers have insisted on discounted fee structures as a condition for pre selection in the past and may insist on further discounted fee structures in the future. If Labco is not preselected by private insurers, or is required to accept unfavorable terms to secure such preselection, its results of operations may be adversely affected. For example, four private insurance customers in Spain accounted for a significant portion of Labco's Spanish revenue in 2014. A major Spanish private health insurer, for which Labco is a preselected provider, introduced significant prices cuts in the first half of 2012. Another major Spanish private health insurer also decided to introduce significant prices reductions effective January 2013.

Pressure from private health insurers in other areas of the healthcare sector may also affect Labco indirectly. Private health insurers have exerted pricing pressure on private hospitals which, in turn, have exerted pricing pressure on Labco.

Influence of the Legislative and Regulatory Environment in which Labco Operates

Labco is subject to significant regulation and control by various regulatory organizations and must adapt to frequent legislative and regulatory changes at both national and European level. These regulations mainly pertain to operating standards, professional qualifications of laboratory personnel, ownership and corporate governance constraints on companies operating clinical laboratories, and pricing and reimbursement levels of clinical laboratory tests. The changes made to the law and the regulations have had in the past, and may continue to have in the future, a significant impact on Labco's results of operations. In particular, compliance by laboratories with operating standards and the professional qualifications of laboratory personnel may drive up Labco's payroll-related, administrative, legal and operating costs.

Until the publication on January 13, 2010 of the ordinance relating to medical biology (*ordonnance n°2010-49 relative à la biologie médicale*), the scope for consolidation in the French market was severely restricted by limitations placed on the number of clinical laboratories that could be operated by a single laboratory company, while restrictions on outsourcing volumes gave rise to operational inefficiencies. Since the date of entry in force of the ordinance, these restrictions have been eased (it being underscored, however, that a SEL is not allowed to operate more than five clinical laboratories, the number and location of the sites of a clinical laboratory may be limited and the number of tests that can be outsourced by one clinical laboratory to another for analysis and interpretation every year is limited to 15% of the total number of tests carried out by the outsourcing laboratory), making it possible to (i) restructure the portfolio of clinical laboratories in France, (ii) set up technical platforms that have enabled and will continue to enable Labco to unlock economies of scale by increasing the volume of tests performed and by maximizing returns on testing equipment and personnel, and (iii) bring back in-house certain specialty tests that were previously outsourced. As a result, Labco's results of operations have improved. As outlined in "*Regulation—France*," the Law of 30 May 2013 amended the ownership rules concerning clinical testing laboratory companies in France. The Law of 30 May 2013 may limit Labco's ability to sell or transfer shares in SELs that it holds or that it may acquire in the future, and render more complex any restructuring it might consider for its subsidiaries. The Law of 30 May 2013 extended the French regional health authorities' oversight of compliance with the concentration rules in a given geographical region and clarified the fact that a natural person or a legal entity could not hold a share exceeding 33% of the testing market in this area, either directly or indirectly, through majority ownership of the capital of several clinical laboratory companies the combined business of which represents more than 33% of the testing market in this area.

Furthermore, the ordinance of January 13, 2010, as amended by the Law of 30 May 2013, instituted minimum accreditation standards that clinical testing laboratories must satisfy between 2016 and 2020, the implementation of which will be costly, time and resources consuming for the Labco Group (see "*Regulation—France*"). It requires 50% of the clinical testing performed by each laboratory to be accredited from November 1, 2016, 70% from November 1, 2018 and 100% from November 1, 2020. Expenses related to the management of quality and accreditations excluding payroll-related costs amounted to €1.1 million in the year ended December 31, 2014, compared with €0.74 million in the year ended December 31, 2013.

In addition, since the clinical sector is VAT exempt, clinical testing laboratories must pay VAT, thereby recognizing operating costs inclusive of VAT. VAT rates, the amount of taxes on sales and other similar taxes may be increased, especially in the current economic and political climate, with certain European governments seeking to raise more revenue from direct and indirect taxation. For example, certain VAT rates were increased in France on January 1, 2014, with the standard rate being raised from 19.6% to 20.0%, which gave rise to additional purchasing costs for French clinical testing laboratories, barring renegotiations with suppliers to agree improved terms and conditions to fully or partially offset the impact of the 0.4% increase in the VAT rate (see "*Risk Factors—Risks Related to Taxation—We are exposed to risks related to VAT and French payroll tax*").

Raw materials and products used in clinical laboratory testing services in Spain will no longer qualify for the reduced rate of VAT. See "*Business—Labco's Core Markets—Overview of Labco's Southern European Market—Spain*."

In addition, deferred taxes have been capitalized to reflect the future tax savings arising from differences between the carrying amount of assets and liabilities and their tax base, and deferred tax losses from Labco's subsidiaries. Future crystallization of these assets will depend on tax rules, the outcome of the possible tax audits and the future results of the relevant subsidiaries. As of December 31, 2014, the value of the deferred taxes recognized as assets amounted to €10.9 million, of which €4.8 million derived from tax loss carryforwards. It is possible that the value of these assets will decline following changes in the tax rules.

Expansion of Labco's Network of Clinical Laboratories through Acquisitions and Dispositions

During the period covered by the financial statements included elsewhere in this offering memorandum, acquisitions accounted for a significant portion of Labco's overall expansion strategy. As a result, acquisitions and sales have been, and probably will in the future be, a key factor to take into consideration when analyzing Labco's operating performance.

Since 2009, Labco has primarily made acquisitions of small clinical laboratories, which may be closed down or converted into Sampling Centers to unlock significant synergies in the short term. Labco has also dedicated more substantial resources to integrating its recent acquisitions.

During the years ended December 31, 2011, 2012, 2013 and 2014, Labco completed 35, 16, 11 and 16 acquisitions, respectively, of groups of companies, individual companies or small or medium-sized clinical laboratory businesses, primarily in France, for a total consideration net of cash acquired (excluding earn-outs) of €97.2 million, €45.2 million, €20.4 million and €130.2 million, respectively, with its acquisition of the SDN Group representing €107.6 million. For the current fiscal year, Labco has made ten acquisitions, seven of which were in France. Earn-out payments linked to Labco's acquisitions may turn out to be significant. As of December 31, 2014, the estimated fair value of liabilities linked to earn-out payments (fixed or subject to performance conditions) amounted to €11.5 million.

The following table provides an overview of the types of acquisitions which Labco completed as a percentage of total acquisitions during the periods indicated:

	Year ended December 31,			
	2011	2012	2013	2014
Medical enhanced content(1)	6%	—	9%	50%
Technical platforms(2)	11%	13%	—	—
Bolt-ons(3)	83%	88%	91%	50%

(1) Acquisitions that allow Labco to acquire new scientific or technological capacities (such as molecular biology, nuclear medicine and anatomopathology).

(2) Acquisitions of platforms that centralize the processing of test samples from collection centers, small laboratories and hospitals.

(3) Acquisitions of smaller laboratories that are accretive to Labco's networks.

Between 2012 and 2013, Labco did not make any large acquisitions and, at the same time, scaled down the number of such acquisitions it made compared with 2011 for various reasons. Firstly, Labco suspended its acquisition program in Italy, Spain and Portugal until the economy picked up again in late 2013 so that it could instead focus on organic growth and on restructuring its business portfolio. Labco decided to pull out of the German market in the summer of 2013, since it was unable to identify any growth opportunities to quickly achieve critical mass in the German market. Lastly, the economic, regulatory and tax-related uncertainties in France prompted hesitancy among the major players, sparking a sharp slowdown in merger and acquisition activity in clinical diagnostics. Against this backdrop, the number of opportunities for the Labco Group and that of completed transactions decreased significantly.

Even so, on October 25, 2013, Labco acquired almost all of Sodexo's holdings in the iPP joint venture, set up jointly to expand outsourcing of the clinical diagnostics business for the NHS in the United Kingdom. iPP commenced its operations on June 1, 2012 under the contract with Taunton and Somerset NHS Foundation Trust and the Yeovil District Hospital NHS Foundation Trust. Since iPP is now controlled by the Labco Group, it has been fully consolidated in the Labco Group's accounts since October 25, 2013, while the net profit of the iPP joint venture was previously recognized in the "share of profit of associates" line item of Labco's income statement.

Labco completed a major acquisition in Italy on July 30, 2014 by acquiring SDN S.p.A. and its four subsidiaries, which are active in Naples and Campania, making Labco a market leader in the Italian market and bolstering its activities in integrated diagnostics, especially in molecular imaging. The SDN Group generated revenue of €48.0 million in the year ended December 31, 2014, with margins ahead of the Labco Group's average.

As part of Labco's overall strategy, it regularly evaluates its business portfolio and from time to time may sell non-core activities and those regarded as less profitable. During the summer of 2013, Labco completed a strategic review of its operations in Germany and decided to pull out of the German market for the time being to focus on national markets in which it has achieved or may shortly achieve a leadership position, significant market share or a distinctive positioning. Labco therefore sold its business activities in Germany to Sonic Healthcare on December 2, 2013 and, in compliance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*), the cash-generating unit sold was restated under "*discontinued operations*" in the 2012 and 2013 periods in its consolidated financial statements for the year ended December 31, 2013.

Acquisitions and disposals affect Labco's results of operations in different ways. Firstly, Labco's results during periods in which an acquisition takes place may be affected by the inclusion of results from the businesses acquired in the consolidated results from the date on which control is gained, which is generally when ownership of the shares changes hands. Similarly, disposals affect group results, since the divested entity is no longer consolidated from the date control is lost. The acquisitions that Labco made in 2012, 2013 and 2014 contributed approximately to 2.3%, 2.1% and 4.5%, respectively, to its revenue for the years ended December 31, 2012, 2013 and 2014. Subsequently, the results of the periods are positively impacted by the synergies plus the immediate effect of the inclusion of results from the businesses acquired in the consolidated results. For example, acquisitions can harness economies of scale in procurement through the pooling of purchasing volumes with suppliers to secure rebates in return for larger volumes.

Labco acquires clinical laboratories with limited property, plant and equipment assets for a consideration that in many cases exceeds their net assets, which leads to significant amounts of goodwill being recognized on its statement of financial position (€702.4 million as of December 31, 2014). Labco evaluates the recoverability and measures the potential impairment of goodwill annually or at interim closing dates if an impairment indicator is identified and may recognize charges in case of impairment. Following the annual goodwill impairment review, Labco recognized a €36 million impairment loss allocated to the cash-generating unit in Germany as of December 31, 2012. No impairment loss was recognized in 2013 or 2014. For further information about the analysis of goodwill impairment and corresponding sensitivity analyses, see Note 13 "*Goodwill*" to Labco's audited consolidated financial statements for the year ended December 31, 2014 included elsewhere in this offering memorandum.

Labco intends to continue its expansion drive to improve its geographical coverage and increase the density of its network of clinical laboratories. This development is expected to consist of selective acquisitions of clinical laboratories in each of the markets in which Labco is present. Labco also intends to pursue further development in specialty testing, such as genetic testing and other clinical diagnostics, including anatomical pathology and radiological testing for integrated diagnosis, by making selective acquisitions or forging commercial partnerships with biotechnology companies. In addition, Labco may consider selling laboratories in some markets or regions through dynamic management of its asset portfolio, in order to focus on national markets or regions in which it has achieved or may shortly achieve a leadership position, significant market share or a distinctive positioning.

Organic Growth

Labco's results of operations are also affected by organic growth in its various businesses, varying from one type of business and one geographical market to another. Labco determines organic growth between one given financial period and an earlier comparative financial period by calculating the growth in revenue excluding the consolidation perimeter effects arising from acquisitions and disposals completed in either of the financial periods under comparison. In particular, when Labco analyzes organic growth in revenue between one accounting period ("period n") and the prior comparative accounting period ("period n-1"), the impact of consolidation perimeter effects are determined as follows:

- organic growth for acquisitions that took place during financial period n-1 is calculated by comparing revenue in period n with *pro forma* revenue in period n-1 adjusted for the effects of acquisitions (i.e., by adding back revenue from the acquisitions made during the period prior to the date on which the relevant operations were added to the scope of consolidation). The full-year contribution from the acquisitions made during financial period n-1 consists of the estimate of revenue recognized by the newly acquired companies prior to the date on which they were added to the perimeter of consolidation;
- organic growth for acquisitions that took place during period n is calculated by subtracting revenue generated by the businesses acquired between the date on which they joined the perimeter of consolidation and the end of period n; and
- the percentage of organic growth is then calculated as the ratio of revenue in period n restated for the acquisitions completed during period n/*pro forma* revenue in period n-1 adjusted for the impact of the acquisitions.

In addition to organic growth, Labco analyzes its results by considering the estimated consequences for revenue of differences in the number of working days between two periods.

Between 2012 and 2014, given the challenging economic conditions prevailing in Europe and additional measures taken to reduce healthcare spending by various governments (see "*—General Economic Conditions and Legal Framework—Specific Impact of Volume and Price Effects*"), volume growth was offset by pricing pressures, paving the way for organic growth of 1.8% between 2012 and 2013 and 3.4% between 2013 and 2014.

Cost Structure and Operating Performance

Synergies and cost reductions have a crucial bearing on Labco's profitability because they help to offset some of the downward pressure on prices brought to bear by governments and third-party payers, which may negatively impact its revenue.

Since 2011, Labco has consolidated small clinical laboratories into larger entities and pooled testing volumes at more efficient technical platforms in all the countries in which it operates. Various mergers took place in 2011 (15 entities merged with another in France, seven in Iberia and one in Germany), in 2012 (14 entities merged with another in France, four in Iberia and one in Italy), in 2013 (17 entities merged with another in France, seven in Iberia and one in Germany), and in 2014 (five entities merged with another in France and eight in Iberia). Mergers pave the way for significant economies of scale.

Labco regularly introduces measures to reduce costs across all expense categories. In particular, to reduce raw materials costs and protect its margins against the backdrop of price reductions imposed on the clinical laboratory testing market in a number of countries, it implemented the pan-European Strategic Procurement Optimization and Rationalization project ("SPORT") in 2009, which has resulted in a reduction in procurement costs by cutting the number of suppliers Labco works with and by securing better commercial terms through the use of framework agreements, especially for purchases of the chemical reagents used in clinical laboratory tests. For example, in late 2012, Labco held European and national calls for tenders to choose two preferred suppliers of reagents and clinical laboratory equipment in each testing category (such as biochemistry and bacteriology), which has gradually allowed it to benefit from more favorable commercial terms, thereby generating significant savings.

The "Safe" project initiated in June 2010 enabled Labco to reduce its operational staff costs through a hiring freeze and laboratory headcount reductions.

Labco also implemented the "Deep Dive" program during 2012 and 2013, which involved a full, detailed review of its operations in France in order to initiate a workforce optimization plan that led to the reduction of 67 full-time employee positions over two years.

Lastly, since the fourth quarter of 2011, Labco has implemented major restructuring plans in Spain and Portugal. Labco's headcount in Spain and Portugal was reduced through cutbacks in support functions and consolidation of laboratories. For example, Labco grouped most of its facilities in Portugal in the cities of Lisbon, Faro and Porto. During 2013, further restructuring was implemented in Spain in the context of contractual renegotiations with a major customer leading to a major reorganization of the operations of the laboratories handling the contract in line with customer service requirements and, to a lesser extent, a reorganization of the headquarters functions. In late 2014, a restructuring plan was implemented in order to consolidate all sites in the Barcelona region in Spain within the new building purchased in October 2014. Labco expects the new site and the related overhaul of logistics to enable it to manage volume growth.

In Italy, the activities of the CAM laboratory were reorganized with the consolidation of the various sites at a unique facility in Elvezia, Monza, which was optimized and endowed with cutting-edge equipment in late 2012.

Even so, these initiatives may lead in certain cases to restructuring costs, impairment losses, redundancy costs and litigation costs.

Seasonality

Seasonality of Revenue and Results of Operations

Labco's revenue and results of operations are exposed to seasonal fluctuations owing to the impact of vacation periods, particularly in the summer, on the activities of certain laboratories and the impact of challenging weather conditions, if any, during the winter period. The effect of this seasonal impact varies between the countries in which Labco is present.

Seasonality of Changes in Labco's Working Capital Requirements

Labco's working capital requirements are also subject to seasonal fluctuations owing to the impact of vacation periods on the aforementioned activities and the seasonal effects of payments by its principal customers, in particular public-sector or public-private organizations, such as INAMI in Belgium and the ASL regional health insurance funds in Italy, which tend to settle all the amounts they owe for the year on December 31. As such, more cash is required to cover Labco's working capital requirements over the first nine months of the financial year, while in the fourth quarter it enjoys the benefit of the cash generated by the working capital. In addition, the seasonal effect on cash used as or generated by working capital usually tends to increase from one year to the next owing to (organic or acquisition-led) growth in consolidated annual revenue.

Factors Affecting Comparability

Disposal of Labco's German Operations

On December 2, 2013, Labco sold its entire German operations to Sonic Healthcare for an aggregate consideration of €76.0 million. Labco has accounted for such operations as "discontinued operations" with effect from September 30, 2013 in its financial statements, in accordance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). As a result, in Labco's consolidated financial statements as of and for the year ended December 31, 2013, the contribution of its German operations appears separately under the line item "net profit of the period from discontinued operations" rather than under each line item where such contribution was previously recorded, and the consolidated financial information as of and for the year ended December 31, 2012 included for comparison purposes in such consolidated financial statements was restated. Labco has not restated its consolidated financial statements as of and for the year ended December 31, 2012, and such financial statements are therefore not directly comparable with its financial statements as of and for the year ended December 31, 2013.

Acquisition of the SDN Group

Labco completed the acquisition of the SDN Group on July 30, 2014. See "*—Principal Factors Affecting Labco's Results of Operations—Expansion of Labco's Network of Clinical Laboratories through Acquisitions and Dispositions*" and "*Business—Labco's Core Markets—Overview of Labco's Southern*

European Market—Italy.” The financial results of the SDN Group have been included in Labco’s financial statements from the date of its acquisition. Due to the accounting impact of this transaction and the consolidation of the operating results of the SDN Group, Labco’s results as of and for the years ended December 31, 2013 and 2014 are not directly comparable. In addition, Labco’s results of operations for the three months ended March 31, 2014 do not reflect any results for the SDN Group for that period, whereas the SDN Group’s results are fully consolidated in Labco’s results of operations for the three months ended March 31, 2015. Labco’s results of operations for the three months ended March 31, 2014 are therefore not directly comparable with its results of operations for the three months ended March 31, 2015.

Labco has included in this offering memorandum *pro forma* financial information for the year ended December 31, 2014, which gives *pro forma* effect to the acquisition of the SDN Group as if such acquisition had occurred on January 1, 2014. See “*Labco Unaudited Pro Forma Financial Information*.”

IFRIC 21 (Levies) Restatement

Since January 1, 2015 Labco has applied IFRIC 21 (*Levies*) with impacts to its results of operations recognized retrospectively in accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*). IFRIC 21 provides guidance on recognition of a liability to pay taxes (except for income taxes). IFRIC 21 modifies existing practices for the payment of annual taxes, which, for an entity, is triggered by being in operation on a certain date or by achieving a certain level of activity. The impact of IFRIC 21 on the Labco Group is limited to the time at which it recognized a French levy known as “C3S” (*contribution sociale de solidarité des sociétés*). To improve the comparability of Labco’s results of operations for the three months ended March 31, 2015, its consolidated statement of income for the comparative period of March 31, 2014 has been restated in order to reflect the impact of IFRIC 21 on the gross amount (excluding deferred tax effect of €0.1 million), which amounts to €0.4 million in other operating expenses. The application of IFRIC 21 has no impact on cash flow from operating activities as the corresponding reduction in EBITDA is offset by an increase in other current liabilities.

Description of Key Income Statement Items

Revenue

Labco generates revenue from a wide range of clinical or diagnostic services that are paid for by private insurers, hospitals, patients, pharmacies and national health insurance funds. These services include clinical laboratory testing, consisting of both routine and specialty testing, anatomopathology diagnostics, histologic and cytologic testing, as well as imaging services including medical imaging and molecular imaging (mainly in Italy). It also consists of other revenue, which mainly comprises interest received on trade receivables and revenue generated by activities not directly related to clinical testing and medical imaging services.

Revenue from clinical laboratory testing and medical imaging services is stated at the fair value of the consideration received or receivable net of returns, trade rebates and volume discounts. Revenue from services is recognized when the service is rendered. Revenue is based on the net amount invoiced or “invoiceable,” where this may be estimated reliably. Where it seems probable that a discount will be granted and that its amount can be estimated reliably, the discount is accounted for as a reduction in total revenue when the sale is recognized.

The process of estimating the ultimate collection rate of the receivables generated by the clinical laboratory testing business requires the use of significant assumptions and judgments. Services that are reimbursed by third-party payers, including social security systems, are recognized under revenue net of allowances to provisions for the difference between the invoiced amount and the estimated amount of the reimbursement receivable from these third-party payers. Adjustments to these provisions based on actual reimbursements by third-party payers are accounted for upon their payment as an adjustment to net total revenue.

Public-Sector Third-Party Payers

Payments made by public-sector agencies for clinical laboratory testing services are based on pricing scales drawn up by the public authorities. Collection times for these receivables usually depend on full and accurate information being furnished in accordance with the various reporting deadlines. Collection times vary from one country to another.

Private Insurers

Reimbursements by private insurers are based on negotiated fee-for-service schedules and on capitated payment rates.

Substantially all of the accounts receivable due from private insurers represent amounts billed under negotiated fee-for-service arrangements. Labco uses a standard approach to establish allowances for doubtful accounts for such receivables that considers the aging of the receivables, historical collection experience and other factors.

Client Payers

Client payers include doctors, hospitals, employers and other commercial laboratories. The credit risk and ability to pay are more of a consideration for these payers than private insurers and government payers. Labco uses a standard approach to establish allowances for doubtful accounts for such receivables that considers the aging of the receivables as well as specific account reviews, historical collection experience and other factors.

Patients (Individuals)

Patients are charged based on the established patient fee schedules, subject to any limitations on fees negotiated with the mutuals or doctors on behalf of their patients. The collection of receivables due from patients is subject to credit risk and ability of the patients to pay. Labco uses a standard approach to establish allowances for doubtful accounts for such receivables that considers the aging of the receivables, historical collection experience and other factors.

Countries and regions in which Labco operates experience different demand trends owing primarily to their public health management models and local economic conditions.

See "Business—Labco's Customers."

Cost of Sales

Labco's cost of sales consists primarily of variable costs given the high proportion of raw materials costs (chemical reagents) and outsourced tests, and to a lesser extent, transport and logistics costs. The main components of this cost of sales are as follows:

- chemical reagents used to perform the clinical laboratory tests purchased from suppliers in the health diagnostics industry (Beckmann, Abbott, Roche and Siemens);
- supplies and consumables such as tubes, needles, special conditioning used to collect samples or to condition the samples so that they can be processed on automated equipment or diagnostic devices;
- analyses outsourced to other clinical testing laboratories, particularly certain specialty tests that Labco is unable or not authorized to perform;
- pre-testing sample collection, where this is not carried out by Labco; and
- transport and collection costs related to the waste generated by the clinical testing business.

The rebates granted by certain suppliers, primarily suppliers of reagents and consumables and specialty testing laboratories, are accounted for as reductions in the cost of purchasing raw materials, supplies and outsourced tests.

Payroll-Related Expenses

Payroll-related expenses consist of fixed and variable wages and salaries, temporary staffing costs, social security contributions and other salary-based taxes (such as the *taxe sur les salaires* in France), pension contributions or estimated service costs for provisions for post-employment benefit schemes in France recognized in accordance with IFRS IAS 19 and any other expenses payable to employees, such as mandatory employee profit-sharing in France, or related to employees, such as travel expenses. They also consist of the fixed and variable remuneration paid to laboratory doctors under various legal forms, either compensation paid as salary or fees or, mainly for French laboratory doctors, the priority dividends based on current-year profits for the variable portion.

As explained in Note 3.1.1 to Labco's consolidated financial statements for the year ended December 31, 2014 included elsewhere in this offering memorandum, the priority dividends due to be paid to certain laboratory doctors in the following year are recognized as employee benefit expense and a liability in the current year.

Share-Based Payments

Expenses related to share-based payments represent expenses to be recognized under IFRS 2 and correspond to the estimated theoretical costs of the benefit that employees may gain from the equity instruments ("BSA" warrants or free shares) granted to them as employees performing services to the Group. These expenses also include, eventually, social security expenses to be paid for such granted shares.

Other Operating Expenses

Other operating expenses mainly include:

- rent and service charges related to premises, equipment and vehicles;
- maintenance and repair expenses, particularly for testing equipment and systems, as well as insurance costs;
- taxes other than on income and in particular land tax and business tax. In France, this category also covers CET (*Contribution Économique Territoriale*), one of the business levies in France, but not the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) business levy. These two levies were both introduced in France on January 1, 2010. The business tax payable by French subsidiaries prior to January 1, 2010 was replaced by the CET and CVAE levies. CET is recognized under "*Taxes other than on income*," while CVAE is accounted for under "*Income tax*";
- expenses and professional fees, such as lawyers', audit and consultants' fees;
- sales, marketing and quality expenses (since the clinical laboratory testing industry is highly regulated and particularly so in France with the obligation to secure accreditation based on strict standards, Labco incurs quality-related expenses); and
- administrative expenses and allowances for doubtful accounts or inventories, when proven and definitive.

Transaction Costs for Usual Small Size Acquisitions

Under IFRS 3 (revised), transaction costs related to acquired entities have been recorded since 2008 in the consolidated statement of income together with those related to abandoned deals. Given the non-operational, irregular and non-recurring nature of these costs, they are shown on a separate line of the consolidated statement of income, and depending on the amount of costs incurred per acquisition project, they are qualified as transaction costs for usual small size acquisitions recorded as other operating expenses, or they are qualified as transaction costs for significant and unusual transactions recorded as non-recurring operating expenses in the line perimeter effect.

EBITDA

EBITDA is defined as operating income before non-recurring items restated for depreciation and amortization, impairment losses and additions to provisions net of reversals.

Under IFRS, EBITDA does not have to be shown on a separate line of the statement of income. EBITDA does not necessarily represent a useful measure of Labco's financial condition, liquidity or profitability and should not be considered as an alternative to the results determined in compliance with IFRS for the period, the cash flows determined in compliance with IFRS or any other measure provided for in compliance with IFRS.

EBITDA may be used to compare Labco's performance using consistent criteria over the various periods concerned insofar as it eliminates the impact of items that are not directly related to operating performance even though it includes certain non-operating and unusual items such as share-based payments and transaction costs for usual small size acquisitions, which have been shown on separate lines. Labco believes that EBITDA is a useful measure insofar as it provides the same information as that used by its management to assess its performance. Even so, EBITDA has a number of limitations as an analytical tool and should not be considered in isolation or instead of an analysis of Labco's results from operating activities. Since other market participants may not calculate EBITDA in the same manner, the EBITDA shown by Labco may not be comparable with the figures provided by other companies under the same heading.

Depreciation, Amortization, Impairment Losses, Provisions and Reversals

Depreciation and amortization reflects the normal wear and tear of property, plant and equipment and intangible assets, including the amortization of intangible assets recognized upon consolidation in respect of fair value adjustments to assets and liabilities within twelve months of an acquisition. Current operating provisions reflect allowances to and reversals from provisions for disputes with employees, customers or third parties and restructuring expenses incurred in the normal course of Labco's business. This also includes allowances for doubtful accounts and inventories to cover the risks of non-collection of receivables or impairment of inventories. Where the risk of impairment is proven, the provisions are reversed, and a definitive impairment loss is recognized under other operating expenses.

Non-Recurring Income and Expenses

Non-recurring income and expenses consist of income and expenses that are not considered to be generated or incurred in Labco's recurring operating activities. This line item primarily reflects impairment losses on goodwill and other non-operating non-current assets, significant non-recurring restructuring costs, provisions for major litigation, expenses incurred through the restructuring of Labco's debt, the transaction costs related to significant and unusual acquisitions involving consolidated subsidiaries, whether or not the planned transaction is abandoned or goes ahead, changes in the fair value of earn-out payments after the one-year evaluation period, and capital gains and losses on the disposal of non-current assets or of investments in consolidated companies.

Net Finance Costs

Net finance costs is the sum of financial expense and income and primarily includes (i) interest on outstanding amounts of existing debt, particularly the amounts outstanding on Labco's bonds, revolving credit facility and bank loans and factoring programs, (ii) interest payable on finance leases, (iii) gains and losses caused by fluctuations in exchange rates, (iv) the impact of fair value adjustments on financial instruments held to cover interest rate risks, (v) the interest cost of post-employment benefit obligations and (vi) income from cash equivalents.

Income Tax Expenses

Income tax expenses consist of (i) tax paid on income in all the countries in which Labco operates, including the tax on production activities in Italy (*Imposta Regionale sulle attività produttive*) and the CVAE in France, and (ii) any changes in the net deferred taxes accounted for on Labco's statement of financial position.

Share of Profit of Associates

The share of profit of associates represents the share in the profit after tax of associates attributable to the Labco Group.

Net Profit from Discontinued Operations

Net profit from discontinued operations represents the net profit generated by operations classified as discontinued pursuant to IFRS 5 and thus shown on a separate line of the income statement. A discontinued operation under IFRS 5 is a cash-generating unit (i.e., a component of an entity with activities and cash flows that can be distinguished for operational and financial reporting purposes) representing either a separate major line of business or a geographical area of operations in respect of which a single coordinated plan to dispose has been drawn up. The net profit of the German entities in the relevant periods has therefore been reclassified under this heading for the years 2012 and 2013.

Results of Operations

Comparison of the Three Months Ended March 31, 2015 and March 31, 2014

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Labco's results of operations for the three months ended March 31, 2014 do not reflect any results for the SDN Group for that period, whereas the SDN Group's results are fully consolidated in Labco's results of operations for the three months ended March 31, 2015. Labco's results of operations for the three months ended March 31, 2014 are therefore not directly comparable with its results of operations for the three months ended March 31, 2015.

The following table summarizes the historical results of Labco's operations for the three months ended March 31, 2015 and 2014. The financial data below has, in part, been derived from and should be read in conjunction with Labco's Unaudited Interim Financial Statements included elsewhere in this offering memorandum.

	Three months ended March 31,					
	2014 (restated)	%	2015	%	Variation	%
	(€ millions except for %) (unaudited)					
CONSOLIDATED STATEMENT OF INCOME						
Revenue	150.4	99.6	179.0	99.3	28.6	19.0
Other income	0.6	0.4	1.2	0.7	0.6	93.4
Total revenue (total proceeds of ordinary activities)	**151.0**	**100.0**	**180.2**	**100.0**	**29.2**	**19.3**
Cost of sales	(33.5)	(22.20	(41.5)	(23.1)	(8.0)	23.9
Payroll-related expenses	(61.9)	(41.0)	(70.2)	(38.9)	(8.2)	13.3
Share-based payments	0.0	0.0	(0.9)	(0.5)	(0.9)	n.a.
Other operating expenses	(22.6)	(15.0)	(29.0)	(16.1)	(6.4)	28.2
Transaction costs for usual small size acquisitions	(0.4)	(0.3)	(0.3)	(0.2)	0.1	(27.7)
EBITDA	**32.5**	**21.5**	**38.3**	**21.3**	**5.8**	**17.8**
EBITDA margin (EBITDA/Revenue)	**21.5**		**21.3**			
Depreciation, impairment losses and amortization, provisions and reversals	(5.0)	(3.3)	(6.7)	(3.7)	(1.7)	33.0
Results from operating activities before non recurring items	**27.5**	**18.2**	**31.6**	**17.5**	**4.1**	**15.0**
Non recurring income and expenses	(0.6)	(0.4)	(1.1)	(0.6)	(0.5)	85.5
Results from operating activities after non recurring items	**26.9**	**17.8**	**30.5**	**16.9**	**3.6**	**13.5**
Net finance costs	(15.1)	(10.0)	(16.1)	(9.0)	(1.0)	6.6
Income tax expenses	(6.7)	(4.4)	(8.1)	(4.5)	(1.4)	20.9
Share of profit of associates	0.0	0.0	0.0	0.0	0.0	n.a.
Net profit of the period	**5.1**		**6.3**		**1.2**	**24.3**
Profit attributable to non-controlling interests	0.2	0.1	0.1	0.1	(0.1)	(34.6)
Profit attributable to owners of the company	4.9	3.2	6.2	3.4	1.3	26.3

Total Revenue

Total revenue increased by €29.2 million, or 19.3%, to €180.2 million for the three months ended March 31, 2015 from €151.0 million for the three months ended March 31, 2014. On a constant perimeter basis, total revenue increased by €10.1 million, or 6.0%, over the same period. This increase was primarily due to the full-year contribution of acquisitions completed in 2014, particularly the impact of the acquisition of the SDN Group in Italy on July 30, 2014, as well as organic volume growth, the commencement of Labco's outsourcing operations under the agreement with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust, and the favorable Mix Effect recorded in most countries in which Labco operates. This increase was partially offset by the challenging economic environment in Iberia and price reductions in most countries in which Labco operates, particularly in France and Italy.

The following table provides a breakdown of total revenue by country and as a percentage of Labco's total revenue for the three months ended March 31, 2015 and 2014, as well as an analysis of the increase in total revenue between organic growth (at comparable perimeter) and growth including changes in the perimeter of consolidation (at current perimeter) for each segment and for the Labco Group as a whole.

	Three months ended March 31,				% Variation	
	2014 (restated)	%	2015	%	Unadjusted Perimeter	Constant Perimeter
	(€ millions except for %) (unaudited)					
Total revenue						
Northern Europe	101.1	67.0	112.1	62.0	10.9	7.0
France	88.6	59.0	89.6	50.0	1.2	(2.4)
Belgium	7.4	5.0	8.6	5.0	15.7	8.5
United Kingdom	4.6	3.0	13.3	7.0	188.5	188.5
Switzerland	0.4	0.0	0.6	0.0	31.5	31.5
Southern Europe	49.9	33.0	68.1	38.0	36.4	4.4
Iberia	40.0	26.0	41.6	23.0	4.0	3.9
Italy	10.0	7.0	26.5	15.0	166.6	5.0
Total	151.0	100.0	180.2	100.0	19.3	6.0

Northern Europe

Total revenue for Labco's Northern Europe segment increased by €11.0 million, or 10.9%, to €112.1 million for the three months ended March 31, 2015 from €101.1 million for the three months ended March 31, 2014. This increase was primarily due to the commencement of Labco's outsourcing operations under the agreement with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust and to a lesser extent by acquisitions completed during the period, particularly in France and Belgium during 2014 (full-year contribution).

Total revenue in France increased by €1.1 million, or 1.2%, to €89.6 million for the three months ended March 31, 2015 from €88.6 million for the three months ended March 31, 2014. This increase was primarily due to the full-year contribution of acquisitions completed in 2014, and the favorable Mix Effect, partially offset by the annual reduction in prices applied by the French Health Authority of 2.3% in April 2014 and by the effect of a general practitioners' strike in January and February 2015 which led to a slowdown in activity. Labco made one acquisition during the three months ended March 31, 2015, which had no impact on its total revenue for the period given the date of the acquisition. The full-year contribution made by businesses acquired in 2014 amounted to €3.3 million. Organic growth was negative 2.4%, reflecting the impact of the reduction in the tariffs applied by the French Health Authority of around 2.3% in April 2014 and a slight slowdown of activity in January and February 2015 primarily due to the impact of the general practitioners' strike. Due to the slowdown of activity noticed by the industry in France for the three months ended March 31, 2015, and as part of the three years agreement with UNCAM, the adjustments in price applied by the French Health Authority initially expected in April 2015 have been postponed.

Total revenue in Belgium increased by €1.2 million, or 15.7%, to €8.6 million for the three months ended March 31, 2015 from €7.4 million for the three months ended March 31, 2014. This increase was primarily due to expansion in nutritional testing and, to a lesser extent, growth in routine testing, and to the full-year contribution of an acquisition completed in 2014 which amounted to €0.5 million. Organic growth was 8.5%. The acquisition made during the three months ended March 31, 2015 had no impact on Labco's total revenue for the period given the date of the acquisition.

Total revenue in the United Kingdom increased by €8.7 million to €13.3 million for the three months ended March 31, 2015 from €4.6 million for the three months ended March 31, 2014. This increase was primarily due to the commencement of the operations of iPP Analytics and iPP Facilities on October 1, 2014 under the laboratory services outsourcing contract with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust. Those two entities contributed €9.0 million to Labco's total revenue for the three months ended March 31, 2015, which included one month of revenue from the site and material management part of the outsourcing contract with Taunton and Somerset and Yeovil District Hospital which was previously managed by iPP. This contract was amended and restructured into two separate contracts, one regarding site management and material (relating to the provision of material, reagents, consumables and support functions) managed by iPP Facilities, which came into effect in early March 2015, and the other regarding the provision of staff (relating to the provision of technical teams) which remains managed by iPP. Labco UK, which manages the subcontracting contract for the Fresenius group's clinical diagnostic testing business, also increased its revenue primarily due to higher volumes.

Total revenue in Switzerland increased by €0.1 million, or 31.5%, to €0.6 million for the three months ended March 31, 2015 from €0.4 million for the three months ended March 31, 2014.

Southern Europe

Total revenue for Labco's Southern Europe segment increased by €18.2 million, or 36.4%, to €68.1 million for the three months ended March 31, 2015 from €49.9 million for the three months ended March 31, 2014. This increase was primarily due to the €15.8 million contribution by the SDN Group in Italy to Labco's total revenue for the three months ended March 31, 2015, which was acquired on July 30, 2014, and the full-year contribution of €0.4 million from businesses acquired during 2014 in Iberia. Organic growth was 4.4%, reflecting volume growth, continued expansion in specialty testing in Spain and Italy and increased revenue from medical services activities in Italy.

Total revenue in Iberia increased by €1.6 million, or 4.0%, to €41.6 million for the three months ended March 31, 2015 from €40.0 million for the three months ended March 31, 2014. This increase was primarily due to the full-year contribution of businesses acquired in 2014 which amounted to €0.4 million. Labco also sold its Sabater Pharma business in Spain which, before its disposal, had contributed €0.4 million to Labco's total revenue for the three months ended March 31, 2014. Labco made three acquisitions in Iberia in 2014. Organic growth was 3.9%, reflecting volume growth in routine testing in Spain, especially in the ambulatory markets, and Portugal and the continued expansion in specialty testing and improved performance in Latin America, partially offset by pricing pressure in Spain and an unfavorable Mix Effect affecting Labco's ambulatory business in Portugal.

Total revenue in Italy increased by €16.6 million to €26.5 million for the three months ended March 31, 2015 from €9.9 million for the three months ended March 31, 2014. This increase was primarily due to the €15.8 million contribution by the SDN Group in Italy to Labco's total revenue for the three months ended March 31, 2015. Labco completed the strategic acquisition of the SDN Group, the Naples-based leader in integrated diagnostics, on July 30, 2014, and benefited from the full-year effect of its acquisition of the Visconteo laboratory. As a result, organic growth was 5.0%, reflecting volume growth, particularly from the development of non-invasive Down's syndrome genetic tests, and increased revenue from medical services, partially offset by the impact of price reductions as a result of budget cuts implemented or expected by ASLs in some regions.

Cost of Sales

Cost of sales increased by €8.0 million, or 23.9%, to €41.5 million for the three months ended March 31, 2015 from €33.5 million for the three months ended March 31, 2014. Expressed as a percentage of total revenue, cost of sales represented 23.1% for the three months ended March 31, 2015, compared with 22.2% for the three months ended March 31, 2014.

The increase in cost of sales was primarily due to the impact of acquisitions made in 2014, particularly the SDN Group, and the activities related to Labco's laboratory services outsourcing contract with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust which commenced on October 1, 2014, together with higher cost of sales in Iberia primarily as a result of an increase in the VAT rate in Spain (from 10% to 21%) as of January 1, 2015. The increase in cost of sales as a percentage of total revenue was primarily due to the impact of the increase in the VAT rate in Spain, and, to a lesser extent, the effect of continued expansion in specialty testing in Iberia and Italy, since Labco outsources its specialty Down's syndrome genetic test (and thereby incur additional costs which reduce its gross margin without having any significant impact on its EBITDA margin), and was partially offset by the positive impact of the renegotiations of the commercial terms of its reagent purchases, particularly in France.

Payroll-Related Expenses

Payroll related expenses increased by €8.2 million, or 13.3%, to €70.2 million for the three months ended March 31, 2015 from €61.9 million for the three months ended March 31, 2014. Expressed as a percentage of total revenue, payroll-related expenses represented 38.9% for the three months ended March 31, 2015, compared with 41.0% for the three months ended March 31, 2014.

The increase in payroll-related expenses was primarily due to the full-year contribution of businesses acquired in 2014, particularly the SDN Group, and the impact of activities related to Labco's laboratory services outsourcing contract with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust which commenced on October 1, 2014. The decrease in payroll-related expenses as a percentage of total revenue was primarily due to the impact of integrating the SDN Group, which benefits from a significantly lower ratio of payroll-related expenses to revenue than the average for other Labco Group activities, and, to a lesser extent, by the initial benefits of the restructuring and efficiency plans implemented in Spain, particularly the concentration of Labco's activities in Barcelona in one site, and by productivity gains by its operations in Italy (excluding those of the SDN Group) and Belgium.

Share-Based Payments

Share-based payments expenses amounted to €0.9 million for the three months ended March 31, 2015 compared with nil for the three months ended March 31, 2014. The IFRS 2 expense reflected in Labco's results for the three months ended March 31, 2015 relates to a profit-based incentive plan that Labco established in April 2014 for the two main managers of its UK operations and which qualifies under IFRS as a cash-settled share-based payment plan with a *pro rata temporis* vesting period for rights of five years. It also includes the IFRS 2 charge on a *pro rata temporis* basis of Labco's bonus performance share plan introduced in mid-November 2014. That plan, which features a two-year vesting period, relates to approximately 1% of Labco's share capital and qualifies under IFRS as an equity-settled share-based payment plan.

Other Operating Expenses

Other operating expenses increased by €6.4 million, or 28.2%, to €29.0 million for the three months ended March 31, 2015 from €22.6 million for the three months ended March 31, 2014. This increase was primarily due to the full-period contribution made by the businesses acquired in 2014, particularly the acquisition of the SDN Group and the impact of the activities related to Labco's laboratory services outsourcing contract with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust which commenced on October 1, 2014.

Expressed as a percentage of total revenue, other operating expense represented 16.1% for the three months ended March 31, 2015, compared with 15.0% for the three months ended March 31, 2014. This increase was primarily due to the impact of the commencement of activities under Labco's outsourcing contract with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust on October 1, 2014 and the impact of the acquisition of the SDN Group, both of which have a higher ratio of operating expenses to revenue than Labco's operations in other countries.

Transaction Costs for Usual Small Size Acquisitions

Transaction costs for usual small size acquisitions decreased by €0.1 million, or 27.7%, to €0.3 million for the three months ended March 31, 2015 from €0.4 million for the three months ended March 31, 2014. This decrease was primarily due to limited acquisition activity.

EBITDA

EBITDA increased by €5.8 million, or 17.8%, to €38.3 million for the three months ended March 31, 2015 from €32.5 million for the three months ended March 31, 2014. EBITDA on a constant perimeter basis, however, decreased by €3.2 million, or 7.7%, during the same period. This was primarily due to the impact of the acquisition of the SDN Group which Labco acquired on July 30, 2014 and the full-year contribution made by the businesses acquired in 2014, primarily in France, partially offset by the unfavorable impact of price reductions in France in April 2014, pricing pressure in Iberia, an increase in the VAT rate in Spain and the adverse effect of clinical testing outsourcing for certain NHS trusts in the United Kingdom which reduced Labco's EBITDA. Consolidated EBITDA stated as a percentage of total revenue (EBITDA margin) decreased to 21.3% for the three months ended March 31, 2015 from 21.5% for the three months ended March 31, 2014. Adjusted for the effects of Labco's UK subsidiaries managing laboratory services outsourcing contracts for certain NHS trusts, EBITDA margin was 24.1% for the three months ended March 31, 2015 compared with 22.4% for the three months ended March 31, 2014, primarily as a result of the acquisition of the SDN Group, which has a higher EBITDA margin than Labco's operations in other countries.

The following table shows EBITDA by segment over the indicated periods and also stated as a percentage of each segment's total revenue.

	Three months ended March 31,				
	2014 (restated)	**%**	**2015**	**%**	**% Variation**
	(€ millions except for %) (unaudited)				
EBITDA					
Northern Europe	24.1	74.0	22.4	58.0	(7.2)
As a % of consolidated total revenue	*23.8*		*19.9*		
Southern Europe	8.4	26.0	15.9	42.0	89.5
As a % of consolidated total revenue	*16.8*		*23.4*		
Total	32.5	100.0	38.3	100.0	17.8
As a % of consolidated total revenue	*21.5*		*21.3*		

Northern Europe

EBITDA for Labco's Northern Europe segment decreased by €1.7 million, or 7.2%, to €22.4 million for the three months ended March 31, 2015 from €24.1 million for the three months ended March 31, 2014. This decrease was primarily due to the impact of Labco's new laboratory services outsourcing contract with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust which commenced on October 1, 2014 and from the increase in share-based payment expenses, due to the profit-sharing plan granted to the two main managers in the United Kingdom, and the impact of Labco's bonus performance share plan adopted in November 2014, partially offset by the effect of acquisitions completed in 2014.

The provision of outsourced clinical testing for certain NHS trusts in the United Kingdom reduced Labco's EBITDA by €2.0 million. Outsourcing laboratory services for certain NHS trusts generates losses in the first few years of the contracts while the outsourced operations are restructured and resources are mobilized, before the expected efficiencies are achieved. iPP Analytics and iPP Facilities, set up in 2014, commenced operations under the new Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust contract on October 1, 2014. As a result, they reduced Labco's EBITDA by €1.8 million (excluding share-based payment expenses), while iPP, which has operated the Taunton and Somerset and Yeovil District Hospital outsourcing contract since June 1, 2012, made a positive contribution to Labco's results (excluding share-based payment expenses) after two years of losses.

Expressed as a percentage of total revenue, EBITDA for Labco's Northern Europe segment decreased to 19.9% for the three months ended March 31, 2015 from 23.8% for the three months ended March 31, 2014. Adjusted for the effects of Labco's UK subsidiaries managing laboratory services outsourcing contracts for certain NHS trusts, EBITDA margin was 24.5% for the three months ended March 31, 2015 compared with 25.2% for the three months ended March 31, 2014. This decrease in EBITDA margin was primarily due to the decreased ratio in France, with the impact of price reductions in France implemented in April 2014 and the slight slowdown of activity in January and February 2015 following the general practitioners and clinics strike, partially offset by the effects of cost efficiency measures implemented in France (particularly the concentration of laboratories through mergers or the creation of technical platforms, optimization of the workforce and commercial renegotiations with certain suppliers) and an improvement in the EBITDA margin in Belgium as a result of economies of scale flowing from revenue growth.

Southern Europe

EBITDA for Labco's Southern Europe segment increased by €7.5 million, or 89.5%, to €15.9 million for the three months ended March 31, 2015 from €8.4 million for the three months ended March 31, 2014. This increase was primarily due to the strategic acquisition of the SDN Group on July 30, 2014. Adjusted for the impact of consolidating the SDN Group, EBITDA for Labco's Southern Europe segment decreased by €0.8 million due to weaker performance in Spain, partially offset by increased revenues from

Labco's operations in Portugal and its preexisting operations in Italy. The decline in Spain was primarily due to the impact of an increased rate of VAT on reagent purchases as of January 1, 2015, partially offset by the initial benefits of a restructuring implemented in Spain and the continued expansion of Labco's specialty clinical laboratory testing business.

Expressed as a percentage of total revenue, EBITDA for Labco's Southern Europe segment increased to 23.4% for the three months ended March 31, 2015 from 16.8% for the three months ended March 31, 2014, reflecting the significant impact of the acquisition of the SDN Group, which has higher margins than Labco's operations in other countries. Adjusted for the impact of integrating the SDN Group, EBITDA margin was 14.5% for the three months ended March 31, 2015 compared with 16.8% for the three months ended March 31, 2014. This decrease in EBITDA margin was primarily due to weaker performance in Spain following an increase in the VAT rate for reagent purchases as of January 1, 2015, partially offset by the positive impact of the restructuring in progress in Spain, particularly the concentration of Labco's operations in Barcelona into one site.

Depreciation, Impairment Losses and Amortization, Provisions and Reversals

Depreciation, impairment losses and amortization, provisions and reversals increased by €1.7 million, or 33.0%, to €6.7 million for the three months ended March 31, 2015 from €5.0 million for the three months ended March 31, 2014. This increase was primarily due to higher depreciation and amortization expense given the impact of acquisitions, particularly that of the SDN Group, and the amortization of significant IT improvements that were commissioned in 2014.

Non-Recurring Income and Expenses

Non-recurring income and expenses showed a net non-recurring expense of €1.1 million for the three months ended March 31, 2015 compared with a net non-recurring expense of €0.6 million for the three months ended March 31, 2014.

Non-recurring expenses for the three months ended March 31, 2015 primarily comprised €0.8 million of non-recurring costs incurred for strategic projects, including transaction fees and expenses incurred in connection with a refinancing of Labco's indebtedness. Professional fees incurred in relation to the planned initial public offering were temporarily capitalized as deferred expenses as of March 31, 2015 because they were expected to be recorded mostly as a deduction of equity in the form of capital issuance costs since Labco's share capital was expected to increase by €320 million following the initial public offering.

Net non-recurring expense for the three months ended March 31, 2014 primarily comprised €0.4 million in costs incurred for strategic projects.

Net Finance Costs

Net finance costs increased to a total expense of €16.1 million for the three months ended March 31, 2015 from €15.1 million for the three months ended March 31, 2014. Net financing costs were affected proportionally by additional financial expenses arising from the issue in February 2015 of €100 million in aggregate principal amount of additional Existing Labco Notes.

Income Tax Expenses

Income tax expenses increased by €1.4 million, or 20.9%, to €8.1 million for the three months ended March 31, 2015 from €6.7 million for the three months ended March 31, 2014. This increase was primarily due to a tax expense attributable to the SDN Group, partially offset by the positive impact of a corporate restructuring in 2014 that led to a reduction in tax expenses for the entities concerned. The tax charge attributable to the SDN Group for the three months ended March 31, 2015 has been estimated by taking into account the expected effect of the accession of the main SDN Group entities to the tax integration managed by Labco Italia during the year ended December 31, 2015. The accession will be requested by September 2015 in conformity with Italian tax rules but with retroactive effect from January 1, 2015. Labco's relatively high effective tax rate derived from losses, especially at certain holding companies giving rise to tax loss carryforwards that are not capitalized under deferred tax assets, from non-deductible interest and the impact of charges not deductible for tax purposes recognized upon consolidation. These non-deductible expenses reflect to a large extent the impact of the restatement of the priority dividends paid to certain French laboratory doctors, which are recognized under payroll-related expenses but are not deductible for tax purposes because they are accounted for as dividends.

Net Profit

Net profit increased by €1.2 million, or 24.3%, to €6.3 million for the three months ended March 31, 2015 from €5.1 million for the three months ended March 31, 2014 as a result of the reasons stated above.

Comparison of the Years Ended December 31, 2014 and December 31, 2013

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Due to the accounting impact of this transaction and the consolidation of the operating results of the SDN Group, Labco's results as of and for the years ended December 31, 2013 and 2014 are not directly comparable.

The following table summarizes the historical results of Labco's operations for the years ended December 31, 2014 and 2013. The financial data below has, in part, been derived from and should be read in conjunction with Labco's Audited Financial Statements included elsewhere in this offering memorandum.

	Year ended December 31,					
	2013	%	2014	%	Variation	%
	(€ millions except for %)					
CONSOLIDATED STATEMENT OF INCOME						
Revenue	544.2	99.4	611.3	99.3	67.1	12.3
Other income	3.1	0.6	4.4	0.7	1.2	38.7
Total revenue (total proceeds of ordinary activities)	547.3	100.0	615.6	100	68.3	12.5
Cost of sales	(122.8)	(22.4)	(140.1)	(22.7)	(17.3)	14.1
Payroll-related expenses	(232.5)	(42.5)	(256.8)	(41.7)	(24.3)	10.5
Share-based payments	(0.3)	(0.1)	(2.0)	(0.3)	(1.6)	484.0
Other operating expenses	(84.5)	(15.4)	(102.1)	(16.6)	(17.6)	20.8
Transaction costs for usual small size acquisitions	(1.0)	(0.2)	(1.5)	(0.2)	(0.5)	51.5
EBITDA	106.3	19.4	113.2	18.4	7.0	6.6
EBITDA margin (EBITDA/revenue)	19.4		18.4			
Depreciation, impairment losses and amortization, provisions and reversals	(19.0)	(3.5)	(24.2)	(3.9)	(5.2)	27.3
Results from operating activities before non-recurring items	87.3	15.9	89.1	14.5	1.8	2.1
Non-recurring income and expenses	0.3	0.0	(20.8)	(3.4)	(21.1)	n.a.
Results from operating activities after non-recurring items	87.5	16.0	68.2	11.1	(19.3)	(22.1)
Net finance costs	(59.1)	(10.8)	(64.5)	(10.5)	(5.4)	9.1
Income tax expenses	(21.1)	(3.9)	(18.7)	(3.0)	2.4	(11.5)
Share of profit of associates	(1.3)	(0.2)	0.4	0.1	1.7	n.a.
Net profit from continuing operations	6.0	1.1	(14.6)	(2.4)	(20.6)	n.a.
Net profit from discontinued operations	6.8				(6.8)	n.a.
Net profit of the period	12.8		(14.6)		(27.4)	n.a.
Profit attributable to non-controlling interests	0.1	0.0	0.4	0.1	0.3	351.3
Profit attributable to owners of the company	12.7	2.3	(15.0)	(2.4)	(27.7)	n.a.

Total Revenue

Total revenue increased by €68.3 million, or 12.5%, to €615.6 million in the year ended December 31, 2014 from €547.3 million in the year ended December 31, 2013. This increase was primarily due to the full-year contribution of the acquisitions completed in 2013, especially the impact of the full consolidation of iPP as of October 25, 2013, and the impact of acquisitions completed in 2014, particularly the acquisition of the SDN Group in Italy on July 30, 2014, organic volume growth, the commencement of outsourcing activities under Labco's agreement with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust, and favorable Mix Effect recorded in most countries in which Labco operates. This increase was partially offset by a challenging economic environment in Iberia and by price reductions in most of the countries in which Labco operates, especially in France and Italy. The acquisitions completed in 2014, principally in Italy, France, Spain and Belgium, contributed €27.5 million to total revenue in the year ended December 31, 2014.

The following table provides a breakdown of total revenue by country and as a percentage of Labco's total revenue for the years ended December 31, 2014 and 2013, as well as an analysis of the increase in total revenue between organic growth (at constant perimeter) and growth including changes in the perimeter of consolidation (at unadjusted perimeter) for each segment and for the Labco Group as a whole.

	Year ended December 31,				% Variation	
	2013	%	2014	%	Unadjusted Perimeter	Constant Perimeter
	(€ millions except for %)					
Total revenue						
Northern Europe	357.9	65	401.3	65	12.1	3.3
France	325.3	59	342.3	56	5.2	0.1
Belgium	27.2	5	30.0	5	10.5	6.9
United Kingdom	4.4	1	27.0	4	509.7	52.7
Switzerland	0.9	0	2.0	0	113.3	113.3
Southern Europe	189.4	35	214.3	35	13.1	3.7
Iberia	151.2	28	158.7	26	5.0	2.9
Italy	38.2	7	55.6	9	45.4	7.0
Total	547.3	100	615.6	100	12.5	3.4

Northern Europe

Total revenue for Labco's Northern Europe segment increased by €43.4 million, or 12.1%, to €401.3 million for the year ended December 31, 2014 from €357.9 million for the year ended December 31, 2013. This increase was primarily due to the full consolidation of iPP as of October 25, 2013 and the full-year contribution from businesses acquired, especially in France during 2013 and to a lesser extent during 2014. Total revenue growth also reflected organic growth, which was 3.3% during the period.

Total revenue in France increased by €17.0 million, or 5.2%, to €342.3 million for the year ended December 31, 2014 from €325.3 million for the year ended December 31, 2013. This increase was primarily due to the negative impact of poor weather conditions in northern France during the first quarter of 2013, the full-year contribution of the acquisitions completed in 2013, organic volume growth and the favorable Mix Effect in France and, to a lesser extent, the *pro rata temporis* effect of the acquisitions made in 2014, partially offset by the annual reduction in prices applied by the French Health Authority. Labco made five acquisitions during the year ended December 31, 2014, and revenue attributable to these acquisitions amounted to €9.8 million in 2014. The full-year contribution made by businesses acquired in 2013 amounted to €6.9 million. Organic growth was 0.1%, reflecting the negative impact of the imposition by the French Health Authority of an annual tariff decrease of approximately 2.3% in April 2013 and 2.3% in April 2014, which was partially offset by volume growth and the favorable Mix Effect.

Total revenue in Belgium increased by €2.8 million, or 10.5%, to €30.0 million for the year ended December 31, 2014 from €27.2 million for the year ended December 31, 2013. This increase was primarily due to an expansion in nutritional testing and, to a lesser extent, routine testing. Labco made one acquisition during the year ended December 31, 2014, and revenue attributable to this acquisition amounted to €1.0 million. As a result, organic growth was 6.9%.

Total revenue in the United Kingdom increased by €22.6 million to €27.0 million for the year ended December 31, 2014 from €4.4 million for the year ended December 31, 2013. Following Labco's acquisition of almost all of Sodexo's holdings in iPP on October 25, 2013, Labco has been in full control of iPP. Accordingly, iPP has been fully consolidated since that date and contributed revenue of €16.9 million in 2014. Labco UK, which manages the subcontracting contract for the Fresenius group's clinical diagnostic testing business, increased its revenue primarily due to higher volumes. In addition, iPP Analytics and iPP Facilities were set up in 2014 and on October 1, 2014 commenced activities relating to the laboratory services outsourcing contract with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust. Those two entities contributed €8.0 million to total revenue in 2014.

Total revenue in Switzerland increased by €1.1 million to €2.0 million for the year ended December 31, 2014 from €0.9 million for the year ended December 31, 2013. Total revenue in Switzerland reflects the clinical laboratory testing business generated by Test S.A., a 48%-held subsidiary of the Labco Group founded in early 2013 by laboratory doctors, but fully consolidated by the Labco Group as a result of an analysis of the control it exercises.

Southern Europe

Total revenue for Labco's Southern Europe segment increased by €24.9 million, or 13.1%, to €214.3 million for the year ended December 31, 2014 from €189.4 million for the year ended December 31, 2013. This increase was primarily due to revenues of €14.1 million from the SDN Group in Italy, which Labco acquired on July 30, 2014, the full-year contribution of €1.9 million from businesses acquired in 2013 and the impact of €2.6 million from acquisitions completed in Iberia and Italy in 2014. Organic growth was 3.7% during this period, reflecting the strong expansion in specialty testing (particularly non-invasive genetic testing for Down's syndrome) in Spain and Italy, and increased total revenues in Italy.

Total revenue in Iberia increased by €7.5 million, or 5.0%, to €158.7 million for the year ended December 31, 2014 from €151.2 million for the year ended December 31, 2013. Labco made three acquisitions in Iberia during the year ended December 31, 2014, and revenue attributable to these acquisitions amounted to €2.0 million. The full-year contribution made by businesses acquired in 2013 amounted to €1.9 million. In July 2014, Labco sold Sabater Pharma in Spain, which before its disposal contributed €0.9 million to Labco's total revenue in 2014 compared with €1.7 million in 2013. Organic growth was 3.0%, reflecting the volume growth in Spain and Portugal in routine testing and the strong expansion in specialty testing (particularly non-invasive genetic testing for Down's syndrome, which posted a significant increase in sales during 2013) and improved performance in Latin America as a result of the positive impact of currency fluctuations, partially offset by the full-year impact of the price reductions in Spain introduced in early 2013 on certain contracts with hospital laboratories in Spain and the unfavorable Mix Effects affecting Labco's day surgery business in Portugal.

Total revenue in Italy increased by €17.4 million, or 45.4%, to €55.6 million for the year ended December 31, 2014 from €38.2 million for the year ended December 31, 2013. Labco completed a strategic acquisition of the SDN Group, the Naples-based leader in integrated diagnostics, on July 30, 2014, and the Visconteo laboratory, with revenue attributable to these acquisitions amounting to €14.7 million. As a result, organic growth was 7.0%, reflecting volume growth and the launch of non-invasive Down's syndrome genetic tests in particular, partially offset by the impact of price reductions resulting from budget cuts by ASLs in some regions.

Cost of Sales

Cost of sales increased by €17.3 million, or 14.1%, to €140.1 million for the year ended December 31, 2014 from €122.8 million for the year ended December 31, 2013. Expressed as a percentage of total revenue, cost of sales represented 22.7% in 2014, compared with 22.4% in 2013.

The increase in cost of sales was primarily due to the full-year contribution of the acquisitions made in 2013, primarily in France, the impact of the full consolidation of iPP, and the impact of acquisitions in 2014, particularly the SDN Group, together with higher cost of sales in Iberia and Italy as a result of the development of non-invasive genetic testing for Down's syndrome and the increase in the VAT rate in Italy (from 21% to 22%) as of October 2013. The increase in the cost of sales as a percentage of total revenue was primarily due to the impact of the expansion of specialty testing in Iberia and Italy since Labco outsources its specialty Down's syndrome genetic test (and thereby incurs additional costs that reduce its gross margin without having any significant impact on its EBITDA margin). This increase was also attributable to the unfavorable impact on revenue of the price reductions in France and Italy, partially offset by the positive full-year impact of the renegotiations of the commercial terms secured on Labco's reagent purchases in early 2013.

Payroll-Related Expenses

Payroll-related expenses increased by €24.3 million, or 10.5%, to €256.8 million for the year ended December 31, 2014 from €232.5 million for the year ended December 31, 2013. Expressed as a percentage of total revenue, payroll-related expenses represented 41.7% in 2014, compared with 42.5% in 2013.

The increase in payroll-related expenses was primarily due to the full-year contribution made by the businesses acquired in 2013 and 2014, and in particular the impact of the full consolidation of iPP, which incurred non-recurring restructuring costs in line with the estimates of the business plan for the first few years of the NHS outsourcing contracts.

The decrease in payroll-related expenses as a percentage of total revenue was primarily due to efficiency gains, which paved the way for reductions in the operational workforce, and the impact of the restructuring and efficiency plans implemented in Spain, Portugal and France, as well as productivity gains unlocked in Italy and Belgium. The positive impact of the employment competitiveness tax credit (CICE) in France also contributed to the decrease. In its second year in force, the rate of CICE increased from 4% to 6%.

Share-Based Payments

Share-based payments increased by €1.6 million from €0.3 million for the year ended December 31, 2013 to €2.0 million for the year ended December 31, 2014. The IFRS 2 expense reflected, only in 2013, the non-cash expense calculated in respect of certain warrants issued by Labco in 2010 in respect of the last year of the vesting period for the estimated rights as adjusted following the departure of certain beneficiaries. The expense recognized in 2014 reflects a profit-based incentive plan set up in April 2014 for the two main managers of Labco's UK operations and qualifying under IFRS as a cash-settled share-based payments plan with a *pro rata temporis* vesting period for rights of five years. It also includes the IFRS 2 charge on a *pro rata temporis* basis and employer expenses to be paid to French beneficiaries of Labco's bonus performance share plan introduced in mid-November 2014. That plan, which features a performance condition and a two-year vesting period, relates to around 1% of Labco's share capital and qualifies under IFRS as an equity-settled share-based payment plan.

Other Operating Expenses

Other operating expenses increased by €17.6 million, or 20.8%, to €102.1 million for the year ended December 31, 2014 from €84.5 million for the year ended December 31, 2013. This increase was primarily due to the full-period contribution made by the businesses acquired in 2013, especially with the full consolidation of iPP, and the impact of the acquisitions made in 2014, particularly the acquisition of the SDN Group. To a lesser extent, the increase was also caused by rent increases in Italy with the opening of new sites, the commencement of activity under the new Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust contract (resulting in one-off start-up costs of €0.7 million) and the higher level of losses on unrecoverable receivables from €2.3 million in 2013 to €4.1 million in 2014. The increase in losses on unrecoverable receivables was due to the write-off of €2.9 million of unrecoverable receivables in France, offset by the release of €1.5 million of impairment provisions. The one-off losses on recoverable receivables in France on December 31, 2014 were mainly the result of an in-depth analysis carried out at the end of 2014 using the operational management software of Labco's SELs, which identified €1.7 million of receivables that were older than the prescribed time limit, together with €0.6 million of unsubstantiated differences between amounts invoiced and amounts received on clinical contracts in two of Labco's SELs. The increase in other operating expenses was partially offset by the reduction in equipment leasing costs in Iberia following a restructuring of Labco's operations there.

Expressed a percentage of total revenue, other operating expenses represented 16.6% in 2014, compared with 15.4% in 2013. This increase was primarily due to the impact of the full consolidation of iPP and the acquisition of the SDN Group, as these entities have a higher ratio of operating expenses to total revenue compared with Labco's operations in other countries and the impact of non-recurring impairments of trade receivables in France.

Transactions Costs for Usual Small Size Acquisitions

Transaction costs for usual small size acquisitions increased by €0.5 million to €1.5 million for the year ended December 31, 2014 from €1.0 million for the year ended December 31, 2013. This increase was primarily due to the number of completed or abandoned acquisition plans being higher in 2014 than the number of acquisitions completed in 2013.

EBITDA

EBITDA increased by €7.0 million, or 6.6%, to €113.2 million for the year ended December 31, 2014 from €106.3 million for the year ended December 31, 2013. This increase was mainly due to the impact of the acquisition of the SDN Group on July 30, 2014 and the full-year contribution made by the businesses acquired in 2013 largely in France, partially offset by the unfavorable impact of price reductions in France, pricing pressure in Iberia and the adverse effect of clinical testing outsourcing by certain NHS trusts in the United Kingdom, which reduced Labco's EBITDA by €1.3 million. iPP, which operates the Taunton and Somerset outsourcing contract, has been fully consolidated since October 25, 2013, and iPP Analytics and iPP Facilities, set up in 2014, commenced operations under the new Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust contract on October 1, 2014. Outsourcing laboratory services for certain NHS trusts generates losses in the first few years of the contract while the outsourced operations are restructured and resources are mobilized, before the expected efficiency is achieved. Consolidated EBITDA stated as a percentage of total revenue (EBITDA margin) decreased from 19.4% in 2013 to 18.4% in 2014 (see the segmental analysis below). Adjusted for the effects of UK subsidiaries managing laboratory services outsourcing contracts for certain NHS trusts, EBITDA margin was 19.4% in 2014 compared with 19.6% in 2013.

The following table shows EBITDA by segment over the indicated periods and also stated as a percentage of each segment's total revenue.

	Year ended December 31,				
	2013	**%**	**2014**	**%**	**% Variation**
	(€ millions except for %)				
EBITDA					
Northern Europe	75.5	71	79.2	70	5.0
As a % of consolidated total revenue	*21.1*		*19.7*		
Southern Europe	30.8	29	34.0	30	10.6
As a % of consolidated total revenue	*16.2*		*15.9*		
Total	106.3	100	113.2	100	6.6
As a % of consolidated total revenue	*19.4*		*18.4*		

Northern Europe

EBITDA for Labco's Northern Europe segment increased by €3.7 million, or 5.0%, to €79.2 million for the year ended December 31, 2014 from €75.5 million for the year ended December 31, 2013. This increase was primarily due to the full-period contribution made by the businesses acquired in 2013 (largely in France) and the impact of the acquisitions made during 2014, partially offset by the unfavorable impact of price reductions in France and the increase in share-based payment expenses, as a result of the profit-sharing plan granted to the two main managers in the United Kingdom and the impact of a performance share plan adopted in November 2014. The provision of outsourced clinical testing for certain NHS trusts in the UK reduced Labco's EBITDA by €1.3 million. Outsourcing laboratory services for certain NHS trusts generates losses in the first few years of the contract while the outsourced operations are restructured and resources are mobilized, before the expected efficiency is achieved. iPP Analytics and iPP Facilities, set up in 2014, commenced operations under the new Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust contract on October 1, 2014 which caused a reduction in EBITDA of €0.6 million excluding share-based payment expenses, while iPP, which has operated the Taunton and Somerset outsourcing contract since June 1, 2012, made a positive EBITDA contribution of €0.3 million excluding share-based payment expenses after two years of losses. Expressed as a percentage of total revenue, EBITDA for Labco's Northern Europe segment decreased to 19.7% in 2014 from 21.1% in 2013. Adjusted for the effects of UK subsidiaries managing laboratory services outsourcing contracts for certain NHS trusts, EBITDA margin was 21.4% in 2014 compared with 21.3% in 2013. The relative stability of EBITDA margin was primarily due to the stable ratio in France, with the impact of price reductions in France and non-recurring expenses recognized in other operating expenses relating to write-offs of receivables as of December 31, 2014, partially offset by the cost efficiency measures implemented in France (including concentration of laboratories through mergers or the creation of technical platforms, the "Deep Dive" plan optimizing the structure of Labco's workforce, and commercial renegotiations with certain suppliers) and an improvement in the EBITDA margin in Belgium as a result of economies of scale flowing from revenue growth.

Southern Europe

EBITDA for Labco's Southern Europe segment increased by €3.2 million, or 10.6%, to €34.0 million for the year ended December 31, 2014 from €30.8 million for the year ended December 31, 2013. This increase was primarily due to the strategic acquisition of the SDN Group on July 30, 2014. Adjusted for the impact of consolidating the SDN Group, EBITDA in Labco's Southern Europe segment decreased by €0.5 million as a result of revenue declines in Iberia. The impact of pricing pressure in Iberia and in particular price reductions in the Spanish hospital and insurance business and the impact of price reductions for certain tests in Portugal was not fully offset by the impact of the restructuring in Iberia and the expansion of the specialty clinical laboratory testing business, especially certain genetic tests. The strong performance of Labco's Italian operations made up for increases in rent relating to new collection centers and the increase in Italian VAT. Expressed as a percentage of total revenue, EBITDA for Labco's Southern Europe segment decreased from 16.2% in 2013 to 15.9% in 2014 reflecting the impact of the weaker performance by Labco's operations in Iberia, partially offset by the positive impact of the acquisition of the SDN Group, which has margins that are higher than those for Labco's other operations.

Depreciation, Impairment Losses and Amortization, Provisions and Reversals

Depreciation, impairment losses and amortization, provisions and reversals increased by €5.2 million, or 27.3%, to €24.2 million for the year ended December 31, 2014 from €19.0 million for the year ended December 31, 2013. This increase was primarily due to higher depreciation and amortization expense as a result of the impact of acquisitions, particularly that of the SDN Group, including amortization of intangible assets recognized on the allocation of the purchase price of certain acquisitions made in the second half of 2013 with business activities focused on outsourcing or subcontracting contracts (iPP and an acquisition in Spain to acquire a subcontracting contract for a clinic). This increase was also due to the commissioning in late 2013 of the major IT upgrades.

Non-recurring Income and Expenses

Non-recurring income and expenses showed a net non-recurring expense of €20.8 million for the year ended December 31, 2014 compared with net non-recurring income of €0.3 million for the year ended December 31, 2013.

Non-recurring expenses in 2014 mainly consisted of €8.8 million of non-recurring costs and provisions recognized in relation to the purchase of, or undertaking to purchase, priority dividend rights from certain French laboratory doctors for four French SELs, €5.3 million of costs incurred for strategic projects corresponding mainly to advisors', lawyers' and financial auditors' fees in relation to the planned initial public offering, €1.5 million of redundancy costs and restructuring provisions relating to the restructuring in Spain, €1.7 million of non-recurring costs relating to an out-of-court settlement with certain local health insurance funds in France (*Caisses Primaires d'Assurance Maladie*, or "CPAM") (after a French laboratory issued incorrect invoices for several years because of a mistake inputting prices into its information system, it voluntarily informed the CPAMs in its region of the mistake, and an out-of-court settlement was signed on December 2014 in order to repay the incorrectly invoiced sums), €0.6 million of non-recurring costs relating to a material dispute with an IT service provider after the court found against Labco's Roman Pais laboratory in Belgium on appeal, after ten years of legal proceedings, and €0.7 million of non-recurring provisions to cover the risk associated with the dispute concerning Labco's former Dillenburg operations, which is covered by a guarantee (*garantie de passif*) included in the contract to sell the German activities to Sonic Healthcare dated December 2, 2013. They also include perimeter effects corresponding to transaction costs for major planned acquisitions in an amount of €2.0 million, mainly relating to the strategic acquisition of the SDN Group in Italy, which was completed on July 30, 2014, and the €0.5 million gain on disposals of fixed assets, mainly comprising the gain on the Sabater Pharma disposal.

Net non-recurring expense for the year ended December 31, 2013 primarily reflected €1.8 million in costs incurred for strategic projects, costs of departures and provisions for restructuring amounting to €0.7 million covering the outstanding measures in the 2011 restructuring plan implemented in Iberia with the reversal of the corresponding provisions, €0.8 million in severance payments deriving from the measures of Labco's "Deep Dive" efficiency plan implemented in France during 2013, €0.8 million in provisions for restructuring set aside in the first quarter of 2013 for the new restructuring plan implemented in connection with contractual renegotiations with a major customer and use of €0.5 million of the provision during the last nine months of 2013. These items were partially offset by the impact of the step-up acquisition of iPP with €0.8 million of income from the bad will arising on the acquisition and also a €3.4 million non-recurring gain on the disposal of a fixed asset reflecting Labco's original 51% interest in iPP previously accounted for as an associate and its re measurement at fair value at the date of the acquisition.

Net Finance Costs

Net finance costs increased by €5.4 million, or 9.1%, to €64.5 million for the year ended December 31, 2014 from €59.1 million for the year ended December 31, 2013. Net financing costs were affected proportionally by additional financial expenses arising from the issue in February 2013 of €100 million in aggregate principal amount of additional Existing Labco Notes. In 2014, financing costs also included non-recurring costs arising from amendments that substantially altered the terms of Labco's former revolving credit facility, finalized in December 2014. The costs of setting up Labco's former revolving credit facility that were capitalized but not yet amortized were recognized as financial expenses in a non-recurring amount of €3.1 million, while expenses incurred when amending the terms of the facility were capitalized and will be amortized over the renegotiated maturity term.

Income Tax Expenses

Income tax expenses decreased by €2.4 million, or 11.4%, to €18.7 million for the year ended December 31, 2014 from €21.1 million for the year ended December 31, 2013. This decrease was primarily due to the positive effect of the tax restructuring measures that Labco implemented, such as the institution of a single tax group in Portugal and corporate restructuring that led to a reduction in tax expenses, partially offset by the tax expenses attributable to the SDN Group for the period following its consolidation within the Labco Group. Labco's relatively high effective tax rate derived from losses, especially at certain holding companies giving rise to tax loss carryforwards that were not capitalized under deferred tax assets, from non-deductible interests and from the impact of charges not deductible for tax purposes recognized upon consolidation. These non-deductible expenses reflected to a large extent the impact of the restatement of the priority dividends paid out to French laboratory doctors, which are recognized under payroll-related expenses in Labco's consolidated financial statements but are not deductible for tax purposes because they are accounted for as dividends in the individual financial statements. A similar treatment applies to non-recurring expenses related to purchases of these priority dividend rights from certain French laboratory doctors.

Share of Profit of Associates

The share of profit of associates represented a profit of €0.4 million for the year ended December 31, 2014 compared with a loss of €1.3 million for the year ended December 31, 2013. This improvement was primarily due to transferring the losses incurred by iPP, the joint venture with Sodexo in the United Kingdom until October 25, 2013, from the "*share of profit of associates*" line item. Prior to this date, iPP's net loss was included in the "*share of profit of associates*" line item. Since Labco acquired almost all of Sodexo's shares in iPP on October 25, 2013, iPP has been fully consolidated.

Net Profit from Discontinued Operations

Net profit from discontinued operations amounted to €6.8 million for the year ended December 31, 2013, reflecting the net profit of the German cash-generating unit sold to Sonic Healthcare on December 2, 2013 and accounted for under discontinued operations in compliance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*).

Net Profit

As a result of the factors described above, Labco made a net loss of €14.6 million in 2014, compared with a net profit of €12.8 million in 2013.

Comparison of the Years Ended December 31, 2013 and December 31, 2012

On December 2, 2013, Labco sold its entire German operations to Sonic Healthcare for an aggregate consideration of €76.0 million. Labco has accounted for such operations as "discontinued operations" with effect from September 30, 2013 in its financial statements, in accordance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). As a result, in Labco's consolidated financial statements as of and for the year ended December 31, 2013, the contribution of its German operations appears separately under the line item "*net profit of the period from discontinued operations*" rather than under each line item where such contribution was previously recorded, and the consolidated financial information as of and for the year ended December 31, 2012 included for comparison purposes in such consolidated financial statements was restated. Labco has not restated its consolidated financial statements as of and for the years ended December 31, 2012 and 2011, and such financial statements are therefore not directly comparable with its financial statements as of and for the year ended December 31, 2013.

The following table summarizes the historical results of Labco's operations for the years ended December 31, 2013 and 2012. The financial data below has, in part, been derived from and should be read in conjunction with Labco's Audited Financial Statements included elsewhere in this offering memorandum.

	Year ended December 31,					
CONSOLIDATED STATEMENT OF INCOME (€ millions except for %)	**2012 restated in line with IFRS 5**	**%**	**2013**	**%**	**Difference**	**%**
Revenue	511.4	99.4	544.2	99.4	32.8	6
Other income	2.9	0.6	3.1	0.6	0.3	10
Total revenue (total proceeds of ordinary activities)	514.2	100.0	547.3	*100.0*	33.1	6
Cost of sales	(111.3)	(21.7)	(122.8)	(22.4)	(11.4)	10
Payroll-related expenses	(219.6)	(42.7)	(232.5)	(42.5)	(12.8)	5.8
Share-based payments	(0.6)	(0.1)	(0.3)	(0.1)	0.2	(40)
Other operating expenses	(77.7)	(15.1)	(84.5)	(15.4)	(6.8)	9
Transaction costs for usual small size acquisitions	(1.5)	(0.3)	(1.0)	(0.2)	0.6	(36)
EBITDA	103.4	20.1	106.3	19.4	2.8	3
EBITDA margin (EBITDA/revenue)	*20.1*		*19.4*			
Depreciation, impairment losses and amortization, provisions and reversals	(17.6)	(3.4)	(19.0)	(3.5)	(1.4)	8
Results from operating activities before non-recurring items	85.8	16.7	87.3	15.9	1.4	2
Non-recurring income and expenses	(6.5)	(1.3)	0.3	0.0	6.8	n/a
Results from operating activities after non-recurring items	79.3	15.4	87.5	16.0	8.2	10
Net finance costs	(53.8)	(10.5)	(59.1)	(10.8)	(5.3)	10
Income tax expenses	(18.6)	(3.6)	(21.1)	(3.9)	(2.6)	14
Share of profit of associates	(0.1)	0.0	(1.3)	(0.2)	(1.2)	n/a
Net profit from continuing operations	6.9	1.3	6.0	1.1	(0.9)	n/a
Net profit from discontinued operations	(35.0)		6.8		41.8	n/a
Net profit of the period	(28.1)		12.8		40.9	n/a
Profit attributable to non-controlling interests	0.4	0.1	0.1	0.0	(0.3)	(74)
Profit attributable to owners of the company	(28.5)	(5.5)	12.7	2.3	41.2	n/a

Total Revenue

Total revenue increased by €33.1 million, or 6.4%, to €547.3 million for the year ended December 31, 2013 from €514.2 million for the year ended December 31, 2012. This increase was primarily due to the full-year contribution of the acquisitions completed in 2012 and, to a lesser extent, the effect of the acquisitions made in 2013, organic growth in volumes and the favorable Mix Effect in most of the countries in which Labco operates. The increase was partially offset by a challenging economic environment in Iberia and price reductions in most countries where Labco is present, particularly in France and Iberia. The acquisitions completed in 2013, primarily in France, contributed €11.7 million to total revenue for the year ended December 31, 2013.

The following table provides a breakdown of total revenue by country and as a percentage of Labco's total revenue for the years ended December 31, 2013 and 2012, as well as an analysis of the increase in total revenue between organic growth (at comparable perimeter) and growth including changes in the perimeter of consolidation (at current perimeter) for each segment and for the Labco Group as a whole.

Total revenue (€ millions except for %)	Year ended December 31, 2012 restated in line with IFRS 5	%	2013	%	% Variation Unadjusted Perimeter	Constant Perimeter
Northern Europe	328.9	64	357.9	65	8.8	1.8
France	301.8	59	325.3	59	7.8	−0.5
Belgium	25.9	5	27.2	5	4.8	4.8
United Kingdom	1.3	0	4.4	1	253.8	62.6
Switzerland	0.0	0	0.9	0	n/a	n/a
Southern Europe	185.3	36	189.4	35	2.2	1.9
Iberia	149.4	29	151.2	28	1.2	0.4
Italy	35.8	7	38.2	7	6.7	8.0
Total	514.2	100	547.3	100	6.4	1.8

Northern Europe

Total revenue for Labco's Northern Europe segment increased by €28.9 million, or 8.8%, to €357.9 million for the year ended December 31, 2013 from €328.9 million for the year ended December 31, 2012. This increase was primarily due to contribution of revenue from businesses Labco had acquired, especially in France during 2012 and to a lesser extent in 2013. Total revenue growth also reflected organic growth, which was 1.8% during the period.

Total revenue in France increased by €23.6 million, or 7.8%, to €325.3 million for the year ended December 31, 2013 from €301.8 million for the year ended December 31, 2012. This increase was primarily due to the full-year contribution of the acquisitions completed in 2012, organic growth in volumes and the favorable Mix Effect. To a lesser extent, it was due to the pro rata contribution from acquisitions completed in 2013 and the positive effect of the change in accounting treatment of outsourced specialty testing services following regulatory changes in France during February 2012, which resulted in income and expenses generated by outsourced specialty testing services being recognized under revenue and cost of sales respectively. These factors were offset by the annual reduction in prices applied by the French Health Authority (*Autorité Française de Santé*) and the lower number of business days in 2013. Labco made eight acquisitions during the year ended December 31, 2013, and revenue attributable to these acquisitions amounted to €6.8 million in 2013. The full-year contribution made by businesses acquired in 2012 amounted to €18.4 million. The organic contraction was 0.5%, reflecting the impact of the annual adjustment to the prices applied by the French Health Authority (*Autorité Française de Santé*) of around 2.3% in April 2013, offset by volume growth and the favorable Mix Effect.

Total revenue in Belgium increased by €1.3 million, or 4.8%, to €27.2 million for the year ended December 31, 2013 from €25.9 million for the year ended December 31, 2012. This increase was primarily due to expansion in nutritional testing and, to a lesser extent, routine testing.

Total revenue in the United Kingdom increased by €3.2 million to €4.4 million for the year ended December 31, 2013 from €1.3 million for the year ended December 31, 2012. Following Labco's acquisition of almost all of Sodexo's holdings in iPP on October 25, 2013, Labco has been in full control of iPP. Accordingly, iPP has been fully consolidated since that date and contributed revenue of €2.8 million (iPP recognized revenue of €16.0 million over the full year). Labco UK, which manages the subcontracting contract for the Fresenius group's clinical diagnostic testing business, increased its revenues primarily due to higher volumes.

Total revenue in Switzerland amounted to €0.9 million, reflecting the clinical laboratory testing business generated by Test S.A., a 48%-held subsidiary of the Group founded in early 2013 by laboratory doctors, but fully consolidated by the Labco Group as a result of an analysis of the control it exercises.

Southern Europe

Total revenue for Labco's Southern Europe segment increased by €4.2 million, or 2.2%, to €189.4 million for the year ended December 31, 2013 from €185.3 million for the year ended December 31, 2012. Total revenue growth mainly reflects organic growth, which reached 1.9% during the period.

Total revenue in Iberia increased by €1.8 million, or 1.2%, to €151.2 million for the year ended December 31, 2013 from €149.4 million for the year ended December 31, 2012. Labco made two acquisitions in Iberia during the year ended December 31, 2013, and the businesses acquired in 2013 generated a revenue increase of €1.1 million, while no acquisitions took place in 2012. Organic growth was 0.4%, reflecting volume growth in Spain and Portugal in routine clinical testing and the strong expansion in specialty testing, partially offset by the impact of the price reductions in Spain and prices reductions in Portugal. This growth was primarily due to volume growth in Spain and the strong expansion in specialty testing (particularly non-invasive genetic testing for Down's syndrome), partially offset by price reductions in the Spanish hospital and insurance business, as well as price pressure and the negative impact of currency fluctuations which affected Labco's activities in Brazil. Business trends in Portugal remained stable with higher volumes for hospital laboratories offset by the unfavorable impact of a reduction in the price of certain tests from August 2012 and a contraction in the day surgery business.

Total revenue in Italy increased by €2.4 million, or 6.7%, to €38.2 million for the year ended December 31, 2013 from €35.8 million for the year ended December 31, 2012. This increase was primarily due to volume growth generated by increased activity at Labco's Monza medical center, combined with the opening of new Sampling Centers. In addition, Labco sold its Centro Diagnostico Missori subsidiary in June 2012.

Cost of Sales

Cost of sales increased by €11.4 million, or 10.3%, to €122.8 million for the year ended December 31, 2013 from €111.3 million for the year ended December 31, 2012. Expressed as a percentage of total revenue, cost of sales represented 22.4% in 2013, compared with 21.7% in 2012.

This increase in cost of sales was primarily due to the full-year contribution of the acquisitions made in 2012, primarily in France, the impact of the acquisitions made in 2013, particularly the full consolidation of iPP, and the higher cost of sales in Iberia as a result of the development of specialty testing. The increase in the cost of sales as a percentage of total revenue was primarily due to the impact of the expansion of the specialty testing business in Iberia. Genetic testing for Down's syndrome is outsourced, and so it gives rise to a thinner gross margin, but has no material impact on the EBITDA margin. This increase was also due to the unfavorable impact on revenue of the price reductions in France and Iberia, partially offset by the positive full-year impact of the renegotiations of the commercial terms secured on Labco's reagent purchases.

Payroll-Related Expenses

Payroll-related expenses increased by €12.8 million, or 5.8%, to €232.5 million for the year ended December 31, 2013 from €219.6 million for the year ended December 31, 2012. Expressed as a percentage of total revenue, payroll-related expenses represented 42.5% in 2013, compared with 42.7% in 2012.

This decrease was primarily due to the full-year contribution made by the businesses acquired in 2012, primarily in France, the increase in mandatory employee profit-sharing and incentive plans (including the related social security charges) in France as a result of the mergers completed, the impact of the higher payroll charges introduced by the French government and the impact of the businesses acquired in 2013, including the switch to full consolidation of iPP. The increase was partially offset by efficiency gains, which paved the way for reductions in the operational workforce, the impact of the restructuring and efficiency plans implemented in Spain, Portugal and France and the impact of CICE during its first year in force in France. The decrease in the ratio of payroll-related expenses to total revenue was attributable to efficiency gains, especially in Italy and Belgium.

Share-Based Payments

Share-based payments decreased by €0.2 million, or 50.0%, to €0.3 million for the year ended December 31, 2013 from €0.6 million for the year ended December 31, 2012. The IFRS 2 expense in 2013 solely reflects the non-cash expense calculated annually in respect of certain warrants issued by Labco in 2010 adjusted following the departure of certain beneficiaries, while the 2012 figures include the *pro rata temporis* non-cash expense in respect of the 2011 free share plan for the first quarter of 2012. The 2011 free share plan was cancelled in the second quarter of 2012, leading to the residual expense under IFRS 2 of €1.6 million initially intended to be spread over the vesting period of the rights to be recognized immediately in the consolidated income statement as a non-recurring expense.

Other Operating Expenses

Other operating expenses increased by €6.8 million, or 8.7%, to €84.5 million for the year ended December 31, 2013 from €77.7 million for the year ended December 31, 2012. This increase was primarily due to the full-year contribution made by businesses acquired in 2012 (primarily in France), the impact of acquisitions in 2013, particularly the full consolidation of iPP and the rise in real estate rental costs in France, Italy and Belgium with the opening of new sites and the contractual increases in the rental index, partially offset by a reduction in equipment leasing costs and cleaning expenses in Iberia as a result of the restructuring of Labco's operations there.

Expressed as a percentage of total revenue, other operating expenses represented 15.4% in 2013, compared with 15.1% in 2012. This increase was primarily due to the impact of the full consolidation of iPP, as it has a higher ratio of operating expenses to total revenue compared with Labco's operations in other countries.

Transaction Costs for Usual Small Size Acquisitions

Transaction costs for usual small size acquisitions decreased by €0.6 million to €1.0 million for the year ended December 31, 2013 from €1.5 million for the year ended December 31, 2012. This decrease was the result of making fewer and smaller acquisitions in 2013 than in 2012.

EBITDA

EBITDA increased by €2.8 million, or 2.8%, to €106.3 million for the year ended December 31, 2013 from €103.4 million for the year ended December 31, 2012. This increase was primarily due to the full-year contribution made by the businesses acquired in 2012 largely in France, partially offset by the unfavorable impact of prices reductions in France and pricing pressure in Iberia, and by the first year of consolidation of iPP and Test S.A., which generated negative EBITDA in their start-up phases. Expressed as a percentage of total revenue (EBITDA margin), decreased to 19.4% in 2013 from 20.1% in 2012 (see the segmental analysis below).

The following table shows EBITDA by segment over the indicated periods and also stated as a percentage of each segment's total revenue.

	Year ended December 31,				
	2012 restated in line with IFRS 5	**%**	**2013**	**%**	**% Change**
	(€ millions except for %)				
EBITDA					
Northern Europe	71.7	69	75.5	71	5.2
As a % of consolidated total revenue	*21.8*		*21.1*		
Southern Europe	31.7	31	30.8	29	(2.9)
As a % of consolidated total revenue	*17.1*		*16.2*		
Total	103.4	100	106.3	100	2.8
As a % of consolidated total revenue	*20.1*		*19.4*		

Northern Europe

EBITDA for Labco's Northern Europe segment increased by €3.8 million, or 5.2%, to €75.5 million for the year ended December 31, 2013 from €71.7 million for the year ended December 31, 2012. This increase was primarily due to the full-year contribution made by the businesses acquired in 2012 (largely in France), partially offset by the unfavorable impact of price reductions in France. Labco's iPP subsidiary, which handles outsourced clinical laboratory testing for certain NHS trusts and is expected to incur losses in the first few years of the contracts while the outsourced operations are restructured to achieve the anticipated efficiencies, contributed negative EBITDA of €0.25 million to Labco's results. Similarly, the clinical laboratory testing business established in Switzerland during the first half of 2013 gave rise to negative EBITDA during its start-up phase. Expressed as a percentage of total revenue, EBITDA for Labco's Northern Europe segment decreased to 21.1% in 2013 from 21.8% in 2012. Restated for the impact of the Swiss laboratory Test S.A. and Labco's iPP subsidiary, EBITDA margin for Northern Europe decreased to 21.5% in 2013 from 21.8% in 2012. This decrease was primarily due to the impact of price reductions in France, which were not fully offset by commercial renegotiations with certain suppliers and the immediate effects of the cost efficiency measures taken in France (such as the concentration of laboratories through mergers or creations of technical platforms and Labco's "Deep Dive" plan for optimizing the structure of the workforce).

Southern Europe

EBITDA for Labco's Southern Europe segment decreased by €0.9 million, or 2.9%, to €30.8 million for the year ended December 31, 2013 from €31.7 million for the year ended December 31, 2012. This decrease was primarily due to the impact of pricing pressure in Iberia and in particular price reductions in the Spanish hospital and insurance business and the impact of price reductions for certain tests in Portugal, partially offset by the impact of the restructuring in Iberia and the expansion of the specialty clinical laboratory testing business, particularly certain genetic tests, and the firm performance of the businesses in Italy. Expressed as a percentage of total revenue, EBITDA for Labco's Southern Europe segment decreased from 17.1% to 16.2%, reflecting the impact of the weaker performance of Labco's operations in Iberia.

Depreciation, Impairment Losses and Amortization, Provisions and Reversals

Depreciation, impairment losses and amortization, provisions and reversals increased by €1.4 million, or 8.0%, to €19.0 million for the year ended December 31, 2013 from €17.6 million for the year ended December 31, 2012. This increase was primarily due to a higher depreciation and amortization expense as a result of the impact of acquisitions and the specific effect in 2012 of a reversal of a provision covering a dispute with a French laboratory doctor, while the amount paid to settle the dispute (€0.3 million) was recognized as a non-recurring expense.

Non-recurring Income and Expenses

Non-recurring income and expenses showed net recurring income amounting to €0.3 million for the year ended December 31, 2013 compared with €6.5 million in net expense for the year ended December 31, 2012.

Net non-recurring expense for the year ended December 31, 2013 primarily reflected €1.8 million in costs incurred for strategic projects, costs of departures and provisions for restructuring amounting to €0.7 million covering the outstanding measures in the 2011 restructuring plan implemented in Iberia with the reversal of the corresponding provisions, €0.8 million in severance payments deriving from the measures of Labco's "Deep Dive" efficiency plan implemented in France during 2013, €0.8 million in provisions for restructuring set aside in the first quarter of 2013 for the new restructuring plan implemented in connection with contractual renegotiations with a major customer and use of €0.5 million of the provision during the last nine months of 2013. These items were partially offset by the impact of the step-up acquisition of iPP with €0.8 million of income from the bad will arising on the acquisition and also a €3.4 million non-recurring gain on the disposal of a fixed asset reflecting Labco's original 51% interest in iPP previously accounted for as an associate and its remeasurement at fair value at the date of the acquisition.

Non-recurring expenses for the year ended December 31, 2012 primarily comprised €2.8 million of costs incurred on strategic projects, €3.2 million of costs arising from employee departures and provisions for restructuring costs under the 2011 restructuring plans in Spain and Portugal and the 2012 plans in France (particularly Labco's "Deep Dive" plan), with €1.9 million of the provisions used, €1.8 million of net non-recurring income owing to the settlement receivable incurred in connection with the early termination of a clinical services contract in France net of estimated restructuring costs, €1.5 million of IFRS 2 charges reflecting the cancellation of the 2011 free share plan, and €2.7 million arising from perimeter effects in respect of changes in the fair value of earn-out payments and in particular €2.3 million in earn-out payments anticipated upon the acquisition of the CIC group (since renamed Labco NOÛS), which were recognized in expenses.

Net Finance Costs

Net finance costs increased by €5.3 million, or 9.9%, to a total expense of €59.1 million for the year ended December 31, 2013 from €53.8 million for the year ended December 31, 2012. Net financing costs were affected proportionally by additional financial expense arising from the issue in February 2013 of €100 million in aggregate principal amount of additional Existing Labco Notes.

Income Tax Expenses

Income tax expenses increased by €2.6 million, or 13.9%, to €21.1 million for the year ended December 31, 2013 from €18.6 million for the year ended December 31, 2012. This increase was primarily due to the specific impact in 2012 of the capitalization of €4.2 million in deferred taxes representing a portion of Labco's tax loss carryforwards following a review of the prospects of these tax loss carryforwards reversing over the subsequent five-year period given changes in Labco's projections as a result of the tax restructuring carried out coupled with the impact of new tax legislation enacted in certain countries during 2012. Despite the impact of certain corporate restructuring measures that have led to a reduction in tax expense, in 2013 Labco capitalized a smaller amount of €0.3 million in additional deferred tax assets on tax loss carryforwards. Furthermore, Labco incurred the full-year impact of €0.7 million arising from the dividend tax introduced in France during the summer of 2012. Labco's relatively high effective tax rate derived from losses, especially at certain holding companies giving rise to tax loss carryforwards that were not capitalized under deferred tax assets, from non-deductible interests and from the impact of charges not deductible for tax purposes recognized upon consolidation. These non-deductible expenses reflected to a large extent the impact of the restatement of the priority dividends paid out to French laboratory doctors, which are recognized under payroll-related expenses in the consolidated financial statements but are not deductible for tax purposes because they are accounted for as dividends in the individual financial statements.

Share of Profit of Associates

Share of profit of associates decreased by €1.2 million to a loss of €1.3 million for the year ended December 31, 2013 from a loss of €0.1 million for the year ended December 31, 2012. This decrease was primarily due to the loss posted by iPP, Labco's joint venture with Sodexo in the United Kingdom until October 25, 2013. Prior to this date, iPP's net loss was included in the "*share of profit of associates*" line. Since Labco acquired almost all of Sodeco's shares in iPP on October 25, 2013, iPP has been fully consolidated. In 2012, the loss recorded by iPP, which had been in a start-up phase since June 2012 incurring restructuring costs in its first few years in activity, was offset by the positive earnings of three clinical testing laboratories in France (Brigout, Degraef Pouliquen and Sèvre et Loire Biologies) in which Labco had a minority holding and were thus accounted for under this line item. In late 2012, Labco acquired a number of shares that gave it control of these three laboratories and so they were fully consolidated in 2013.

Net Profit from Continuing Operations

As a result of the factors described above, Labco made a net profit from continuing operations of €6.0 million in 2013, compared with a net profit of €6.9 million in 2012.

Net Profit from Discontinued Operations

Net profit from discontinued operations reflected the net profit of Labco's German cash-generating unit which it sold to Sonic Healthcare on December 2, 2013 and accounted for under discontinued operations in compliance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). Net profit over the first eleven months of 2013 amounted to €7.6 million, which was partially offset by the consolidated capital loss of €0.8 million on a disposal recorded in the year ended December 31, 2013, compared with a loss of €35.0 million for the year ended December 31, 2012, including an impairment loss of €36.0 million on the German cash-generating unit's goodwill.

Liquidity and Capital Resources

"Liquidity" describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service obligations, capital expenditures, other commitments, contractual obligations and acquisitions. Labco's primary sources of liquidity are provided by cash from its operating activities and its financings.

Labco's liquidity requirements arise primarily to fund acquisitions, to meet its debt services obligations and, to a lesser extent, to fund capital expenditures.

Labco's main sources of liquidity are as follows:

- *Available cash.* Labco retains cash and cash equivalents to cover its ordinary financing needs. The minimum amount of cash and cash equivalents it can retain is €15.0 million, due to the covenants applying to its Existing Credit Facility. Labco's cash position is denominated almost entirely in euros, except for cash held by its subsidiaries located in the United Kingdom, Latin America and Switzerland. Cash and cash equivalents amounted to €56.6 million for the year ended December 31, 2012, €167.8 million for the year ended December 31, 2013 and €74.1 million at December 31, 2014. The increase in cash and cash equivalents in 2013 was primarily due to the disposal of Labco's German business for a net amount of €73 million, and from the residual proceeds, after repaying funds drawn on its previous revolving credit facility, of the February 2013 issue of €100 million in aggregate principal amount of additional Existing Labco Notes.
- *Net cash flows from operating activities.* Labco's main source of liquidity consists of cash flows from its operating activities. Labco's ability to generate cash from operating activities going forward depends on its future operating performance which, in turn, depends on economic, financial, competition, market, regulatory and other factors, most of which are not under its control. Net cash flows from operating activities amounted €90.2 million for the year ended December 31, 2012, €93.0 million for the year ended December 31, 2013 and €85.7 million for the year ended December 31, 2014.
- *Debt.* Following the Offerings and the application of the proceeds therefrom, Labco's principal sources of debt finance will consist of the Notes and the Revolving Credit Facility.

Labco's cash requirements consist mainly of the following:

- *Acquisitions.* Acquisitions consist of purchases of groups of companies, companies and/or businesses for consideration, net of cash acquired and the payment, in certain cases, of fixed or conditional earn-outs, which can be sub divided as follows: bolt-on acquisitions made in regions where the existence of Labco's technical platforms allow industrial synergies to be harnessed rapidly; acquisitions that extend territorial coverage, mainly the acquisition of platforms in new territories from which Labco can apply its strategy of consolidating smaller operators and acquisitions of medical expertise designed to give it additional scientific and technological capacities. For the years ended December 31, 2012, 2013 and 2014, Labco carried out 16, 11 and 16 acquisitions, respectively, of groups of companies, individual companies or the business assets of small and medium-sized laboratories for a total purchase price, net of cash acquired (and excluding earn-out payments) of €45.2 million in 2012, €20.4 million in 2013 and €130.2 million in 2014 (which includes €107.6 million for the strategic acquisition of the SDN Group on July 30, 2014). In addition, Labco made fixed or performance-related earn-out payments in respect of the aforementioned acquisitions or those carried out previously. Labco's liability for earn-out payments, estimated at fair value, amounted to €11.5 million as of December 31, 2014.
- *Investments.* Labco's investments fall into the following categories: purchases of laboratory materials and devices; purchases of information systems: hardware, software, licenses and IT developments; and purchases of fixtures and fittings in rented premises and, in some rare cases, real estate transactions. Labco's investment expenditure net of disposal effects amounted to €15.4 million in 2012, €18.7 million in 2013 and €35.5 million in 2014.
- *Payment of interest and repayment of debts.* A large proportion of Labco's cash flow goes on servicing (paying interest) and repaying debts. Labco paid interest and financial expenses of €51.1 million in 2012, €52.0 million in 2013 and €57.9 million in 2014. Labco also paid (after offsetting transactions involving its previous revolving credit facility) €10.6 million to repay borrowings in 2012, €9.2 million in 2013 and €4.8 million in 2014. Labco paid €6.7 million to repay finance-lease debt in 2012, €6.0 million in 2013 and €6.9 million in 2014.
- *Financing Labco's working capital requirements.* Labco's working capital requirements primarily consist of the value of trade receivables and other operational receivables, plus inventories and minus trade payables and other operating payables. Structurally, Labco's working capital requirements reflect its business models in each geographical zone in which it operates, and is structurally negative in France and the United Kingdom.

Cash Flows for the Three Months Ended March 31, 2014 and 2015

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Labco's results of operations for the three months ended March 31, 2014 do not reflect any results for the SDN Group for that period, whereas the SDN Group's results are fully consolidated in Labco's results of operations for the three months ended March 31, 2015. Labco's results of operations for the three months ended March 31, 2014 are therefore not directly comparable with its results of operations for the three months ended March 31, 2015.

The following table summarizes Labco's cash flows for the three months ended March 31, 2014 and 2015.

Cash flows (€ millions except for %)	Three months ended March 31, (unaudited) 2014 (restated)	2015
Cash flows from operating activities	24.1	15.3
Cash flows from investing activities	(23.3)	(11.5)
Cash flows from financing activities	(43.1)	5.7
Net increase/(decrease) in cash and cash equivalents	(42.3)	9.5

Cash Flows from Operating Activities

The table below shows Labco's cash flows from operating activities for the three months ended March 31, 2014 and 2015.

Cash flows (€ millions except for %)	Three months ended March 31, (unaudited) 2014 (restated)	2015
EBITDA	32.5	38.3
Change in working capital requirement	(4.0)	(13.5)
Income tax paid	(3.6)	(2.4)
Net cash used in non-recurring expenditure	(0.9)	(8.2)
Other cash flows	0.1	1.0
Net cash flows from operating activities	24.1	15.3

Total cash flows from operating activities decreased by €8.8 million, or 36.5%, to a €15.3 million inflow for the three months ended March 31, 2015, from a €24.1 million inflow for the three months ended March 31, 2014. This decrease was primarily due to an increase in cash used in non-recurring expenses, from €0.9 million in the three months ended March 31, 2014, to €8.2 million for the three months ended March 31, 2015, as a result of the purchase of priority dividend rights from certain French laboratory doctors accrued as of December 31, 2014, the payment of costs incurred for preparing an initial public offering and a decrease in change in working capital requirement of €9.6 million, caused by the seasonality of the operations of the SDN Group, and was partially offset by a €5.8 million increase in EBITDA and a €1.3 million decrease in income tax paid due to a corporate reorganization, which led to lower taxes paid by the certain entities.

Cash Flows from Investing Activities

The table below shows Labco's cash flows from investing activities for the three months ended March 31, 2014 and 2015.

Cash flows **(€ millions except for %)**	**Three months ended March 31, (unaudited)**	
	2014 (restated)	**2015**
Purchases and disposals of property, plant and equipment and intangible assets	(4.0)	(8.0)
Purchases of investments net of cash acquired and changes in debt relating to acquisition	(16.4)	(3.4)
Net decrease (increase) in other assets	(2.9)	(0.1)
Cash flows from (used in) investing activities	(23.3)	(11.5)

Total cash flows used in investing activities changed from a €23.3 million outflow for the three months ended March 31, 2014 to a €11.5 million outflow for the three months ended March 31, 2015. This change was primarily due to a decrease in purchases of investments net of cash acquired and changes in debt relating to acquisitions, from a €16.4 million outflow for the three months ended March 31, 2014 to a €3.4 million outflow for the three months ended March 31, 2015, due to a lower number of acquisitions completed in the three months ended March 31, 2015 as a result of management preparing for Labco's proposed initial public offering. Cash used in acquisitions of tangible and intangible assets, net of disposals, increased from a €4.0 million outflow for the three months ended March 31, 2014, to a €8.0 million outflow for the three months ended March 31, 2015, primarily due to non-recurring specific investments, such as the acquisition of fixtures for and improvements to Labco's site in Barcelona, which amounted to €0.7 million, and in the United Kingdom (relating to the new platform for the new Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust contract), which amounted to €1.1 million, and to acquisitions made in 2014, particularly the strategic acquisition of the SDN Group on July 30, 2014, together with, to a lesser extent, Labco's investments in information systems.

Cash Flows from Financing Activities

The table below shows Labco's cash flows from financing activities for the three months ended March 31, 2014 and 2015.

Cash flows* **(€ millions except for %)**	**Three months ended March 31, (unaudited)**	
	2014 (restated)	**2015**
Proceeds from share capital increase	(15.0)	1.5
Net cash from (used in) net financial profit (loss)	(26.9)	(26.5)
New borrowings and other financial liabilities*	1.4	256.8
Repayment of borrowings and other financial liabilities*	(1.0)	(224.4)
Repayment of finance lease liabilities	(1.6)	(1.6)
Dividends paid to minority interests in fully consolidated companies	0.0	(0.0)
Cash flows from (used in) financing activities	(43.1)	5.7

* Cash flows from new borrowings and the repayment of borrowings include cash from amounts drawn and repaid on Labco's Existing Credit Facility, either for short periods for cash management purposes, or for longer periods.

Cash flows used in financing activities amounted to a €5.7 million inflow for the three months ended March 31, 2015, because Labco issued €100 million in aggregate principal amount of additional Existing Labco Notes in February 2015, and repaid its previous revolving credit facility in a net amount of €67.0 million. In addition, Labco used €26.5 million of net cash on financial expenses, €1.6 million on repaying finance-lease debt and a net €0.6 million on repaying other debts. Labco also completed several capital increases for the three months ended March 31, 2015, pursuant to the exercise of warrants by certain members of its management team for a total amount of €1.5 million (net of the distribution of part of the specific reserve for warrant holders for an amount of €597,000, as beneficiaries having exercised their warrants are entitled to €0.32 per share).

Cash flows used in financing activities amounted to a €43.1 million outflow for the three months ended March 31, 2014, because Labco used €26.9 million on financial expenses and €1.6 million on repaying finance-lease debt. In addition, Labco distributed share premiums to shareholders, which amounted to €15.0 million as of March 31, 2014, and other debts increased by a net amount of €0.4 million for the three months ended March 31, 2014.

Cash Flows for the Years Ended December 31, 2013 and 2014

On July 30, 2014, Labco acquired the SDN Group. The financial results of the SDN Group have been included in Labco's financial statements from the date of its acquisition. Due to the accounting impact of this transaction and the consolidation of the operating results of the SDN Group, Labco's results as of and for the years ended December 31, 2013 and 2014 are not directly comparable.

The following table summarizes Labco's cash flows for the years ended December 31, 2013 and 2014. It therefore includes, for the year ended December 31, 2013, information relating to the German business that was sold in late 2013, prompting the presentation pursuant to IFRS 5 of cash flows relating to the divested German entities in specific line items relating to discontinued activities.

Cash flows (€ millions except for %)	Year ended December 31, 2013	2014
Cash flows from operating activities	93.0	85.7
Cash flows from investing activities	27.7	(163.1)
Cash flows from financing activities	(9.3)	(16.0)
Net increase/(decrease) in cash and cash equivalents	111.4	(93.5)

Cash Flows from Operating Activities

The table below shows Labco's cash flows from operating activities for the years ended December 31, 2013 and December 31, 2014.

Cash flows (€ millions except for %)	Year ended December 31, 2013	2014
EBITDA	106.3	113.2
Change in working capital requirement	7.3	14.3
Income tax paid	(24.5)	(29.3)
Net cash used in non-recurring expenditure	(5.6)	(14.3)
Other cash flows	1.4	1.7
Cash flows from operating activities in relation to discontinued operations	8.0	—
Net cash flows from operating activities	93.0	85.7

Total cash flows from operating activities decreased by €7.3 million, or 7.9%, to €85.7 million for the year ended December 31, 2014 from €93.0 million for the year ended December 31, 2013. This decrease was primarily due to cash flows from discontinued operations, which amounted to €8.0 million in 2013 and consisted of non-recurring income arising from the settlement of litigation with former shareholders of Labco's Dillenburg laboratory. Adjusted for discontinued operations, net cash flows from operating activities increased, primarily due to a €7.0 million increase in EBITDA and a positive contribution of €7.0 million from a change in Labco's working capital requirement in 2014 as a result of the acquisition of the SDN Group on July 30, 2014 and, to a lesser extent, the impact of non-recurring elements, partially offset by a €8.7 million increase in cash used in non-recurring expenses, related in particular to the purchase of priority dividend rights from certain French laboratory doctors, and a €4.8 million increase in the amount of income tax paid due to the payment of the SDN Group's annual tax bill in the second half of 2014.

Cash Flows from Investing Activities

The table below shows Labco's cash flows from investing activities for the years ended December 31, 2013 and December 31, 2014.

Cash flows (€ millions except for %)	Year ended December 31, 2013	2014
Purchases and disposals of property, plant and equipment and intangible assets	(18.7)	(35.5)
Purchases of investments net of cash acquired and changes in debt relating to acquisition	(20.2)	(125.2)
Net decrease (increase) in other assets	73.1	(2.4)
Cash flows from investing activities in relation to discontinued operations	(6.5)	—
Cash flows from (used in) investing activities	27.7	(163.1)

Total cash flows from investing activities changed from a €27.7 million inflow for the year ended December 31, 2013, including €6.5 million relating to discontinued operations, to a €163.1 million outflow for the year ended December 31, 2014. This change was primarily due to the strategic acquisition of the SDN Group on July 30, 2014, whereas in 2013 Labco sold its German activities for an amount, net of sale fees, of €73 million. Cash used in acquisitions of tangible and intangible assets, net of disposals, increased from €18.7 million in 2013 to €35.5 million in 2014, primarily due to real estate investments in Barcelona, Brussels (relating to the acquisition of a laboratory) and the United Kingdom (relating to the new platform for the new Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust contract), together with, to a lesser extent, Labco's investments in information systems.

Cash Flows from Financing Activities

The table below shows Labco's cash flows from financing activities for the years ended December 31, 2013 and December 31, 2014.

Cash flows* (€ millions except for %)	Year ended December 31, 2013	2014
Proceeds from share capital increase	—	(19.3)
Net cash from (used in) net financial profit (loss)	(52.0)	(57.9)
New borrowings and other financial liabilities	192.4	429.8
Repayment of borrowings and other financial liabilities	(142.2)	(361.8)
Repayment of finance lease liabilities	(6.0)	(6.9)
Dividends paid to minority interests in fully consolidated companies	(0.1)	—
Cash flows from (used in) financing activities of discontinued operations	(1.5)	—
Cash flows from (used in) financing activities	(9.3)	(16.0)

* Cash flows from new borrowings and the repayment of borrowings include cash from amounts drawn and repaid on Labco's Existing Credit Facility, either for short periods for cash management purposes, or for longer periods.

Cash flows used in financing activities amounted to a €16.0 million outflow for the year ended December 31, 2014 because Labco used €57.9 million of net cash on financial expenses, €6.9 million on repaying finance-lease debt and a net €4.2 million on repaying other debts. In addition, Labco distributed share premiums in an amount of €21.9 million to shareholders in the first half of 2014, of which it paid €21.5 million on December 31, 2014, and carried out a €2.2 million capital increase reserved for laboratory doctors who had sold their laboratories to Labco. Labco also drew a net €75 million on its previous revolving credit facility, primarily to finance the acquisition of the SDN Group, and incurred €2.8 million of issuance costs when renegotiating an amendment to its previous senior facilities agreement on December 18, 2014.

Cash flows used in financing activities amounted to a €9.3 million outflow for the year ended December 31, 2013 because Labco used €1.5 million of net cash on the financing of discontinued operations, €52.0 million on financial expenses and €6.0 million on repaying finance-lease debt. In 2013, Labco issued €100 million in aggregate principal amount of additional Existing Labco Notes, and at that time repaid its previous revolving credit facility in a net amount of €41.0 million and other debts in an amount of €8.8 million.

Cash Flows for the Years Ended December 31, 2012 and 2013

On December 2, 2013, Labco sold its entire German operations to Sonic Healthcare for an aggregate consideration of €76.0 million. Labco has accounted for such operations as "discontinued operations" with effect from December 31, 2013 in its financial statements, in accordance with IFRS 5 (*Assets and liabilities held for sale and discontinued operations*). As a result, in Labco's consolidated statement of cash flows as of and for the year ended December 31, 2013, the contribution of its German operations is presented on a separate line item under each of "*cash flows from operating activities*," "*cash flows from investing activities*" and "*cash flows from financing activities*," and the consolidated financial information as of and for the year ended December 31, 2012 included for comparison purposes in such consolidated statement of cash flows was restated accordingly. Labco has not restated its statements of cash flows as of and for the year ended December 31, 2012, and such statements of cash flows are therefore not directly comparable with its statements of cash flows as of and for the year ended December 31, 2013.

The following table summarizes Labco's cash flows for the years ended December 31, 2012 and 2013.

	Year ended December 31,	
Cash flows (€ millions except for %)	**2012 restated in line with IFRS 5**	**2013**
Cash flows from (used in) operating activities	90.2	93.0
Cash flows from (used in) investing activities	(60.0)	27.7
Cash flows from (used in) financing activities	(41.8)	(9.3)
Net increase/(decrease) in cash and cash equivalents	(11.6)	111.4

Cash Flows from Operating Activities

The table below shows Labco's cash flows from operating activities for the years ended December 31, 2012 and December 31, 2013.

	Year ended December 31,	
Cash flows (€ millions except for %)	**2012 restated in line with IFRS 5**	**2013**
EBITDA	103.4	106.3
Change in working capital requirement	5.0	7.3
Income tax paid	(19.6)	(24.5)
Net cash from (used) in non-recurring expenditure	(6.7)	(5.6)
Other cash flows	1.6	1.4
Cash flows from (used in) operating activities of discontinued operations	6.5	8.0
Net cash flows from operating activities	90.2	93.0

Total cash flows from operating activities increased by €2.8 million, or 3.1%, to €93.0 million for the year ended December 31, 2013, including €8.0 million of cash flows from discontinued operations, from €90.2 million for the year ended December 31, 2012, including €6.5 million of cash flows from discontinued operations. This increase was primarily due to a €2.8 million rise in EBITDA from continuing operations, a positive contribution of €2.4 million from a reduction in Labco's working capital requirement, a €1.1 million reduction in cash used in non-recurring expenses and a €1.5 million increase in cash flow generated by discontinued operations in Germany, partially offset by a €4.8 million increase in the amount of income tax paid. The higher amount of income tax paid related mainly to France, because of catch-up in down payments made in 2013 on the basis of 2012 tax, and a balancing tax payment for 2012, whereas in 2012, down payments were low since they were based on the 2011 tax, which was sharply reduced by non-recurring expenses arising from the 2011 refinancing.

Cash Flows from Investing Activities

The table below shows Labco's cash flows from (used in) investing activities for the years ended December 31, 2012 and December 31, 2013.

Cash flows (€ millions except for %)	Year ended December 31, 2012 restated in line with IFRS 5	2013
Purchases and disposals of property, plant and equipment and intangible assets	(14.0)	(18.7)
Purchases of investments, net of cash acquired and changes in debt related to acquisitions	(44.5)	(20.2)
Net decrease (increase) in other assets	(0.1)	73.1
Cash flows from (used in) investing activities of discontinued operations	(1.3)	(6.5)
Cash flows from (used in) investing activities	(60.0)	27.7

Total cash flows from (used in) investing activities changed from a €60.0 million outflow for the year ended December 31, 2012 to a €27.7 million inflow for the year ended December 31, 2013. The improvement resulted mainly from the €73.0 million of net proceeds received in 2013, net of costs, from the disposal of Labco's German entities. In addition, cash used to acquire investments, net of cash acquired and changes in debt related to acquisitions, decreased from €44.5 million in 2012 to €20.2 million in 2013, since Labco made fewer acquisitions and those that it made were smaller than in 2012. Cash used to acquire tangible and intangible assets increased from €14.0 million in 2012 to €18.7 million in 2013.

Cash Flows from Financing Activities

The table below shows Labco's cash flows from (used in) financing activities for the years ended December 31, 2012 and December 31, 2013.

Cash flows* (€ millions except for %)	Year ended December 31, 2012 restated in line with IFRS 5	2013
Proceeds from share capital increase	27.4	—
Net cash from (used in) net financial profit (loss)	(50.6)	(52.0)
New borrowings and other financial liabilities	616.4	192.4
Repayment of borrowings and other financial liabilities	(627.1)	(142.2)
Repayment of finance lease liabilities	(6.0)	(6.0)
Dividends paid to minority interests in fully consolidated companies	(0.1)	(0.1)
Cash flows from (used in) financing activities of discontinued operations	(1.7)	(1.5)
Cash flows from (used in) financing activities	(41.8)	(9.3)

* Cash flows from new borrowings and the repayment of borrowings include cash from amounts drawn and repaid on Labco's Existing Credit Facility, either for short periods for cash management purposes, or for longer periods.

Cash flows used in financing activities amounted to €9.3 million for the year ended December 31, 2013 because Labco used €1.5 million of net cash on the financing of discontinued operations, €52.0 million on financial expenses and €6.0 million on repaying finance-lease debt. In 2013, Labco issued €100 million in aggregate principal amount of additional Existing Labco Notes, and at that time repaid its previous revolving credit facility in a net amount of €41.0 million and other debts in an amount of €8.8 million.

Cash flows used in financing activities amounted to €41.8 million for the year ended December 31, 2012 because Labco used €1.7 million of net cash on the financing of discontinued operations, €50.6 million on financial expenses and €6.0 million on repaying finance-lease debt. Labco also repaid its previous revolving credit facility in a net amount of €7.0 million and other debts totaling €3.9 million. In addition, Labco carried out several capital increases in 2012 amounting to €27.4 million (net of related costs).

Capital Expenditures

Labco's capital expenditures, excluding acquisitions, for the three months ended March 31, 2015 and 2014 and the twelve months ended March 31, 2015 were €8.0 million, €4.1 million and €39.9 million, respectively. Labco's primary capital expenditures for three months ended March 31, 2015 related to fixtures for certain real estate investments, including its new site in Barcelona and new platform in the United Kingdom, as well as site improvements in France and IT improvements and, to a lesser extent, purchase of certain automats. As a percentage of total revenue, capital expenditures, excluding capital lease effect, amounted to 4.4% and 2.7% for the three months ended March 31, 2015 and 2014, respectively.

Labco's capital expenditures, excluding acquisitions, for the years ended December 31, 2014 and 2013 were €36.0 million and €18.9 million (restated for the sale of Labco's German business), respectively. Labco's primary capital expenditures for the year ended December 31, 2014 included exceptional acquisitions of fixed assets amounting to €15.3 million relating to three real estate projects completed in 2014 (new buildings acquired in Barcelona, a new platform in Basildon in the United Kingdom and the purchase of a building in Brussels in Belgium in connection with the acquisition of a Belgian laboratory). Other capital expenditures related to site improvements in France, the purchase of testing equipment, as well as expenditure on Labco's IT systems and the payment of capital expenditure committed in 2013 in Spain and Belgium. As a percentage of total revenue, capital expenditures, excluding capital lease effect, amounted to 5.8% and 3.5% for the years ended December 31, 2014 and 2013, respectively.

Labco's capital expenditures, excluding acquisitions, for the years ended December 31, 2013 and 2012 were €18.9 million and €14.3 million, respectively. Labco's primary capital expenditures in 2013 related to site improvements in France and Iberia, the purchase of certain specific automats and assets in Iberia, France, Belgium and for its new site in Monza, Italy, as well as IT developments and vehicles. As a percentage of total revenue, capital expenditures excluding capital lease effect amounted to 3.5% and 2.8% for the years ended December 31, 2013 and 2012, respectively.

Capital Resources

As of March 31, 2015, Labco had net total financial debt of €661.8 million composed of its borrowings and other financial liabilities (including primarily the aggregate principal amount of the Existing Notes) of €745.6 million, partially offset by cash and cash equivalents of €83.9 million. As of December 31, 2014, Labco had net total financial debt of €650.4 million. Labco defines "net financial debt" as borrowings and other financial liabilities, less cash and cash equivalents.

Future drawings under the Revolving Credit Facility will be available only if, among other things, Labco complies with the financial and other covenants in the Revolving Credit Facility Agreement. Labco's ability to meet the financial covenants in the Revolving Credit Facility Agreement will depend on its results of operations, which may be affected by factors outside its control. For more information about the Revolving Credit Facility Agreement, see "*Description of Other Indebtedness—Revolving Credit Facility Agreement*."

Contractual Obligations and Commercial Commitments

The table below sets forth Labco's contractual obligations and commitments as of March 31, 2015, as adjusted for the offering of the Existing Senior Secured Notes and the application of the proceeds thereof as described in "*The Transactions—The Labco Acquisition*."

Contractual obligations	Less than 1 year	1 - 5 years	More than 5 years	Total
	(€ millions)			
Existing Senior Secured Notes	—	—	800.0	800.0
Bilateral loans(1)	3.3	9.0	0.2	12.5
Finance lease obligations	5.1	9.0	4.1	18.3
Other financial liabilities(2)	0.9	—	—	0.9
Acquisition investment commitment (including earn-outs)(3)	0.3	10.1	—	10.4
Total	9.6	28.1	804.3	842.1

(1) Consists primarily of bilateral bank loans of recently acquired entities or certain non-guarantor subsidiaries of the Issuers used for equipment financing purposes, including accrued but unpaid interest.

(2) Consists primarily of Labco's obligations under its recourse factoring agreement in Portugal.

(3) Consists primarily of earn outs due to sellers from which Labco acquired laboratory companies in the year ended December 31, 2014 and the three months ended March 31, 2015 which are calculated at fair value based on factors including the performance of such companies following their acquisition.

Labco also has obligations under operating leases and towards reagent suppliers who make testing equipment available to it in exchange for exclusive purchasing commitments, including minimum purchase commitments. Labco does not consider these minimum purchase commitments to be material for it.

Off-Balance Sheet Commitments

Labco is party to various customary off-balance sheet arrangements, such as purchase agreements that contain minimum purchase commitments, and securities and pledges given mainly in the context of its financing strategy. None of these arrangements has or is likely to have a material effect on Labco's results of operations, financial condition or liquidity.

Financial Risk Management

Almost all of Labco's income and expenditure is denominated in euro, which is its functional currency.

However, certain Labco Group entities may be exposed to transaction risks relating to a purchase or sale transaction in a different currency. This is primarily the case for one of Labco's subsidiaries in Iberia, which carries out tests from samples taken outside the eurozone (mainly in Latin America). For those tests, customers are invoiced by the local trading subsidiaries in the relevant country's currency. Accordingly, Labco generates revenue in Brazilian real and Colombian pesos.

Similarly, some work, mainly related to genetic tests to detect Down's syndrome, is outsourced from a U.S. provider, resulting in expenditure in U.S. dollars.

In the United Kingdom, Labco's income and expenditure are in sterling and do not give rise to any transaction risk. However, investments in UK subsidiaries and the financing of those subsidiaries may give rise to currency risk due to fluctuations in sterling against the euro. As regards Labco's Swiss subsidiary Test S.A., Labco has marginal exposure to risk relating to the Swiss franc exchange rate. Labco's policy is to hedge that risk on a case-by-case basis. No hedging instrument was in place in respect of that risk as of December 31, 2014.

Revenue denominated in currencies other than the euro accounted for 2.1% of total revenue for the year ended December 31, 2013 and 6.0% for the year ended December 31, 2014. This increase was primarily due to an increase in Labco's activities in the United Kingdom.

Critical Accounting Policies and Estimates

IFRS requires Labco to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the relevant period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Actual results may differ from these estimates.

A more detailed description of the accounting rules and methods that Labco applies in accordance with IFRS is provided in the notes to its audited consolidated financial statements included elsewhere in this offering memorandum.

INDUSTRY

Historical and current market data used throughout this offering memorandum were obtained from external sources. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in the industry publications is not guaranteed. None of the Issuers, the Initial Purchasers or any of their respective advisors have independently verified this market data. While we are not aware of any misstatements regarding any industry or similar data presented in this offering memorandum, our estimates, particularly as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "Risk Factors" section in this offering memorandum. We do, however, accept responsibility for the correct reproduction of this information, and, as far as we are aware and are able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The projections and other forward looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward Looking Statements."

Overview

We are a major player in the healthcare industry and conduct our business in Europe in the private healthcare sector, primarily in the field of clinical diagnostics. The diagnostic services sector comprises businesses and laboratories that offer analytic or diagnostic testing services including:

- clinical biological testing, including standard and specialty;
- anatomical pathology testing of both histological and cytological samples; and
- diagnostic imaging using medical and molecular imaging technologies.

Diagnostic services are an important factor in medical decisions and the efficiency of healthcare systems. Prompt and accurate diagnoses improve the quality of care and reduce the ultimate cost of medication and/or hospitalization. Aided by technological and medical advances, the healthcare industry's focus is increasingly shifting from the treatment of patients to the prevention and early detection of medical conditions. This shift is leading to greater reliance on diagnostic testing services and, consequently, increasing demand for clinical laboratory services. We believe that while most diagnoses today are based on laboratory testing in some way, expenditures for laboratory testing continue to constitute a very small portion of overall total healthcare expenditures in our markets, providing sufficient room for growth as the demand for clinical laboratory services increases. For example, it is estimated that diagnostic services are used in approximately two thirds of medical decisions but are thought to have only accounted for approximately 3% of health spending in France in 2012 (source: L.E.K. Report). Similarly, based on industry reports available to us, we estimate that laboratory expenditure as a percent of total health care expenditure in Germany has been below three percent between 1993 and 2013.

We believe that operational models for diagnostic services can differ significantly depending on (i) the structure of the local healthcare system and the nature of the payers, (ii) the nature of prescribers, (iii) regulation and (iv) the approach to patient care:

- *Structure:* Healthcare systems differ from one country to the other, with varying levels of coverage by the public healthcare organizations. Other groups of payers include private insurance companies, employers, hospitals, other laboratories or patients themselves.
- *Nature of prescribers:* The healthcare professional prescribing to the patient the analysis necessary for a good clinical diagnosis may influence the choice of the laboratory. In some countries, healthcare professionals may also be able to offer a limited range of analysis. In addition, for certain types of analysis, patients sometimes decide to avail themselves of laboratory services.
- *Regulation:* Regulations relating to the qualification of laboratory doctors and laboratory personnel, technical conditions for testing, professional independence of laboratory doctors and conditions for owning, establishing and operating clinical laboratories vary by country. See "*Regulation*."
- *Patient care:* The clinical laboratory services sector can be subdivided into an inpatient sector and an outpatient, or ambulatory, sector. In the inpatient sector, clinical laboratories increasingly compete with each other for laboratory subcontracting and outsourcing contracts from both public and private hospitals, mainly on the basis of price and quality of service. In the "outpatient" sector,

clinical laboratories generally compete with each other for doctors' referrals and walk in patients, mainly on the basis of quality of service and location.

Clinical Laboratory Services Sector in Europe

Overview

The overall clinical laboratory services sector in Europe comprises both public and private laboratory services providers, which collectively offer services across a range of scientific areas, including:

- general clinical laboratory testing, or testing of body fluids for abnormalities (e.g., blood cell counts, coagulation, iron levels, cholesterol);
- microbiology, or testing for presence of microbiological pathogens (e.g., differentiation, antibiotic resistance, influenza tests);
- anatomic pathology and cytology, or testing of cells and tissue samples for abnormalities (e.g., analysis of tumor marks, pap-smears); and
- genetics, or testing of genetic material for abnormalities (e.g. analysis of risk factors, analysis of fetal DNA for mutations).

Clinical laboratory testing is used in all scientific areas and can broadly be divided into routine testing and specialty testing. Routine clinical laboratory tests are regularly used in general patient care by doctors to establish or support a diagnosis, to monitor treatment or to search for an otherwise undiagnosed condition. Routine testing is highly automated, scale-driven, and efficiency-oriented. Specialty clinical laboratory tests involve a higher level of complexity than routine tests, are conducted by skilled laboratory professionals and generally utilize more sophisticated technology, equipment or materials. Due to technological progress and innovation, the boundary between routine and specialty testing is continuously changing. From time to time, certain specialty tests become processable on automated test equipment; this reduces the cost per test and causes the process to eventually become part of routine testing. The spectrum of specialty tests also continues to expand through the introduction of new innovative tests.

The customer base in the clinical laboratory services market is diverse and spans both the public and private sectors. Therefore, customers include individual patients as well as hospitals, public and private clinics, medical practices and laboratories, physicians, blood collection points, public health agencies, pharmaceutical companies and clinical research organizations, among others.

Depending on applicable law and regulation, diagnostic services are typically covered by statutory health insurance ("SHI") or private health insurance ("PHI") providers. Other testing services are freely negotiated, such as under hospital outsourcing contracts, or are paid for out-of-pocket by patients (if not covered by their SHI or PHI provider) or other private payers.

The European clinical laboratory services sector is highly fragmented, and there are currently only a few pan-European players. The nature of competition in the clinical laboratory services sector varies by country, largely due to different market characteristics and regulatory regimes. The overall market has experienced consolidation in recent years, in part driven by regulatory changes, and we expect this trend to continue in the future. We believe that increasing pressure on governments to reduce healthcare spending in light of budget constraints are likely to lead to greater outsourcing of hospital laboratory work which, in turn, will further drive volume growth for private laboratory operators and increase their accessible market, or the portion of the market accessible to private clinical laboratory service providers like us. We believe that large laboratory networks such as ours will be the main beneficiaries of this development, as they enjoy economies of scale, greater financial resources, experience in operating complex hospital outsourcing contracts and other advantages.

In 2014, we estimate that the European clinical laboratory services sector amounted to approximately €30 billion. The five largest players are Sonic Healthcare, Synlab, Labco, Unilabs and Cerba. We estimate that the combined Synlab/Labco business, together with the next largest competitor, will have a combined market share of approximately 7% of the €30 billion European clinical laboratory services market.

The diversity of healthcare systems in Europe also means that the provision of clinical laboratory services varies from country to country, particularly in relation to:

- *Density of private clinical laboratories:* In 2013, the density of private laboratories was estimated to be approximately six laboratories per 100,000 inhabitants in France while less than one laboratory per 100,000 inhabitants in countries such as Belgium and Germany.
- *Number and density of qualified laboratory doctors and pharmacists:* In Europe, the average number of qualified laboratory doctors is around 5.8 laboratory doctors per 100,000 inhabitants, ranging from approximately 16.5 laboratory doctors per 100,000 inhabitants in France to approximately 0.6 laboratory doctors per 100,000 inhabitants in Germany. In France, the number of qualified laboratory pharmacists has been decreasing over the past few years from approximately 8,000 as of December 31, 2009 to around 7,600 as of December 31, 2013 (source: Xerfi Report).
- *Regulations:* Regulations relating to the qualification of laboratory doctors and laboratory personnel, technical conditions for testing, professional independence of laboratory doctors and conditions for owning, establishing and operating clinical laboratories vary by country. See "*Regulation*."
- *Quality standards:* In countries such as Switzerland, Spain and Belgium, national regulations require, or will require in the future, the accreditation of all clinical laboratories, while other countries accept internal quality management standards. In France, accreditation for clinical laboratories will gradually become compulsory from November 2016.
- *Pricing of clinical laboratory tests:* The prices of clinical laboratory services in most countries in Europe are, to a large extent, regulated. Significant disparities in tariffs persist, with prices per test generally higher in France and Switzerland than in Spain. In countries such as Spain, regulated prices in private clinical laboratory services have been replaced by contractually negotiated prices with private third party payers.
- *Choice of laboratory:* Depending on the country, the clinical laboratory performing tests for a patient is chosen by the patient, by his or her doctor or by the patient's health insurance provider.

Market characteristics

The clinical laboratory services market is characterized by a very limited number of significant new market entrants in recent years, primarily due to economies of scale, regulatory requirements and requisite technical expertise:

- Economies of scale are present in many areas of the market, including procurement, logistics, test processing, professional training and development as well as building and maintaining relationships with customers, regulators and payers. The presence of such economies of scale can be advantageous to larger players who are better able to benefit from efficiencies in procurement by bundling volumes across laboratories and geographies, which assists them in adjusting to price cuts. Similarly, larger players are better able to operate an integrated laboratory model, which utilizes centralized laboratories combined with geographically dispersed base laboratories and collection centres.
- Regulatory requirements and characteristics include complex and varied pricing and reimbursement environments, strict quality standards and requirements, long-term contracts and complex licensing and accreditation processes in certain countries. Market participants with more experience in navigating the national reimbursement environments and relationships with key customers and suppliers in certain geographies enjoy advantages over new entrants who lack such experience. Moreover, the need to adapt to the varied and changing market and regulatory landscape across the countries in which we operate may make it difficult for some laboratory networks to expand their businesses into new geographies other than through acquisitions.
- In the outpatient doctor segment, there is often relatively little customer attrition due to doctors' satisfaction with their incumbent laboratory providers and the integration of the clinical diagnostic process into doctors' daily clinical practice. This often leads to low levels of customer churn, which acts as a competitive advantage to incumbent players with existing customer relationships.
- More established market participants may also enjoy advantages in attracting and retaining leading scientific employees due to scientific reputation and technical capabilities, particularly in the

provision of specialized testing services. Furthermore, their scale may give them greater scope to identify and employ advanced technology and best practices in certain specialized testing segments.

Clinical Laboratory Services Market by Geography

Germany

In 2014, we estimate that the total German clinical laboratory services market amounted to approximately €6.9 billion (source: GIA), with the accessible market for private laboratories accounting for approximately 45% to 55% of the total market according to our estimates. From 2012 to 2014, we estimate that the total German clinical laboratory services market grew by approximately €0.4 billion (from approximately €6.5 billion in 2012 to approximately €6.9 billion in 2014).

With respect to customers, the total German clinical laboratory services market can be divided into an outpatient sector, comprising mainly general practitioners ("GPs"), and an inpatient sector comprising mainly hospitals. In 2014, the total market was approximately evenly split between the outpatient and the inpatient sector. In Germany, GPs are responsible for collecting samples with their own staff, usually nurses or medical technical assistants. In return, they are free to choose a clinical laboratory to test the sample. GPs are allowed to perform certain tests themselves, primarily basic routine tests, whereas only laboratory specialists or other specialist doctors with an additional laboratory qualification may perform specialty laboratory tests in most scientific areas. Private practice GPs frequently form laboratory cooperations (*Laborgemeinschaften*) to perform routine tests. However, such private practice GPs organized in laboratory cooperations (*Laborgemeinschaften*) typically outsource their specialized tests to clinical laboratory service providers. Cooperation with laboratory cooperations (*Laborgemeinschaften*) provides clinical laboratory service providers with access to specialty testing prescribed by GPs and reduces customer churn.

The German clinical laboratory services market is also experiencing an increase in outsourcing of laboratory services by hospitals. Outsourcing requires laboratory providers to have the necessary laboratory and testing capacity, logistics networks, ability to meet turnaround times and availability of specialty laboratory doctors, among other success factors. We have already entered into significant cooperations in the hospital laboratory outsourcing sector, which are freely negotiated and include agreements for full outsourcing of certain hospitals' laboratory testing (i.e., routine and specialty). We believe that there are further opportunities for outsourcing of laboratory services of public hospitals in Germany, particularly in connection with efforts to control costs in smaller hospitals.

We estimate that approximately 90% of the population in Germany are insured by approximately 130 SHIs (*Gesetzliche Krankenversicherung*) and approximately 10% of the population covered by approximately 40 PHIs (*Private Krankenversicherung*) Services which are not covered by SHIs and PHIs may be paid by patients out-of-pocket. Prices and levels of reimbursement of laboratory tests are regulated by the state for both patients insured under SHI and patients insured under PHI. In the inpatient sector, private laboratories invoice hospitals for testing services pursuant to contracts based on freely negotiated prices, which may, for example, be based on flat rates or fees per test as a percentage of applicable fee scales. In the outpatient sector, different price and compensation levels exist under the SHI and PHI systems. In the SHI system, a uniform assessment standard (*Einheitlicher Bewertungsmaßstab*, "EBM") for compensation of medical services has been established at the federal level, and payments are distributed and effected at the regional level by regional health authorities (*Kassenärztliche Vereinigungen*). In the second half of 2012, the German Federal Association of Statutory Health Insurance Physicians (*Kassenärztliche Bundesvereinigung*, or "KV") implemented a central federal quota (i.e., a capped percentage of the scheduled EBM fees) for laboratory tests. The quota for the fourth quarter of 2012 was 95.4%. It decreased for the first quarter of 2013 to 89.2%. The quota for the first quarter of 2015 was 91.6%.

In the PHI system, a binding scale of fees for physicians (*Gebührenordnung für Ärzte*, GOÄ) has been enacted by the Federal Ministry of Health. Any future amendment of the 30-year old tariff system, which has been part of perennial political discussions over the last decade, may result in a reduction of GOÄ prices for laboratory services.

Germany has a relatively low level of reimbursement compared to many other European countries, such as Switzerland, particularly when comparing levels paid in the inpatient sector, which accounts for approximately half of the total market, or under the SHI system for the outpatient sector.

The clinical laboratory services market in Germany is somewhat less fragmented than that of other European countries due to the presence of five laboratory networks, including us, who together make up an estimated approximately 39% of the accessible market by revenue. We estimate that the remainder of the accessible market consists of approximately 300 to 400 small to medium-sized laboratories with a regional focus. We expect consolidation in the market to continue, driven primarily by efforts of the larger clinical laboratory groups to expand their geographical footprint, increase specialization and take advantage of economies of scale in a highly competitive marketplace.

We believe that we are the second largest provider of clinical laboratory testing in Germany based on 2014 revenue, with a market share of approximately 9% of the accessible market in 2014. Our primary competitors include Sonic, Limbach, amedes and LADR. We estimate that the top two players in the German laboratory services market (Sonic and us) had a market share of approximately 20% of the accessible market in 2014.

France

In 2013, studies show that the French clinical laboratory services market generated revenues of approximately €7 billion, with private laboratories representing approximately 66% of the overall French clinical laboratory services market (sources: BIOLAM, Rapport de la Cour des comptes pour la biologie médicale en date du 18 juillet 2013 and L.E.K. Report). In 2011, 2012 and 2013, "outpatient" clinical laboratory services in private laboratories generated fairly stable levels of revenue of approximately €4.6 billion, €4.5 billion and €4.6 billion, respectively (sources: BIOLAM and L.E.K. Report). In 2013, there were thought to be approximately 3,900 private laboratories out of a total estimated at 4,700 laboratories operating in France (source: L.E.K. Report). The number of qualified clinical pharmacists as at December 31, 2013 was about 7,600 compared with approximately 8,000 as at December 31, 2009 (source: Xerfi). The French clinical laboratory services market is highly regulated. In 2012, it is estimated that 76% of the French healthcare market was funded by the French social security system, with private health insurers and patients contributing approximately 14% and 10%, respectively (sources: HCAAM and L.E.K. Report).

In France, doctors prescribe clinical tests for their non hospitalized patients, who are free to choose the laboratory in which they are tested. Patients typically choose a laboratory based on proximity to their home or workplace. Accordingly, presence in high traffic locations and reputation for quality of services are key factors.

Prices for clinical tests are set by a commission consisting of representatives from the Ministry for Social Affairs, Health and Women's Rights, UNCAM and professional bodies. Tests for which reimbursement is authorized are included in the nomenclature of clinical tests and quantified by the letter B, which is worth €0.27 (sources: BIOLAM and L.E.K. Report). Generally, more specialized and newer tests are initially not included in the nomenclature and thus not initially reimbursed.

Depending on the uptake of the test or its therapeutic advantages offered, UNCAM may seek advice from the Haute Autorité de Santé ("HAS") regarding its inclusion in the nomenclature. HAS will base its advice on the following criteria:

- the indications for which the proposed service is assessed and those for which the HAS believes inclusion is warranted, identifying, where appropriate, the population groups affected;
- a description of the role of the act or service in therapeutic strategy; and
- an assessment of the improvement offered by the proposed service compared to alternative standard therapeutic approaches based on current scientific data, notably with regard to the comparative effectiveness of these treatments. The improvement offered by the proposed service is evaluated for each indication and, where appropriate, population group.

With or without this advice, a commission for the evaluation of clinical laboratory acts and services approves or rejects the inclusion of the act in the nomenclature and the price that has been determined by UNCAM. This commission consists of six biologists representing the profession (trade unions) and three UNCAM representatives (each with two votes), and a chairman, elected by the commission, who has one vote. However, UNCAM has the final decision on proposing the inclusion of a test in the nomenclature and submitting its proposal to the minister. If the minister accepts the proposal the test is included in the nomenclature via advertisement in the Official Journal.

The French government has announced its intention to control healthcare spending, particularly spending on clinical testing by French clinical laboratories. An agreement was reached on October 10, 2013 between the main French laboratory doctors' unions and UNCAM. The purpose of this agreement was to give clinical laboratories visibility on their financial prospects over a three year period, while also exerting control over healthcare spending. This resulted in the determination of an annual rate of growth for spending on clinical laboratory services of 0.25% between 2014 and 2016. The government intends to reach this target through modest reductions in prices, which are to be spread over the period, and control of prescriptions, in order to offset the natural growth in volumes. Trade unions are scheduled to meet with representatives of UNCAM every six months in order to assess the impact of changes in prices and determine what future changes may be necessary in order to meet the annual growth target. In late January 2015, UNCAM held discussions with trade unions to reiterate its commitment to the three year agreement and to propose a rate revision commensurate with volume growth projected for 2014 and expected for 2015. Based on those figures, at its meeting held July 8, 2015, CNAM decided to maintain the existing nomenclature for 2015. Another meeting is planned in November 2015 to assess the market spend evolution and potentially propose a rate revision for the beginning of 2016 to align the overall spend with the three-year agreement guideline.

France has the highest number of clinical laboratories and laboratory doctors per capita of all the countries in which we operate. There are therefore significant consolidation opportunities in the French clinical laboratory services market. Several factors drive this consolidation, including:

- the high number of smaller laboratories in France, where levels of automation are still low;
- price cuts to offset rising testing volumes, which create an erosion of margins which can only be offset by the use of increasingly large centers;
- as of November 2013, French legislation has required all clinical laboratories to provide evidence that they have begun the accreditation process (ordinance no. 2010 49 of January 13, 2010, article 8, paragraph V);
- French legislation which now requires that all clinical laboratories be accredited for 50% of the clinical tests they carry out, as of November 1, 2016. This level will increase to 70% from November 1, 2018, before rising to 100% by November 1, 2020. The heightened accreditation standards may force a number of the small clinical laboratories to merge or be acquired by larger laboratory groups (source: HPST Law and Ballereau Decree no. 2010 49). See "*Regulation*." Labco's laboratories' failure to comply with these thresholds by the requisite date could force the laboratories concerned to discontinue the activities for which they are not accredited. See "*—Sector Trends—Quality Standards*"; and
- regulatory constraints that limited consolidation are easing: the restrictions on the number of clinical laboratories that may be owned and operated by the same laboratory company (but still a SEL is not allowed to operate more than five clinical laboratories) or on the number of SELs that may be owned by the same shareholder, and the restrictions on the outsourcing of tests between clinical laboratories and technical platforms operated by the same SEL have been eased (but French law still limits the number of tests that can be outsourced by one clinical laboratory to another for analysis and interpretation every year to 15% of the total number of tests carried out by the outsourcing laboratory).

These different factors driving consolidation are reflected in the figure for "average number of laboratories per SEL," which went from 1.1% in 2006 to 1.15% in 2009 and 1.55% in 2012 (source: Xerfi).

Prior to ordinance No. 2010 49 of January 13, 2010, laboratories were located on a single site and provided the whole of the testing process: pre analysis, analysis and post analysis in their specialty area (immunology, bacteriology, etc.). Since 2010, several laboratories have merged, creating multi site clinical laboratories, pooling most of their testing on a single technical platform. Some local laboratories have been repositioned as collection centers.

The effects of scale are clearly reflected in the operating performances of clinical laboratories. Average EBITDA margins for small structures (those with an annual revenue of less than €2 million) and for medium structures (those with an annual revenue between €2 million and €5 million) were 10% and 11%, respectively, in 2013, while the figure reached 18% for larger structures (with an annual revenue of over €5 million) (source: Xerfi).

After the merger between Cerba and Novescia, the four largest clinical laboratory groups (routine and specialty tests combined) represented approximately 23% of the biological laboratory testing market based on available 2013 revenue figures. These four groups were, in decreasing order of market share, Cerba Novescia, Synlab/Labco on a combined basis, Biomnis and Unilabs with market shares of approximately 8.5%, 7.1%, 4.6% and 2.8%, respectively.

Switzerland

In 2013, the Swiss clinical laboratory services market generated revenues of approximately €1.9 billion, with private laboratories estimated to represent approximately 25% of the overall Swiss clinical laboratory services market. In 2013, it is believed that there were approximately 50 private clinical laboratory groups in Switzerland operating more than 150 laboratories.

In Switzerland, clinical testing is carried out by general practitioners (45% approximately of total volumes), private laboratories (30%) and hospitals (25%). Two thirds of general practitioners have a clinical laboratory within their practice where they carry out the simpler tests, while subcontracting more complex tasks to private laboratories. Studies show that the majority of small hospitals subcontract clinical testing to private laboratories, while larger hospitals generally have their own laboratories, and subcontract only specialty testing.

Prices for clinical tests are set by the DFI and the Decree on Health Insurance Services of September 29, 1995. The DFI defines a list of tests to be reimbursed under compulsory medical insurance and allocates a number of points per test, with each point worth CHF1. Created in 1994, the catalogue contained some 1,500 tests in 2014, including 55 tests that can be carried out in medical practices by general practitioners. The last major revision took place in 2009 to reflect the increased automation of the most commonly used tests. A new revision, applicable as of January 1, 2015, introduces a significant increase in prices for some tests, for general practitioners only. This measure aims to increase the number of general practitioners setting up in Switzerland by offering them a source of more attractive additional income.

The main factors behind the choice of a private clinical laboratory in Switzerland are proximity to patients, the time needed to return results, pre analysis costs charged by general practitioners and the relationship with the laboratory's sales team. For specialty tests, the main selection criteria are the laboratory's reputation and the qualifications and medical expertise of its staff.

In 2013, the private clinical laboratory sector in Switzerland was relatively highly concentrated, with 50 groups operating a total of more than 150 facilities, of which approximately 100 were operated by the six main groups: Unilabs, Sonic, Synlab/Labco on a combined basis, Laboratoire Viollier, Laboratoire du Dr. Risch and Meditest. The market leaders are concentrated in and around the major cities (Zurich, Geneva and Lausanne), with the rest of the country covered by smaller laboratories, which generally operate one or two facilities focusing on a local client base.

In 2013, the four largest clinical laboratory groups represented more than 50% of the private clinical laboratory sector, based on the number of clinical laboratories. These groups were Medisupport, Unilabs, Synlab/Labco on a combined basis and Laboratoire Viollier.

United Kingdom

In 2013, public health spending on clinical laboratory services and anatomical pathology in the United Kingdom was approximately €5.2 billion, of which it is believed approximately €0.3 billion corresponded to subcontracting of services to approximately 40 private laboratories (source: L.E.K. Report). The market for clinical laboratory services is dominated by the public sector through hospital laboratories. The NHS, which accounted for 82% of health spending in 2013, provides testing services for both inpatients and outpatients (sources: OMS, BMI Healthcare). However, contracts are awarded by the distinct entities responsible for each region: NHS England, NHS Scotland, NHS Wales and NHS Northern Ireland. In 2013, approximately 95% of public spending on clinical laboratory services was dedicated to public hospitals. In addition, investments were necessary to keep or obtain the Clinical Pathology Accreditation ("CPA") quality accreditation from the United Kingdom Accreditation Service ("UKAS"). See "*—Sector Trends—Quality Standards*."

Medical services provided to patients outside NHS hospital structures are commonly referred to as "outpatient" or "primary care services." The services are provided by doctors, general practitioners and specialists, assembled in Clinical Commissioning Groups ("CCGs") and Area Teams. In the case of clinical services, CCGs and Area Teams negotiate contracts with NHS hospitals for the testing of their samples. These contracts are generally negotiated on the basis of the volume and typology of the previous year's tests and can be amended annually or semi-annually. The remuneration attached to the contracts is a fixed annual lump sum. Some groups of doctors have already subcontracted their clinical services to private operators. The acute care branches of NHS hospitals have autonomy for the provision of medical services and the allocation of expenses, and are usually managed in coordination with NHS hospitals and CCGs.

Faced with tight budget restrictions, NHS hospitals are increasingly outsourcing their clinical laboratory services to private groups, with a view to making them more economically efficient. This trend towards outsourcing began in London and southeast England, and is now spreading to the whole of the United Kingdom. Studies have shown that between 2008 and 2012, the value of clinical services outsourced to the private sector rose from less than €120 million to more than €280 million (source: L.E.K. Report), demonstrating an annual average growth of 18.5% over this period. By 2018, it is estimated that this figure is likely to increase by more than 15% per year, rising to approximately €0.6 billion. This trend, which is supported by the government, as reflected in the 2010 Carter Report, is likely to continue, given the cost savings and improved operational efficiency that this outsourcing brings. Outsourcing is subject to tender procedures which generally last for between 12 and 18 months, resulting in long term contracts of more than seven years. Test prices are negotiated directly between the NHS Trust hospitals and private clinical laboratories. Prices are usually indexed to inflation over the life of the contract.

In 2013, the four main private sector clinical laboratory groups had a combined share of more than 90% of the clinical tests' outsourcing private sector in the United Kingdom. These four groups were The Doctors Laboratory (TDL), Quest Diagnostics, Viapath (formerly GSTS) and Synlab/Labco on a combined basis (source: L.E.K. Report).

Belgium

In 2013, the Belgian clinical laboratory services market generated revenues of approximately €1.4 billion, with private laboratories estimated to represent approximately 50% of the overall Belgian clinical laboratory services market (source: L.E.K. Report). In 2013, there were approximately 100 private clinical laboratories operating in Belgium, including 64 not for profit organizations. Between 2004 and 2013, the market for private clinical laboratory services grew from approximately €0.4 billion to approximately €0.7 billion (source: INAMI). This market growth was greater between 2004 and 2009, before stabilizing at an average growth rate evaluated at approximately 1.3% per year between 2009 and 2013 (source: INAMI).

The prices of the large majority of laboratory tests are state regulated and are set by the national healthcare regulator (*Institut National d'Assurance Maladie Invalidité*, or "INAMI") on an annual basis. Reimbursement levels for tests included in the INAMI nomenclature are set by the Belgium health authorities and typically provide for a co payment by the patient. A small number of laboratory tests, however, are excluded from the INAMI's price regulation and prices are set at the discretion of individual laboratories. Most nutrition tests, for example, are not reimbursed by INAMI. As in other European countries, efforts are being made to control health spending more effectively.

The Scientific Institute for Public Health (*Institut scientifique de santé publique*, or the "ISP") is responsible for the accreditation of laboratories in Belgium on behalf of *SPF Santé Publique* (the Belgian governmental organization responsible for health issues).

Reimbursement is made by the INAMI when the laboratory test is included in the INAMI nomenclature and the laboratory has been accredited by the ISP.

The outpatient laboratory services market in Belgium is mostly structured on the basis of a business to business model where samples are collected at a doctor's practice before being delivered to a technical platform for testing at clinical laboratories such as ours. Certain laboratories, including our own, also operate networks of Labco Collection Centers for patients whose doctor does not take samples.

The Belgian market is now fairly highly concentrated following the consolidation that took place in the 1990s and 2000s. Market consolidation was triggered by the easing of rules on the ownership of clinical laboratories by investors who are not laboratory doctors. It is also due to the increasing difficulty in obtaining authorizations to operate and to reductions in prices.

In 2013, it is estimated that the two largest clinical laboratory groups represented nearly 25% of the private clinical laboratories' sector while the eight largest represented about 40% (source: L.E.K. Report).

The two leaders are Sonic Healthcare and CMA Medina representing approximately 12% of the market shares each (representing approximately €86 million and €83 million, respectively) followed by Synlab/Labco. The other players are below 3% market share individually.

Our market share in Belgium does not include the nutritional biology's revenue, amounting to approximately €12.2m in 2014, as some tests are carried out on behalf of foreign laboratories or patients and most of them are excluded from the nomenclature.

Austria

In 2014, we estimate that the total Austrian clinical laboratory services market amounted to approximately €750 million, with the accessible market for private laboratories accounting for approximately 45% to 50% of the total market. From 2011 to 2014, we estimate that the Austrian clinical laboratory services market grew by approximately €50 million (from approximately €700 million in 2011 to approximately €750 million in 2014).

Northern Europe

Of the total clinical laboratory services markets in Finland, Lithuania, Estonia and Latvia, we estimate that Finland represented approximately 80% of the market size in 2014. In 2014, we estimate that the Finnish laboratory services market generated revenues of approximately €640 million, with the accessible market for private laboratories amounting to approximately 15%. From 2011 to 2014, we estimate that the Finnish clinical laboratory services market grew by approximately €20 million (from approximately €620 million in 2011 to approximately €640 million in 2014).

Italy

In 2013, the Italian clinical laboratory services market generated revenues of approximately €3.4 billion (source: GIA and L.E.K. Report). The market grew by approximately 1.8% per annum on average between 2010 and 2013 (source: GIA, L.E.K. Report) and this trend is expected to continue between 2013 and 2018, with growth estimated to be between approximately 1.5% and 2% per annum (sources: GIA and L.E.K. Report). Studies show that private clinical laboratories accounted for approximately 45% of the overall Italian clinical laboratory services market based on revenue (sources: GIA and L.E.K. Report). In 2011, there were approximately 2,600 private laboratories operating in Italy (sources: Italian Ministry of Health and L.E.K. Report). The market share of private laboratories, however, varies significantly by region due to Italy's fragmented and decentralized healthcare system.

Generally, in the case of tests covered by the national healthcare authority (*Servizio Sanitario Nazionale*), prior to undergoing any test, a patient must pay a fee that covers only part of the test's actual cost. The amount of this prepayment varies by region and according to the patient's social eligibility criteria. The remaining portion of the cost is covered by the national healthcare authority (*Servizio Sanitario Nazionale*) or by private healthcare insurers.

The *Servizio Sanitario Nazionale* provides guidelines for prices applicable to accredited private clinical laboratories. However, regional authorities, the *Azienda Sanitaria Local* (the "ASL") have the authority to set local prices above or below national guidelines. On an annual basis, each accredited private clinical laboratory must sign an agreement with local authorities that determines the specific reimbursement rules for prices and the total budget allocated to the laboratory for the year. Once the annual budget has been reached, which generally occurs in the final quarter of the year, ASLs will no longer, or only partly, reimburse the tests carried out by the clinical laboratories which requires patients to pay for tests themselves. As a result, reimbursement levels vary widely from region to region. In the unlikely case that the annual budgets allocated by the ASLs for a given year are not fully used by the end of the year, we do not exclude a revision aiming to lower such budgets for the next year.

In Italy, outpatient's doctors prescribe clinical tests and patients are free to choose the clinical laboratory in which the tests are conducted. Patients typically choose a laboratory based on proximity to their home or workplace.

Large clinical laboratories in Italy, such as Alliance Medical, Centro Diagnostico Italiano ("CDI") and Synlab/Labco, typically offer an integrated diagnostic testing service, providing clinical testing, diagnostic imaging services, ambulatory care and other healthcare services.

In Italy, the radiology market produced approximately 60 million scans in 2011 (sources: Italian Ministry of Health). From 2006 to 2011, studies suggest that the market grew by 1% per annum on average in volume (sources: Italian Ministry of Health). During that period, there was a shift from basic to more complex scans, evidenced by the trend in equipment sales. From 2005 to 2012, equipment suppliers achieved average sales growth of around 6.3% per annum and they are forecasting annual growth of approximately 8.5% between 2012 and 2020, with above average predicted growth in CT scanners (approximately 9.7%) and MRI scanners (approximately 11.8%), which are mainly used for high value added scans. As regards nuclear medicine, in 2012, the Italian market represented approximately 1.5 to 2 million scans, of which about one quarter were estimated to be high value added Positron Emission Tomography ("PET") scans which cost approximately €1,000 per scan (source: MTG, L.E.K. Report). Equipment suppliers achieved average sales growth of approximately 3.5% per annum from 2005 to 2012 and they are expecting growth to accelerate at approximately 5.8% a year between 2012 to 2020 (source: Global Data).

We believe that there are significant consolidation opportunities in the Italian clinical laboratory services market as a result of its high fragmentation, decreases in prices (following the recent decreases in national nomenclature prices) and the recent national and regional reductions in healthcare expenditure.

In 2013, the three main groups offering integrated diagnostic testing on a national scale (in decreasing order of 2013 revenue) were Synlab/Labco on a combined basis (*pro forma* for the acquisition of the SDN group), CDI and Alliance Medical. However, in terms of clinical laboratory business within these groups and based on 2013 revenue only, the main companies operating in Italy in the same regions as Synlab/Labco during such period were Laboraf and CDI, with market shares of approximately 2.0% and 1.9%, respectively.

Spain

In 2013, the Spanish clinical laboratory services market generated revenues of approximately €2.6 billion, with private laboratories representing approximately 35% of the total market (source: DBK and L.E.K. Report). In 2013, there were about 1,900 private laboratories operating in Spain.

In Spain, most patients are covered by the public healthcare system, with 22% of the population (predominantly in major urban areas) holding supplementary private medical insurance in 2013 (source: ICEA). For example, in 2011, in the regions of Madrid and Catalonia, where we have a strong presence, 31% and 27% of the population, respectively, were covered by supplementary private medical insurance (source: ICEA). In 2013, the majority of our revenues in Spain was derived from the private system. Despite the difficult economic situation in Spain over the last few years, the private Spanish medical sector continues to grow as patients seek to insure themselves against an increasingly constrained national health system. A privately insured patient must choose from among the clinical laboratories that have entered into a reimbursement agreement with his or her private insurer. Generally, tariffs for tests performed by private clinical laboratories are negotiated at a regional level with private or mutual insurance companies and private hospitals. There are two basic fee structures: a per patient fixed fee model (the "Capitation Model") and an activity based model. Under the Capitation Model, the insurer pays a fixed price for each policyholder. As a result, the revenues of a laboratory for that contract are independent from the volume of analysis performed during the contract period. As a consequence, deviations from the expected volume can either have a positive impact on profitability (lower volumes than anticipated) or negative impact (higher volumes than anticipated). However, certain tests are not included in the fixed prices and are subject to specific invoicing. Under an activity based fee structure, the insurer pays the laboratory for each test performed, in accordance with a schedule of agreed test prices.

In the Spanish outpatient sector, doctors, as well as primary and specialized care centers may collect samples and send them to a clinical laboratory for testing. Some clinical laboratories also collect samples that they process.

Spanish labor law requires employers to provide regular health checks for their employees. The services relating to these checks are generally provided by specialized companies which then subcontract clinical testing to private laboratories such as us.

Numerous private hospitals outsource their medical analysis to private laboratories. However, outsourcing by public hospitals to private clinical laboratories, under public private partnerships, is currently mostly limited to specialized testing. Spanish law requires public hospitals to conduct tender processes when choosing service providers.

The Spanish clinical laboratory services market remains fairly fragmented but is quickly consolidating under the pressure of competitive pricing levels, as clinical laboratories seek to enhance their bargaining power with suppliers and customers. The number of laboratories has decreased from more than 3,600 laboratories in 2008 to approximately 2,600 laboratories in 2013, including approximately 670 hospitals laboratories and approximately 1,900 private laboratories (source: DBK).

In 2013, the five largest clinical laboratory groups represented more than 30% of the private clinical laboratory sector. These five groups were, in decreasing order of market share, Synlab/Labco on a combined basis, Laboratorio Dr. Echevarne, Unilabs, Megalab and Reference Laboratory, with market shares of 11.9%, 6.4%, 5.6%, 3.2% and 3.2%, respectively.

Czech Republic

In 2014, we estimate that the total Czech clinical laboratory services market amounted to approximately €600 million, with the accessible market for private laboratories accounting for approximately 45% of the total market. From 2011 to 2014, we estimate that the total Czech clinical laboratory services market grew by approximately €15 million (from approximately €585 million in 2011 to approximately €600 million in 2014).

With respect to customers, the total Czech clinical laboratory services market can be divided into an outpatient sector comprising GPs, specialists and outpatient clinics and an inpatient sector comprising public and private hospitals. While the accessibility of the inpatient sector remains very limited, the outpatient sector is highly accessible to clinical laboratory service providers. In 2014, the outpatient sector accounted for approximately 68% of the total market and the inpatient sector accounted for approximately 32% of the total market.

SHI covers almost 100% of the Czech population, and reimbursement of almost all clinical laboratory service providers takes place through the seven SHIs in the Czech Republic. Clinical laboratory service providers have direct long-term contracts with the SHIs. The contracts are regulated by the Ministry of Health under the directive on long-term contracts, and are up for renewal every 5 to 7 years. Inpatient clinical laboratory services are reimbursed under diagnosis-related groups and global budgets. Outpatient clinical laboratory services are reimbursed according to a fee-for-service system.

The system of payment for medical care or clinical laboratory services in the Czech Republic is based on a point system, with points having a defined value which are incorporated into the contracts with the SHIs. A positive list of reimbursable tests is issued and annually reviewed by the Czech Ministry of Health, and overall reimbursement for a given test is determined by the number of points assigned to such test multiplied by a point value (which vary by test segment). The point value has a fixed and variable component, subject to a volume cap based on the number of unique patients, with the variable fee associated with the point value reduced proportionally if the average points per patient for a particular laboratory exceeds the volume cap in the respective reference period.

We believe that we are the leading provider of clinical laboratory services in the Czech Republic based on 2014 revenue, with a market share of approximately 17% of the accessible market in 2014. Our primary competitor in the Czech Republic is AeskuLab and, to a lesser degree, AGEL. In 2014, we believe that we, AeskuLab and AGEL together accounted for approximately 40% of the accessible market, with the remaining 60% of the market fragmented among numerous point-of-care laboratories, hospital laboratories and small private laboratory businesses.

Portugal

In 2013, the Portuguese clinical laboratory services market generated revenues of approximately €0.6 billion with private laboratories estimated to represent approximately €253 million, or approximately 40%, of the overall Portuguese clinical laboratory services market (source: L.E.K. Report). In 2012, it is believed that there were approximately 430 private clinical laboratories operating in Portugal. Healthcare spending in 2013 is thought to represent 9.3% of Portuguese gross domestic product (sources: OMS and BMI Healthcare).

In Portugal, there are three major categories of healthcare providers: the national health insurance (*Serviço Nacional de Saúde*); several subsystems in which healthcare is provided by public institutions or by contract with private or public providers (or, a combination of both); and private healthcare insurers. Each of these healthcare providers establishes its own table of prices and reimbursement levels of laboratory tests.

Outpatients are generally free to choose a clinical laboratory from the public or the private sector for their medical testing. Patients with no private insurance can choose to go to public laboratories or to private laboratories that have agreements with the *Serviço Nacional de Saúde* (or a subsystem, if applicable). The prices for clinical laboratory services in the public sector are set and supported by the *Serviço Nacional de Saúde* (or the relevant subsystem) and typically require a small co payment from the patient. Patients with private insurance can choose to go to public laboratories or private laboratories that have entered into reimbursement agreements with their private insurers. The cost of clinical laboratory services in the private sector is not state regulated and test prices are negotiated between private laboratories and private health insurance companies.

The *Serviço Nacional de Saúde* is not currently entering into new reimbursement agreements with clinical laboratories (except in specific situations where the reimbursement agreement is made on a case by case basis in the public interest), creating a significant barrier to entry for new players.

Outsourcing by public hospitals to private laboratories remains limited in Portugal. Opportunities for such contracts mainly arise in connection with newly constructed public hospitals. However, private hospitals are increasingly outsourcing their clinical laboratory services.

The Portuguese private clinical laboratory services market is relatively consolidated but there are still a number of consolidation opportunities.

In 2013, the five largest clinical laboratory groups represented approximately 50% of the private clinical laboratory market (source: L.E.K. Report). These five groups were, in decreasing order of market share, Synlab/Labco on a combined basis, Joaquim Chaves, Unilabs, BMAC and Beatriz Godinho.

Hungary

In 2014, we estimate that the total Hungarian laboratory services market amounted to approximately €107 million, with the accessible market for private laboratories accounting for approximately 45% to 55% of the total market. From 2011 to 2014, we estimate that the total Hungarian clinical laboratory services market grew by approximately €5 million (from approximately €102 million in 2011 to approximately €107 million in 2014).

Emerging Markets

These markets have particularly attractive features for a number of reasons. First, higher and increasing standards of living in these countries are generally accompanied by a strong growth in demand for healthcare, which is due, in particular, to the rapid spread of chronic diseases and a growing desire for preventive treatment. In addition, the investments made by these countries have in many cases focused on the creation of hospital infrastructure, although the introduction of a full range of medical services has not necessarily kept pace.

Competitive Features

Highly competitive market with ongoing consolidation

The European clinical laboratory services sector is highly competitive. We believe that we are one of the leading pan-European players in our sector. However, we expect further cross border consolidation among certain of our competitors as well as increased penetration of the European clinical laboratory services sector by some of the major non-European laboratory groups (Quest Diagnostics, Laboratory Corporation of America and Sonic Healthcare in particular). We continue to implement strategies designed to improve our competitive position.

Selection criteria

Laboratory selection can be determined by the healthcare provider, the insurance or directly by the patient. Patients that are free to select where they are tested usually base their decision on a laboratory's proximity to their home or workplace.

Other clients, mostly doctors, hospitals and other healthcare providers, consider the following factors, among others, in selecting a clinical laboratory:

- accuracy, timeliness and consistency in reporting test results;
- reputation of the clinical laboratory in the medical community or field of specialty;

- number and type of tests performed;
- method of delivering and/or publishing results; and
- tools available for interpreting results.

In addition, price is a key factor in the hospital outsourcing market and unregulated sector.

On an individual basis, our clinical laboratories compete with independent clinical laboratories, hospital-based laboratories (both privately and publicly owned) and doctor office laboratories. At a Group level, our laboratories compete with other national, European and international groups.

Regional, National and European Clinical Laboratory Groups

Certain national laboratory groups emerged between 1995 and 2005, such as Cerba and Biomnis in France, Unilabs in Switzerland, and General Lab and Echevarne in Spain. Since 2006, these groups began consolidating into European groups.

In the last few years, investment funds have shown an increased interest in the healthcare industry, and more particularly in the clinical laboratory services market. This trend is likely to accelerate market consolidation and the integration of pan European groups. For example, Unilabs, in which Apax and Nordic Capital invested in 2007, operates in eleven European countries including France, Switzerland, Spain, Portugal and the United Kingdom.

However, a number of leading independent national groups remain in Europe, such as CMA-Medina in Belgium, Viollier and Echevarne in Spain. In addition, in a number of countries, and in particular in France, there has been an emergence in the recent past of groups organized at a regional level, which are among our main competitors in their particular regional markets.

The consolidation in Eastern Europe is increasing with the formation of pan European groups such as Synevo, which is present in ten countries, and Medicover (Alpha Medical and Diagnostyka), which is one of the leaders in Poland, the Czech Republic and Slovakia.

Non-European Clinical Laboratory Groups

The major international players are:

- Sonic Healthcare, an Australian group, the only truly international player in the clinical laboratory services sector, with operations in Australia, New Zealand, the United States, Belgium, Germany, Switzerland, Ireland and the United Kingdom,
- Quest Diagnostics and Laboratory Corporation of America, both of which are American companies and by far the two largest clinical laboratory groups in the world but operate predominantly in the United States; and
- Diagnosticos da America and Fleury Medicina e Saúde, Brazilian groups which operate exclusively in Latin America.

Sector Trends

There are a number of key trends that we expect will impact the clinical laboratory services sector in Europe generally and our business. The recent economic slowdown has reduced industry growth rates. However, because clinical testing is an important healthcare service and because of the key trends discussed below, we believe that the industry will continue to grow over the medium and long terms.

Demographics

We believe that demographic trends and changes in lifestyles will lead to increased demand for, and consequently increased volumes of clinical testing. This includes the aging of the population, the increased frequency of soft diseases such as allergies and of long-term diseases such as cancer and diabetes requiring recurring tests, as well as an increased focus on preventive healthcare. Healthcare policies also increasingly recognize the value of the early detection and prevention of chronic and severe diseases. The growing emphasis placed on more accurate diagnoses supported by clinical testing has led doctors to increasingly utilize clinical laboratory tests to help identify potential diseases, to detect illnesses early, to monitor patient compliance, and to determine and evaluate treatment. We also believe that there will be a growing demand for customized healthcare solutions and potential for preventive medicine to reduce costs.

In addition, we believe that increased disposable income and a willingness of certain patients to absorb out-of-pocket costs, combined with increased health consciousness of the general population, could contribute to volume growth. At the same time, the impact of certain lifestyle choices, such as low levels of physical activity, malnutrition and stress, can lead to obesity and related chronic illnesses, which in turn may lead to additional testing.

Pricing Conditions

Prices for clinical laboratory services have experienced pressure in recent years due to direct tariff reductions and to broader health system reforms. Additionally, pressure on state budgets has also contributed in recent years to reductions in tariffs that can be legally charged for testing as governments and public authorities as well as third-party payers and private insurers have focused on reducing healthcare costs. In certain countries, public reimbursement levels are regularly updated. We believe that efforts to limit the rate of growth in healthcare expenditure will generally result in further reductions in regulatory tariffs in the future.

In general, price pressure remains part of operating in the European clinical laboratory services sector and we expect it to continue in the future. Price pressure is higher for automated routine tests than for specialty tests, which mitigates the overall impact of price pressure for companies that offer both routine and specialty testing.

Subcontracting and Outsourcing

Subcontracting and outsourcing by public and private hospital laboratories to the benefit of private organizations is another trend observed in the European clinical laboratory services sector over the last few years, driven in particular by the productivity gains that it brings to hospital operators. We believe that subcontracting and outsourcing will potentially represent a growing source of income for groups such as ours and will give us greater visibility on future income. This trend is not at the same stage of maturity in all European countries. It is currently most prevalent in Germany and Spain, especially in the private hospital sector and with hospitals run by churches or trusts. In Portugal, most public hospitals supply clinical laboratory services internally, while private hospitals tend to subcontract or outsource such services to private laboratories. For example, the hospitals of Cascais and Loures have outsourced their services to us. The insourcing trend is, however, offset by private hospitals outsourcing to private laboratories. In the United Kingdom, NHS hospitals, facing tight budget restrictions, are increasingly outsourcing their clinical laboratory services to private groups. See "*—Clinical Laboratory Services Market by Geography—United Kingdom*." We believe that the UK, French, Portuguese and Belgian markets may provide further outsourcing opportunities in the near future.

Integration and Streamlining of Laboratory Workflows

Growing demand for increased efficiency and electronic delivery of laboratory data continue to drive integration, automation and process improvement within the clinical laboratory services market. Clinical laboratory service providers are continuing to automate patient service workflows and laboratory processing in addition to further integrating patient health records and expanding online access to test results.

Medicine and New Technologies

Medical practice has entered a period of profound change, moving from curative medicine to "4P" medicine: Personalized, Predictive, Preventative and Participatory.

Clinical laboratory testing will have a key role to play in the development of 4P medicine, together with strong growth in the most advanced segments of medical biology, especially molecular biology.

- *Personalized.* Medicine will become personalized as it has been established that some treatments may work with one patient but not with another and a simple test can be carried out to identify those for whom it will be effective. Thus personalized medicine could see the development of treatments suited for specific groups of patients with shared medical and genetic characteristics, ensuring greater effectiveness. Most cancer treatments brought on to the market are accompanied by pharmaco genetic tests (or "companion tests") which, according to the patient's genetic profile, help identify the right product and dose to optimize the response and reduce secondary effects.

- *Predictive.* Molecular biology tests (or genetic analysis), and in particular the monitoring of biomarkers indicating the state of the health of individuals, help identify the risk of certain diseases, allowing for the early detection of potential problems before the emergence of clinical symptoms. Certain genetic tests can assess the risk for an individual of developing certain types of cancer, such as breast or colon cancer.
- *Preventative.* Predictive medicine allows for large preventative programs through the organization of screening campaigns for certain diseases (i.e., early diagnosis of chronic diseases such as diabetes and high cholesterol).
- *Participatory.* Participatory medicine is an approach in which individuals take more responsibility for their health and treatment. The development of epigenetics—the interaction between the environment and the expression of genes—shows that patients can, through their behavior, influence the onset or the evolution of diseases: the nutritional tests we offer, for example, help guide changes in dietary habits and reduce the risk of contracting certain diseases. However, increased individual responsibility for health can only come through the offering of a broader range of more sophisticated medical analysis tools. For example, we are developing an adjustment for the European market of an American application for health monitoring. This platform, accessible for both patients and doctors, contains medical and nutritional information, information related to a patient's physical activity as well as regular medical diagnostics in order to anticipate or avoid certain diseases.

We expect that the components of 4P medicine, combined with the most sophisticated diagnostic techniques, will produce significant gains in therapeutic and economic effectiveness. In particular, new opportunities in prevention and in the efficient targeting of treatments should allow significant cost savings for healthcare systems, on a scale that would affect the selection of policies that accelerate the expansion of diagnostic activities.

The acceleration in the development of 4P medicine has been made possible by profound changes in biological and medical research which have opened the way to a considerable expansion of the application of clinical testing in diagnostics.

This transformation has been driven by the development of new techniques which give access to a substantial amount of data on individuals. Progress in DNA sequencing has had a particularly decisive impact and has become the main drive of the development of molecular diagnostics. There has been a diversification in the methods available, with polymerase chain reaction and high speed next generation sequencing ("NGS"), allowing for more targeted testing and analysis and even the sequencing of an entire genome, which is now considerably quicker and cheaper to achieve. The cost of sequencing a human genome has fallen significantly in the past few years—it was less than $5,000 in 2014 and is likely to continue to decrease. We are likely to witness an increase in the demand for and use of sequencing in medical diagnostics.

Technical progress in sequencing is moving along with a better understanding of biological mechanisms. For instance, based on the observation that fragments of fetal DNA circulate freely in maternal blood during pregnancy, progress in sequencing has made it possible to develop non invasive prenatal tests for Down's Syndrome using maternal blood. We believe that molecular biology will soon make it possible to detect a number of other disorders—such as cystic fibrosis and spinal muscular atrophy—from a sample of maternal blood.

Similarly, it is now possible to identify the genetic changes that make tumors malignant, through analysis of the tumor genome, allowing for a greater role for clinical testing in the field of oncology.

More generally, these developments in molecular biology, combined with the identification of new biomarkers for different diseases, as well as new tests for allergies and nutritional biology, are likely to lead to an expansion of the portfolio of tests carried out in our most sophisticated laboratories.

Quality Standards

Changes in quality standards are also shaping the clinical laboratory services market. We believe that the quality standards applicable to the sector, although varying from one country to another, are likely to become increasingly restrictive over the next few years. Compliance with applicable national-level regulations, accreditation or certification standards and the requirements of standard-setting bodies are not only necessary for the continued operation of laboratories but also, in certain markets, a pre-requisite for selection as a contractual partner with health insurance providers or hospitals and clinics. Maintaining high quality standards and meeting increasingly stringent accreditation requirements is costly and time-consuming and may force smaller laboratories and laboratory networks to merge or consolidate in the future. For example, French legislation now requires that all clinical laboratories should have undertaken a quality accreditation process and it is likely that other European countries will follow suit. In view of the resources required to implement these quality standards, many small and medium sized independent laboratories could be tempted to join a network offering a quality control department and dedicated teams. See "*Regulation—France*".

Consolidation

We believe that a combination of factors, including pricing pressure, changing quality standards, the increasing complexity and technical demands of tests and the ongoing industrialization of processes seeking to generate economies of scale and cost reductions, are likely to lead to the consolidation of the portion of the European clinical laboratory services sector that remains fragmented. Consolidation could increase the market share of medium and large scale laboratory groups with a preexisting footprint and level of expertise and could accelerate the entrance of large competitors in the European market.

Environmental and Veterinary

Environmental

The environmental market can be broadly divided into three areas: (i) pollution and hygiene, (ii) food and (iii) pharmaceuticals. In 2014, we estimate that the relevant global environmental market amounted to approximately €8 billion, of which pollution and hygiene accounted for approximately €4 billion, food for approximately €2 billion and pharmaceuticals (excluding the contract research business) for approximately €2 billion. Heightened requirements in such areas as hygiene, pharmaceuticals, food and water quality monitoring and soil analysis are expected to continue to stimulate growth in the environmental analysis business.

Our environmental laboratory operations comprise services in the areas of pollution and hygiene, food and pharmaceuticals:

- Pollution & hygiene: comprises the testing of soil, water, air, and product samples:
  - samples range from drinking and industrial-process water over landfill soil samples to oil or gas products and are usually mandated by law;
  - customers include industrial companies (e.g., pulp and paper, steel, and construction companies) as well as public authorities, associations, and private individuals;
  - typical tests include analysis of ground water and air pollutants in exhaust gases and tests for legionella in drinking water.
- Food: comprises sample analysis from the food industry:
  - covers entire production process from agriculture to food processing and retail;
  - customers include farming and food processing companies as well as retail chains and public authorities;
  - typical tests include quality control, contamination analysis (e.g., pesticides), and authenticity analysis (e.g., meet analysis).
- Pharmaceuticals: comprises sample analysis for the pharmaceutical, med-tech, and cosmetics industries:
  - analysis of clean rooms and production sites to ensure good manufacturing practices;
  - verification of product purity and absence of contaminants;
  - customers mostly include health-care and consumer goods companies as well as public institutions;
  - typical tests include microbial-contamination screening of clean rooms.

Prices for environmental laboratory testing services are freely negotiated and not subject to regulated reimbursement levels. Services provided are paid for out-of-pocket. The environmental market is expected to grow and consolidate going forward due to increasing regulatory pressure, increasing consumer demand for clean products and environment, innovative methods with lower detection limits, outsourcing by industrial companies and consolidation of the testing industry.

We are most active in the German environmental market. In 2014, we estimate that the total addressable environmental market in Germany amounted to approximately €1 billion. We believe the market may continue to grow, mainly driven by increased regulation, customer demand and industry outsourcing. The German environmental market is served by diverse competitors and is highly fragmented, with approximately 800 chemical environmental laboratories. Our primary competitors include eurofins, SGS and Wessling. However, we believe that we are the only significant competitor with extensive clinical laboratory experience and medical test interpretation capabilities.

Veterinary medicine

In 2013, we estimate that the global veterinary diagnostics market amounted to approximately €2 billion. The global veterinary diagnostics market is generally divided into referral laboratory services (approximately €1.1 billion), instruments (approximately €0.6 billion) and point of care testing (approximately €0.3 billion). We are only active in the referral laboratory services segment. The referral laboratory segment comprises testing services provided by external laboratories (private or public) and offers basic analytics in high volume and specialized tests not available as point of care tests.

We have a strong focus on the German market, with approximately 85% of our revenue in the veterinary business in 2014 being generated in Germany (and approximately 14% in Belgium). In 2013, we estimate that the addressable German referral laboratory market generated revenues of approximately €115 million.

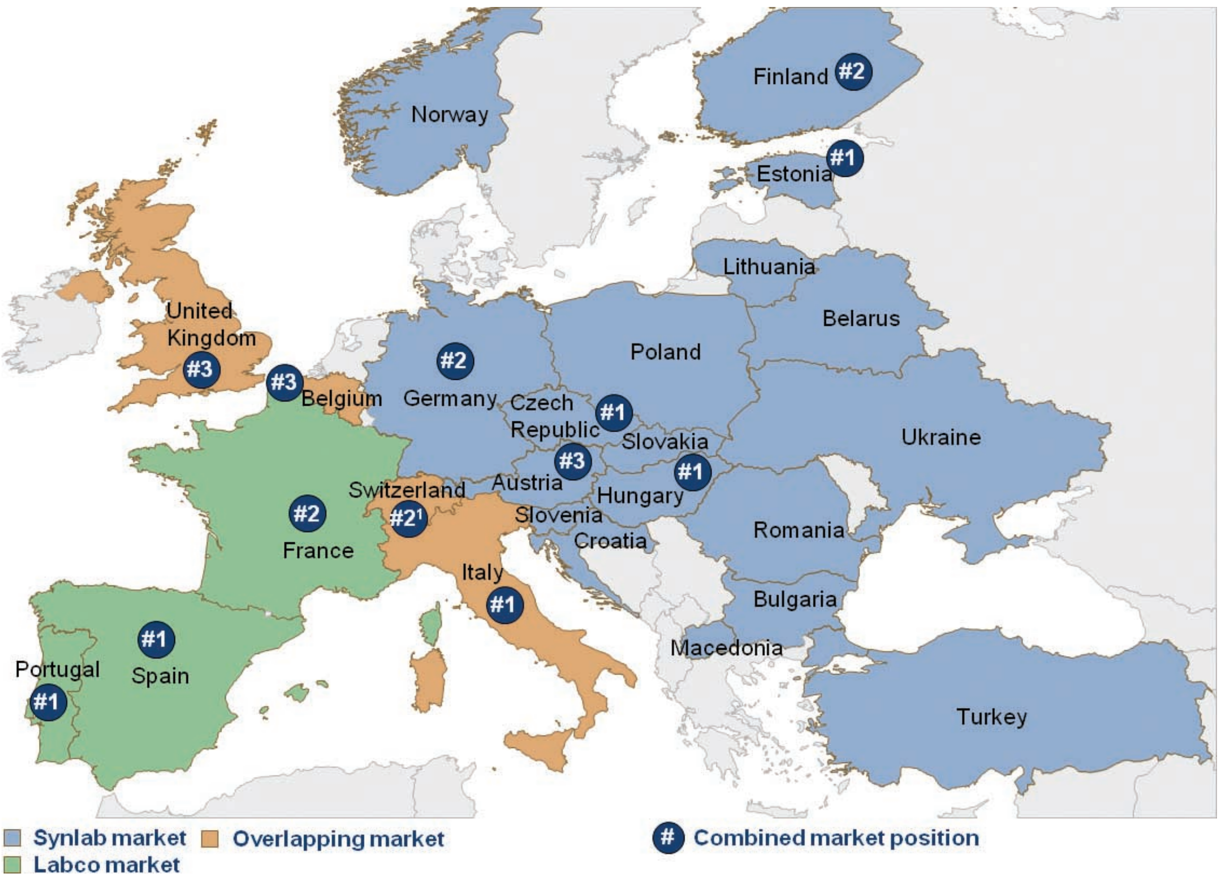
Prices for veterinary diagnostics testing services are freely negotiated and not subject to regulated reimbursement levels. Services provided are paid for out-of-pocket. The competitive landscape of the veterinary market consists both of specialized players as well as clinical laboratory chains. Our primary competitors include IDEXX laboratories, Laboklin and Biocontrol, which is part of the Sonic group.

Overview

Our combined business of Synlab/Labco will be the largest European clinical laboratory services company by revenue and will benefit from a pan-European network of over 465 laboratories across 28 countries. The growing market for clinical laboratory and medical diagnostic services in Europe is driven by positive structural trends, including an aging population, increasing prevalence of chronic diseases, a growing focus on disease prevention, and increasing outsourcing of clinical laboratory testing by hospitals. Significant portions of the European market remain fragmented, and both Synlab and Labco have been at the forefront of the consolidation trend in the clinical laboratory and medical diagnostic services market in Europe. Our combined market positions and the scale of our combined laboratory network will allow us to benefit from advantageous procurement conditions with our suppliers, including through group-wide pan-European framework supply agreements for reagents.

Together we believe we will be the market leader in the Czech Republic, Estonia, Hungary, Italy, Portugal and Spain, one of the top two providers of medical diagnostic services in Finland, France, Germany and Switzerland, and among the top three players in Austria, Belgium and the United Kingdom, in each case by revenue.

The pan-European presence and leading positions of our combined business in our core markets are identified in the map below.



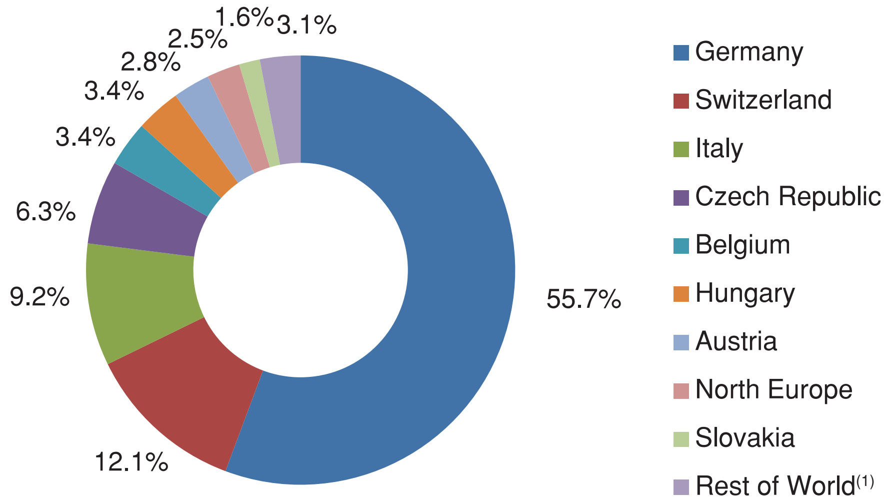
(1) Shared #2 position with medisupport.

Note: Synlab market positions are management estimates. Synlab market positions are based on 2014 revenue, and Labco market positions are based on 2013 revenue.

On a combined basis, we recorded *pro forma* Total Combined Estimated Revenue of €1,402.1 million and generated *Pro forma* Total Combined Estimated Adjusted EBITDA of €305.6 million for the twelve months ended March 31, 2015.

Overview of Synlab

The chart below provides information about Synlab's revenue to external customers for certain countries and regions for the year ended December 31, 2014.



(1) Rest of World comprises the following 11 countries: Belarus, Croatia, Cyprus, Macedonia, Poland, Romania, Slovakia, Slovenia, Turkey, the United Arab Emirates and the United Kingdom.

Synlab's business operations are characterized by a high degree of diversification across customers and payers, geographies, testing services and test parameters. Synlab's broad and diverse customer and payer base includes more than 30,000 medical practices, 700 hospitals and thousands of individuals, in addition to medical insurance companies, pharmaceutical companies and other corporate employers. Synlab's largest customer, a hospital chain operator, accounted for approximately 1% of its revenue in 2014. As of December 31, 2014, Synlab operated a network of over 300 laboratories and 285 blood collection points serving customers in 22 countries. Synlab's efficient hub-and-spoke network comprised 82 base laboratories and 208 hospital/satellite laboratories as well as 16 central hub laboratories, which perform specialty tests on samples provided from other network laboratories. Through Synlab's laboratory network, it is able to offer a full spectrum of approximately 5,000 clinical laboratory tests used by the medical profession in patient diagnosis and in the monitoring and treatment of disease. In 2014, Synlab performed approximately 240 million tests, with its top test accounting for less than 1% of its revenue.

Synlab is a trusted partner to leading healthcare, pharmaceutical and consumer goods companies, who also benefit from Synlab's introduction of approximately 50 new test parameters per year and provide it with further growth and diversification potential.

For the year ended December 31, 2014, Synlab generated revenue of €729.4 million and Adjusted EBITDA of €124.5 million. For the twelve months ended March 31, 2015, Synlab generated revenue of €736.6 million, Adjusted EBITDA of €125.2 million, Estimated Total Revenue of €744.1 million and Estimated Adjusted EBITDA of €139.1 million. As of March 31, 2015, Synlab had 8,006 full-time employees, including 654 laboratory doctors and 3,699 medical technical assistants.

Overview of Labco

The table and chart below provide information about the number of laboritories Labco owns in each of the countries in which it operates and the contribution of those markets to its revenue for the year ended December 31, 2014 after giving *pro forma* effect to the acquisition of the SDN Group in Italy.

France

Total revenue	€342.3 million
Revenue contribution	52.7%
Number of laboratories*	64

Belgium

Total revenue	€30.0 million
Revenue contribution	4.6%
Number of laboratories*	4

United Kingdom

Total revenue	€27.0 million
Revenue contribution	4.2%
Number of laboratories*	6

Switzerland

Total revenue	€2.0 million
Revenue contribution	0.3%
Number of laboratories*	1

Portugal

Total revenue	€43.1 million
Revenue contribution	6.6%
Number of laboratories*	25

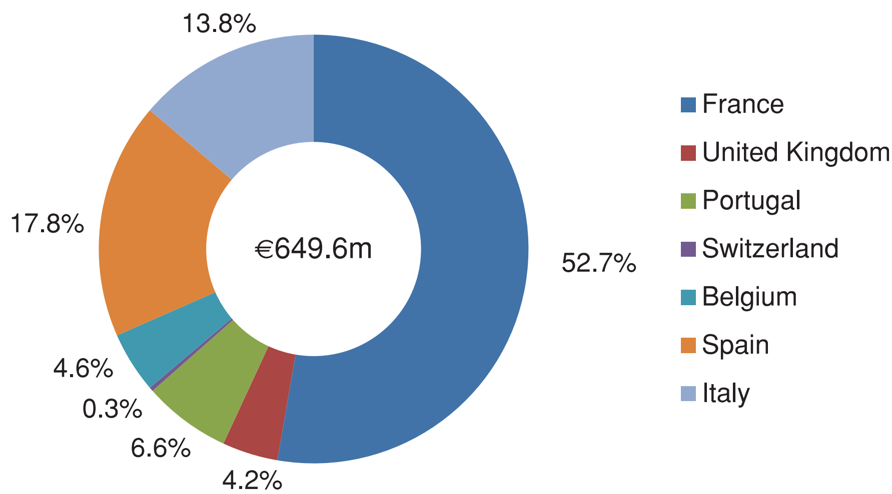
Spain

Total revenue	€115.6 million
Revenue contribution	17.8%
Number of laboratories*	56

Italy

Total revenue	€89.5 million
Revenue contribution	13.8%
Number of laboratories*	9

* Excluding Sampling Centers.



Labco offers a wide range of analytical and diagnostic testing services, including more than 5,000 routine and specialist tests (including molecular biology and nutritional biology) in the field of clinical testing; anatomical pathology testing of both histological and cytological samples; and diagnostic imaging using medical and molecular imaging technologies. Labco also offers medically assisted reproduction services in some of its laboratories in France. As of December 31, 2014, Labco provided services through a network of approximately 165 laboratories in seven European countries and approximately 1,000 Sampling Centers. Labco also provides clinical laboratory testing services in Eastern Europe, Latin America, the Middle East and North Africa.

For the year ended December 31, 2014, Labco recorded total revenue of €615.6 million and generated EBITDA of €113.2 million. For the twelve months ended March 31, 2015, Labco recorded total revenue of €644.8 million and generated EBITDA of €119.0 million. For the twelve months ended March 31, 2015, as adjusted for the acquisition of the SDN Group, among others, Labco generated Estimated *Pro Forma* Adjusted EBITDA of €149.0 million. As of December 31, 2014, Labco had almost 6,000 employees and medical staff and more than 600 people qualified to run a clinical laboratory.

Our Competitive Strengths

We believe our business benefits from a number of competitive strengths, including:

The largest Pan-European clinical laboratory services company with a diversified exposure to countries and payers, leading positions in core European markets, and industry leading capabilities across a broad range of routine and specialty tests

We are the leading European clinical laboratory services company by revenue, benefitting from a pan-European network of clinical laboratories in 28 countries, and are one of the market leaders in each of our core European markets. As a combined business we believe we will be the market leader in the Czech Republic, Estonia, Hungary, Italy, Portugal and Spain, one of the top two providers of medical diagnostic services in Finland, France, Germany and Switzerland, and among the top three players in Austria, Belgium and the United Kingdom, in each case by revenue.

We attribute our strong market positions to the high diversification of our business across countries and payers, the size and scale of our laboratory network, our large catalogue of approximately 5,000 tests, and the high quality and reliability of our services. We believe our strong market positions help us to attract qualified specialists in the industry and remain an industry leader with respect to innovation and medical expertise, including through the introduction of approximately 50 new test parameters each year.

We believe that our leading scale has allowed us to secure strong brand name recognition, cost leadership through favourable procurement conditions and the ability to lead sector consolidation by absorbing incremental test volumes at limited additional cost. We believe that our pan-European presence diversifies our sources of income and reduces country-specific operational and regulatory risks. For example, in the year ended December 31, 2014 (as adjusted for Labco's acquisition of the SDN Group), on a combined basis we generated approximately 29%, 25% and 11% of our total revenue from Germany, France and Italy, respectively, with none of the remaining 25 countries accounting for more than 10% of revenue. Our pan-European presence also enables us to apply best practices identified in some markets to our other markets. For example, we have capitalized on the expertise in hospital laboratory outsourcing developed in Spain by launching outsourcing activities in Portugal, where we now provide laboratory testing services to public hospitals in Cascais and Loures. We have also applied this expertise to our joint venture in the United Kingdom for the outsourcing of NHS laboratory testing services.

Resilient and attractive European clinical laboratory services sector, supported by strong structural growth trends

The European clinical laboratory services sector is characterized by resilient underlying growth supported by a number of strong structural trends. The sector has proven relatively resilient to economic cycles, with key geographies such as Germany and France growing 3.1% and 1.2%, respectively, from 2012 to 2014. The sector is also expected to continue benefiting from favourable demographic factors. For example, demographic factors such as an aging population, the increased frequency of long term illnesses requiring recurring tests and increased levels of disposable income tend to support greater healthcare expenditure. Testing volumes have also increased as the medical profession increasingly focuses on the prevention, early detection and treatment of chronic and severe illnesses and increasingly relies on clinical testing for more accurate diagnoses. In addition, our business benefits from the increasing trend of public healthcare providers to use private sector companies for the operation of their diagnostic services under outsourcing contracts. Moreover, technological advances allow for a considerable broadening of the scope of use of diagnostics and growing interest of individuals in the management of their own health is leading them to independently seek clinical testing.

Furthermore, many of the European countries in which we operate have regulatory and market-specific characteristics that require market knowledge, specialized testing competencies, critical size and experience such as we have developed. For example, in some of our core markets, new licenses for new laboratories or testing services are limited or not available. We believe that the amount of time required to develop integrated laboratory, logistics and referrer networks, combined with the scale, experience and regulatory expertise needed to compete effectively across multiple European countries, are key factors to our operating success.

Efficient and dense laboratory network covering a variety of patient needs supported by European centres of excellence

Our market position is enhanced by advantages in economies of scale. We operate an efficient and integrated hub-and-spoke network with over 465 laboratories, made up of central hub labs that focus on certain medical areas and deliver medical expertise as a centre of excellence for performing certain special tests, and local base and satellite labs (spoke) that are focused on highly automated routine tests with quick turnaround time.

We are focused on maximizing efficiency with respect to our laboratory operations. We use automated testing equipment and highly standardized processes in our network of laboratories, which allowed us to process approximately 400 million tests in 2014 with predominantly same day processing for routine tests and limited manual interaction to reduce lead times and risk of errors. Furthermore, our laboratory network's setup allows us to combine specialty tests from across our European network for processing in central labs and certain routine and specialty tests at regional labs, thereby allowing for higher utilization of local laboratory resources and higher output per employee.

Our 465 laboratories cover both inpatient and outpatient care, and we are well positioned to benefit from the trend of hospitals increasingly outsourcing their laboratory testing.

Combination enabling economies of scale, and enhancing the Group's ability to deliver cost reductions

The Synlab/Labco combination creates the largest (by revenue) pan-European clinical laboratory services company with 465 laboratories. Our market positions and the scale of our combined laboratory network will allow us to benefit from advantageous procurement conditions with our suppliers, including through group-wide pan-European framework supply agreements for reagents. Our combined size presents several opportunities to benefit from economies of scale and deliver cost reductions and synergies through integrating and optimising our laboratory operations, optimizing our procurement functions, our headquarter consolidation, and improving and harmonizing our IT platforms. We intend to take advantage of the increased size by further streamlining our laboratory operations and administrative functions to reduce operating costs and drive margin improvements. At the same time, we are also looking to obtain more favourable commercial conditions from suppliers, optimize production processes in our laboratories through the identification of best practices, rigorously monitor indicators of operating performance, improve logistical processes and centralize certain back office functions, such as treasury and finance. We believe that as a result of the combination we will be able to extract annual EBITDA synergies of €17.5 million in the next twelve months and achieve further potentially significant synergies in the near term. Both Synlab and Labco have a strong track record of executing "buy and build" strategies through the regular acquisition and integration of laboratories into their respective group operations. The achievement of synergy savings has been a key driver in the improvement of gross and operating margins in both groups in recent years and underlines the management team's ability to implement savings.

Demonstrated track record of disciplined acquisitions, integration and efficiency realizations across geographies

The diagnostic services sector in Europe remains fragmented, including in Germany, France, Spain, Switzerland, Italy, Portugal and the Czech Republic, our primary core markets. For example, we estimate that the combined Synlab/Labco business, together with the next largest competitor, will have a combined market share of approximately 7% of the €30 billion European clinical laboratory services market. These markets present opportunities for consolidation and growth.

We believe we are one of the leading consolidators in the European market and that we are well-positioned, based our current geographic footprint, to capitalize on additional opportunities in our existing geographies as well as in potential geographies. We have a dedicated team focused on finding, evaluating and executing external growth opportunities, and have developed a structured approach to acquisitions that capitalizes on the expertise and market knowledge of our management and local laboratory doctors. Both Synlab and Labco have normally acquired small to medium sized laboratory services companies, but in the past have also made relatively larger acquisitions. Both companies have a strong track record of integrating and extracting synergies from the acquisitions that are executed.

Both Synlab and Labco have consistently expanded their laboratory networks through acquisitions. From 2012 to 2014, Synlab and Labco completed 45 and 43 acquisitions, respectively, and in the three months ended March 31, 2015, they completed eight and four acquisitions, respectively. Since March 31, 2015, Synlab and Labco have also entered into sale and purchase agreements in respect of four acquisitions each, all of which which are expected to close in 2015. In addition, we have entered into letters of intent for further targets to be acquired. In addition, we entered into a certain number of letters of intent for further targets to be acquired, which may lead to sale and purchase agreements in the course of this year.

As a large laboratory services company offering an attractive established network, we believe we are well-positioned to take advantage of future consolidation opportunities in the European market at attractive prices, including with respect to more significant transactions. Post acquisition, we generally implement cost reduction initiatives aimed at increasing the profitability of the clinical laboratories we acquire through economies of scale and the sharing of best practices across our network.

Strong combined financial profile and high cash conversion

From 2012 to 2014, Synlab's and Labco's revenue grew at compound annual growth rates of 10.2% and 9.4%, respectively, underpinned by organic growth and acquisitions in core markets. For 2014, Synlab's Adjusted EBITDA margin was 17.1% and Labco's EBITDA margin was 18.5%. The results were supported by each company's standalone economies of scale and relatively low maintenance capital expenditure, which also resulted in a relatively high rate of cash conversion for both companies on a standalone basis. In recent years, both Synlab and Labco have separately implemented a number of initiatives to identify cost savings by optimizing supply contract terms, logistics operations and IT systems. The identified additional operational efficiency and cost saving initiatives for the combined company will allow us to reduce our combined cost base and improve our cash flow generation and financial performance. We believe that as a result of the combination we will be able to extract annual EBITDA synergies of €17.5 million in the next twelve months and achieve further potentially significant synergies in the near-term. For the twelve months ended March 31, 2015, the *Pro Forma* Total Combined Estimated Adjusted EBITDA of our combined business was €305.6 million and combined capital expenditure was €63.0 million.

Highly experienced management team at group and local levels, supported by a committed financial sponsor shareholder

The combined company will be led by Dr. Bartl Wimmer, who will serve as our chief executive officer, with Philippe Charrier as Executive Chairman. They will be supported by our experienced group senior management team in the implementation of our strategies. In addition, we benefit from strong country management teams, who provide invaluable knowledge and experience in navigating local regulatory requirements and acquiring and integrating new laboratories. The senior management of Synlab and Labco have demonstrated an ability to grow each of the businesses and integrate acquisitions to create pan-European of Europe's leading providers of clinical laboratory and medical diagnostics services. We believe the industry knowledge and leadership of our senior and country management teams, combined with their long-term experience, provide us with a significant competitive advantage. We also expect to benefit from Cinven's strong expertise in the healthcare sector. In recent years, funds advised by Cinven have made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in medical devices, healthcare services and life sciences/biotechnology sectors, such as AMCo, Phadia, Sebia, Spire, Avecia and CeramTec.

Our Strategy

As a combined group, we intend to grow our business and maintain our position as the leading provider of clinical laboratory services in Europe by pursuing the following strategies.

Drive organic volume growth by expanding our service offering, strengthening our network and by creating a strong unmatched brand identity across Europe

We aim to capitalize on our medical expertise, the trend of greater outsourcing by hospitals as well as scientific and technological advances to drive further growth. Synlab and Labco each have leading positions in certain geographical areas of operation. We aim to create a fully integrated pan-European business with strong brand recognition and reputation. We plan to leverage such reputation and our customer-facing logistics services to attract new customers, particularly doctors and other primary prescribers of our tests.

At the same time, we plan to offer a greater number of specialty tests in order to provide a broader service offering across our network. This can be achieved by identifying and introducing tests in various geographies that are currently only provided by Labco or by Synlab, but not by both, and therefore create a consistent and increased pan-European products and services offering.

We also plan to enhance our quality standards across Europe by replicating the strength of our platforms in key geographies such as Germany, France, Italy and Spain in our other markets which we intend to develop, and drawing on best practices from each country in which we operate.

As we expand our service offering and strengthen our network, we also aim to create a strong brand identity as a Pan-European business providing a broad range of tests than any competitor. We intend to develop our offerings in all segments of the diagnostic sector, including the growing out-of-pocket self-funded segment, and to accelerate our targeting of large national and international contracts with hospitals, clinics, retirement homes and medical care establishments, particularly for subcontracting and outsourcing.

Establish European centres of excellence to be at the forefront of innovation and continue to develop our distinctive know-how

We plan to further establish our European centers of excellence by continuously strengthening our network through new investments in both technologies and scientists. We refer to Labco's speciality platforms and Synlab's central laboratories as our European centres of excellence which have the ability to perform specialty tests. We are also committed to continuously developing our medical expertise through further improving our track record of innovation. Our increased scale will position us well to further improve our ability to innovate and introduce new tests to all of our markets. In recent years, we have successfully introduced innovative new tests, such as tests for the non invasive prenatal detection of Down's syndrome in fetuses, the detection of markers for colon cancer without the need for a colonoscopy, genetic tests to evaluate the risk of developing breast or ovarian cancer and cystic fibrosis and the identification of MRSA and other pathogenic germs.

Be private and public hospitals' partner of choice for the outsourcing and subcontracting of their diagnostics activities

As healthcare systems are coming under significant budgetary pressure in some of Synlab's and Labco's core markets, public and private hospitals, organizations and other healthcare providers are seeking to improve their productivity and medical quality of service by outsourcing inefficient and sub-scale laboratory activities to diagnostics experts. Synlab and Labco already provide the full spectrum of subcontracting activities, ranging from basic facilities management to full outsourcing with the transfer of entire teams, in Spain, Germany, Switzerland, the Czech Republic and the United Kingdom, and, to a lesser extent, in France, Estonia, Finland and Portugal. All markets are not at the same level of maturity, but the trend is expected to further accelerate across Europe. We recently entered the outsourcing and subcontracting market in Italy and Romania. We believe we will be well-positioned to take advantage of this growing market opportunity by sharing best practices, harmonizing equipment and IT systems and optimizing reorganization of human resources. We intend to pursue such opportunities in new geographies in the future.

Pursue growth opportunities through selective acquisitions in our current markets and in new markets

We believe we are one of the leading consolidators of clinical laboratories in Europe and we intend to grow our share of the fragmented European clinical laboratory services market by pursuing an acquisition strategy focused on generating synergies between our platforms, improving the territorial coverage of our network and increasing our technological capacity. In regions where we already have a presence, our expansion strategy will focus on pursuing acquisitions which are accretive to our local networks and generate synergies through economies of scale. To improve our territorial coverage, we intend to pursue acquisitions of laboratory platforms within our current markets that increase the density of our regional networks and outside our current markets that expand our market share and further consolidate our position across Europe, in each case by continuing to acquire companies that complement the network.

Focus on leveraging the combined business's scale, capabilities and supplier relationships to drive operating efficiencies and increase our cash flow

We intend to take advantage of the significant economies of scale provided by our combined network to streamline our laboratory operations and administrative functions while enhancing our service offering. In doing so, we aim to reduce our combined operating costs through operational efficiency improvements across our laboratory network. We also aim to leverage our combined size to optimize procurement contracts with suppliers at lower costs. Additionally, we believe there is significant scope to optimize production processes in our laboratories by identifying best practices, rigorously monitoring indicators of operating performance, improving logistical processes and centralizing certain back office functions, such as treasury and finance. We also expect greater investment in our information technology systems to enhance our electronic service offering which will comprise the further harmonisation of our laboratory information systems and the implementation of online prescriptions for referrers and the transmittal of results online or via mobile devices, as well as the promotion of teleradiology and telepathology as further improvements in efficiency in these diagnostic areas.

We believe that a broader electronic service offering will be a key driver of our organic growth. We believe that the implementation of the above mentioned steps will lead to significant synergies for the combined group and contribute to increased cash flow of the combined group.

Maintain highest standards of quality, ethics and reliability

We are committed to a strategy of medical expertise and scientific leadership based on the highest standards of quality, ethics and reliability. We will continue to focus on providing customers with accurate test results with the highest possible medical precision, the shortest possible turnaround time and a zero analysis error rate. We also intend to further develop our medical expertise by ensuring that all our laboratories continue to be fully-accredited at the highest European standards and by maintaining our industry leadership in self-regulation and participation on pan-European scientific committees, such as ÄQL (Ärztliches Qualitätslabor e.V.) in Germany. Furthermore, we will continue to invest in adjacent and specialty segments with strong growth potential, including environmental laboratories services and veterinary diagnostics as well as genetic and anatomopathology testing. Such investments will complement our innovation capabilities related to new test parameters and other new technologies to maintain our medical and scientific leadership position.

Our History

Since Synlab was founded in 1998, it has expanded through numerous acquisitions to build a network of over 300 laboratories across Europe, including entering at least one new market per year since 2011.

Since Labco was founded in 2003, Labco has mainly developed its network through selective acquisitions of small and medium-sized clinical laboratories. Between 2007 and 2011, Labco extended its footprint by acquiring Roman Païs in Belgium, CAM and Baluardo in Italy, and General Lab and Sampletest in Spain and Portugal. In 2012, 2013 and 2014, Labco completed 16, 11 and 16 acquisitions, respectively, in France, Belgium, Spain, the United Kingdom and Italy. In the three months ended March 31, 2015, Labco completed two acquisitions.

Synlab's History

The Synlab Group was co-founded in 1998 by Dr. Bartl Wimmer, Synlab's chief executive officer, through the combination of four existing laboratories in Germany. Since Synlab's creation and, in particular, since the introduction of regulatory changes in Germany in 2005 allowing for the operation of commercial laboratory networks, Synlab has continued to develop its expertise in routine and specialty laboratory testing and consistently expanded its presence and services through acquisitions of clinical laboratories.

In 2009, Synlab merged with FutureLAB and acquired Fleming Labs, which marked a significant milestone in its history and expansion. This was followed by Synlab's acquisition of MVZ Leverkusen in 2010, which reinforced its position in western Germany and complemented Synlab's already strong footprint in southern Germany.

In 2011, Synlab significantly expanded its presence in the Czech Republic through the acquisition of Chambon s.r.o. (now synlab genetics s.r.o.), a leading genetics laboratory network in the Czech Republic. The following year, in 2012, Synlab entered the Belgian market through the acquisition of Laboratoire

Collard, a leading regional provider of human and veterinary medicine testing services in Wallonia. In 2013, Synlab expanded into the Baltic and Scandinavian markets through the acquisition of Quattromed Group, which was active in Estonia and Lithuania and had recently commenced operations in Finland. In 2014, Synlab acquired Interlab GmbH in Germany and thereby further extended its offering of testing services to include greater capabilities in pharmaceutical products. In December of that year, Synlab also expanded into Norway to complement its business operations in North Europe. In total, since 2009, Synlab has acquired over 60 laboratories.

Labco's History

Labco was founded by Eric Souêtre, a Ph.D. psychiatrist and health economist, and Stéphane Chassaing, a pharmacist and laboratory doctor. Labco's founders' objective was to consolidate, through integration (initially in France and then in Europe), clinical testing laboratories to enhance the cost-effectiveness of healthcare systems and to help deliver higher-quality healthcare. Labco is still pursuing the same goals today.

Labco initially positioned itself in the diagnostic services market in France in 2003, and then expanded across the country by making various acquisitions that have since established Labco as one of the two leaders in the French market.

In 2007, Labco expanded into the Spanish market by acquiring General Lab S.A. and became the leader in the Spanish clinical testing market during 2008 by acquiring Sampletest, S.A., which had operations in Spain and Portugal. At the same time, Labco began operating clinical testing laboratories in Portugal by acquiring three laboratories in Lisbon from Soprelab. Labco became the leader in the Portuguese clinical laboratory services market in 2008 following the acquisition of Sampletest, S.A. The acquisition of Sampletest, S.A. in 2008 allowed Labco to offer services to patients in Portugal which are reimbursed by the Portuguese National Health Service (*Serviço Nacional de Saúde*). Labco also entered into reimbursement agreements with private insurance companies for patients covered by private insurance. Labco provides services to a public hospital in Cascais through a public-private partnership, and has a small number of corporate customers in Portugal. In 2011, Labco acquired Macedo Dias, the leader in the Portuguese anatomical pathology testing market.

Labco began operating laboratories in Italy in 2007 through the acquisition of the Baluardo laboratory and a shareholding in C.A.M. and, following the acquisition of the SDN Group in July 2014, Labco became, it believes, one of the two leaders in the Italian market as of December 31, 2014. Labco also established a foothold in Belgium in 2008 by acquiring the Roman Païs laboratory.

In 2008, Labco moved into Germany by acquiring six laboratories. Since the competitive environment in Germany is characterized by a high level of consolidation with a few international players (such as Sonic Healthcare, Limbach and Synlab) and mid-sized regional players dominating the market, the small size of its operations in Germany rapidly came to be seen as detrimental to Labco's business. Furthermore, the results of Labco's German operations were severely affected by fractious relationships with the former owners of some of the laboratories that it acquired. In recognition of its much weaker market position in Germany, Labco's board of directors decided to sell all of its German operations. This sale took place on December 2, 2013.

Following the regulatory changes introduced in France in January 2010, Labco set up technical platforms (some performing specialty testing, also called tests and esoteric testing). Some of Labco's routine testing laboratories and technical platforms are located at or near hospitals and offer their services particularly to hospitals (both public and private) under outsourcing contracts.

In 2010, Labco set up Integrated Pathology Partnerships (iPP) in the United Kingdom, a joint venture with Sodexo, a leading global provider of facilities management services to the healthcare market. As a result of the purchase of 46% of iPP's shares from Sodexo on October 25, 2013, Labco owned, as of March 31, 2015, 90% of iPP's shares, a call option on the 3% held by Sodexo and a call option on the 7% granted to iPP's two main managers through its UK Employee Shareholders Scheme (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Off-Balance Sheet Commitments*"). In June 2012, iPP began to operate under a three-way partnership with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust. Under the partnership agreement, iPP delivers the full range of laboratory services while the clinical interpretation and clinical advice functions continue to be provided by medical staff of those trusts, who are still employed by the UK National Health Service. In October 2014, Labco's iPP Facilities and iPP Analytics subsidiaries began to provide laboratory services to Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust.

Following the 2011 acquisition of CIC (since renamed Labco NOÛS), a specialty testing laboratory based in Barcelona, Labco also provides clinical testing services to customers in Latin America, Eastern Europe, North Africa and the Middle East. Labco entered into outsourcing contracts with private hospitals (such as USP Hospitales, Sanitas Hospitales and Hospital de Manises), pursuant to which it performs testing services either in one of Labco's essential services laboratories or at one of its nearby routine testing facilities laboratories or technical platforms. Labco also performs specialty tests for other private clinical laboratories.

Labco established a presence in Switzerland during April 2013 by collaborating with the laboratory doctors within the Test S.A. joint venture.

As of December 31, 2014, Labco operated 64 laboratories in France, 9 laboratories and Integrated Diagnostics Centers in Italy, 56 laboratories in Spain, 25 laboratories in Portugal, 4 laboratories in Belgium, 6 laboratories in the United Kingdom and 1 laboratory in Switzerland.

Our Services

Both Synlab and Labco are active in the field of medical diagnostics and clinical laboratory services. They conduct clinical and medical diagnostic tests, including a wide range of specialty and routine testing services using automated testing equipment, deliver results to prescribing doctors and patients, and offer assistance with the interpretation of such results through its laboratory doctors.

In addition to Synlab's focus in human medicine, it is also active in adjacent markets in environmental and veterinary testing.

Labco also offers anatomical pathology testing of both histological and cytological samples; diagnostic imaging using medical and molecular imaging technologies; and, in some of its laboratories in France, medically assisted reproduction services.

Synlab's Services

Human Diagnostics

Human diagnostics are the primary focus of Synlab's business operations, and it offers them in all of its laboratories across its European network. Synlab's human medicine diagnostics can broadly be divided into specialty and routine tests, which it offers across its entire network of laboratories in each of the countries in which it operates.

Routine clinical laboratory tests are regularly used in general patient care by doctors to establish or support a diagnosis, to monitor treatment or to search for an otherwise undiagnosed condition. Synlab's routine tests include, among others: cholesterol tests, blood cell counts, blood chemistry analyses, urinalyses, thyroid tests, HIV tests, microbiology cultures and alcohol and other substance abuse tests.

Specialty clinical laboratory tests involve a higher level of complexity than routine tests, are conducted by skilled laboratory professionals and generally utilize more sophisticated technology, equipment or materials. In contrast to routine test results, which are frequently provided on a same-day basis, the processing time for specialty tests is typically one day but can range from several days to up to one week for more complex or less frequent tests. Synlab's specialty testing services involve tests in the following fields, among others: human genetics, molecular oncology, cytology and pathology, osteology, hematology and coagulation testing, immunology and immunogenetics, microbiology and infectious diseases, serology, toxicology, drug analysis and identity testing.

For the year ended December 31, 2014, revenue from human medicine amounted to €646.0 million, or 88.6% of Synlab's revenue, an increase of 7.6% compared to €600.3 million for the year ended December 31, 2013.

Environmental Laboratory Services

Synlab's environmental laboratory services are divided into three primary areas—pollution and hygiene, food and pharmaceuticals—and are offered through its dedicated environmental food and hygiene institutes. Synlab's environmental institute is an accredited service provider in the detection and analytical identification of environmental chemicals and pollutants in water, soil and air to industrial companies, public authorities, environmental associations and private customers. Services include support in planning and executing environmental assessments, sample taking and analyses with respect to:

emission, immission, indoor pollutants, air conditioning systems, soil protection, agriculture, site contamination, waste products and residual materials, all forms of water and monitoring projects. Synlab's food institute provides testing and analysis services related to food and animal feed, including test parameters in chemistry and microbiology and support in the fields of food safety, hygiene and food legislation. Synlab's hygiene institute provides technical hospital and environmental hygiene services to a wide customer base, including hospitals, nursing facilities, veterinary services and wellness and spa facilities. Synlab's range of hygiene diagnosis services include drinking and bathing water testing, examination of processed endoscopes, inspections of air-conditioning systems, hygiene monitoring in hospital pharmacies as well as the validation of disinfection and sterilization processes.

For the year ended December 31, 2014, revenue from environmental analysis amounted to €34.7 million, or 4.8% of Synlab's revenue, an increase of 34.0% compared to €25.9 million for the year ended December 31, 2013.

Synlab's expansion in the environmental laboratory service market has helped to further diversify its revenue streams, including with respect to diversity of payer, and generate additional freely negotiated revenue. In addition, certain sub-segments of the markets, such as laboratory hygiene testing, complement Synlab's human diagnostics business by allowing it to cross sell such services to its existing hospital customers. Synlab believes that the environmental laboratory service market presents further opportunities for growth in light of underlying organic growth driven by increasingly stringent regulatory requirements related to pollution and hygiene. For example, amendments to the German drinking water ordinance (*Trinkwasserverordnung*) in 2011 require legionella testing of drinking water supply systems in public buildings and certain commercially-used buildings, such as apartment buildings. Initial testing compliance was deferred until 2013, and testing must occur every three years. From 2012 to 2014, the number of such tests conducted by Synlab's laboratories more than doubled. Synlab believes its existing accredited laboratories, combined with its infrastructure and ability to scale up quickly, positions it well to take advantage of such new segments of the environmental laboratory services market. In addition, the European environmental laboratory services market is highly fragmented, thus offering consolidation potential both in Germany and in other countries across Europe. In recent years, Synlab has completed acquisitions in this segment to grow its environmental laboratory services in Germany as well as to enter Austria, Hungary and Switzerland.

Veterinary Diagnostics

Synlab's veterinary diagnostic services encompass the full spectrum of diagnostic laboratory services for veterinary practices and clinics, universities, research institutes, zoos and animal or livestock farms. Synlab offers a wide range of test parameters, including clinical biochemistry, hematology and immunology as well as hormone analyses, serology, molecular diagnostics, microbiological and parasitological tests. Where permitted by applicable regulations, Synlab is able to generate synergies between its veterinary and human diagnostic services businesses by employing the same testing analysis equipment for certain tests. Synlab's veterinary diagnostic business has a strong focus on the German market, where it operates five accredited specialist veterinary laboratories in Augsburg, Leverkusen, Hamburg, Berlin and Leipzig. It also offers limited veterinary diagnostic services in Belgium and certain other countries. Synlab's international veterinary diagnostics office is located in Leverkusen, Germany, and international veterinary samples are processed at its laboratory in Augsburg, Germany.

From 2012 to 2014, the number of tests performed in Synlab's veterinary diagnostics business increased from 4.3 million to 4.8 million. For the year ended December 31, 2014, revenue from veterinary medicine amounted to €11.8 million, or 1.6% of Synlab's revenue, an increase of 12.4% compared to €10.5 million for the year ended December 31, 2013.

Labco's Services

Overview

Labco offers a wide range of clinical laboratory tests, whether routine or specialty. The nature of these services varies from one country to the next and according to the type of establishment.

Testing is generally organized in three phases: (i) the pre-analytical phase, which consists of collecting samples and delivering them to the clinical laboratory; (ii) the analytical phase, during which the test itself is carried out; and (iii) the post-analytical phase, during which test results are sent to the prescribing doctor and the patient while Labco's laboratory doctors assist with interpreting the results.

(i) *Pre-analytical phase*. Before clinical testing is performed, samples are collected from the patient, identified and delivered to Labco's analytical laboratories. Patient samples are labeled immediately with an identification number that is logged into an information technology system by the health practitioner who performed the extraction. Tests are subjected to quality control as well as technical and biological validation procedures.

Samples are usually accompanied by a test request form (in electronic or paper format). The form states which tests are to be performed and provides the necessary billing information.

Collecting and analyzing samples taken from patients is often carried out at different locations, and samples therefore have to be moved from their collection point (such as hospital sites, doctors' practices or Labco Collection Centers) to Labco's laboratories. In France and Spain, some of Labco's laboratories maintain their own fleets of vehicles and provide both transportation and logistics services in order to ship samples to its laboratories. In other countries, Labco outsources this service to major transportation companies such as DHL and UPS. The transportation of samples is subject to a number of legal requirements relating to sample integrity and data confidentiality, in particular. Maintaining Labco's own logistics network allows it to tailor logistics solutions for the collection of the samples to the needs and requirements of its customers.

(ii) *Analytical phase*. Once the test request form has been entered into Labco's information technology systems and the samples have been collected, the tests are performed, either automatically (in the case of most routine tests) or by Labco's laboratory doctors or technicians (in the case of most specialty tests).

(iii) *Post-analytical phase*. As soon as they are available, test results are inputted either manually or through an electronic data interchange system that is connected with the practitioner, clinic or hospital, depending upon the kind of tests carried out, the type of equipment used and the country in which the tests are performed.

The following summary table presents the main tests and the main examinations that Labco offers.

	Category of tests	Examples	Description
Routine clinical tests	Chemistry	*Urea, creatinine*	Chemical dosages of various components of blood and urine
	Bacteriology	*Cyto-bacteriological examination of urine*	Test looks for pathogenic bacteria in samples: identifies them and assesses their resistance to antibiotics
	Immunology	*Hormonal dosages, dosage of tumoral markers*	Dosages of hormones and tumoral markers that can be involved in a pathology
	Hematology	*Determination of blood formula*	Studies and diagnostics of blood, hematopoietic organs and blood diseases
	Hemostasis	*INR*	Study of coagulation factors; monitoring of anticoagulant treatment drug doses
Specialty clinical tests	Allergology	*Specific IgE tests*	Tests look for and measure of antibodies involved in allergic diseases
	Auto-immunity	*Antinuclear antibodies, anti-transglutaminase antibodies*	Test looks for and quantifies antibodies that may be involved in autoimmune diseases
	Specialized hormonology	*Thyroglobulin, anti-mullerian hormone*	Dosage of hormones involved in certain pathologies
	Specialized bacteriology	*Detection of Koch's bacillus and antibiogram*	Test looks for bacteria involved in certain pathologies, nosocomial infection
	Molecular biology	*NIPD, breast cancer*	Locating and identifying genes involved in various pathologies

	Category of tests	Examples	Description
	Nutritional tests	*Proteinic profile (e.g., albumin), food intolerances, amino acids, metabolic profile, oxidative stress*	Determination of nutritional status via the analysis of certain kinds of food and evaluation of key metabolic zones
	Virology	*HIV, Ebola*	Study of viruses and associated infectious agents
Anatomical pathology	Histology	*Smear tests, biopsy*	Study of tissues placed onto a glass slide
	Cytology	*Smear tests, biopsy*	Study of cells placed onto a glass slide
	Molecular pathology		Tests provide diagnostic criteria, diagnoses and predictive factors with regard to the patient's response to treatment in some diseases, via analysis of proteins and nucleic acids
Imaging & nuclear medicine	Radiology	*Scanography, mammography, sonography, Doppler sonography, etc.*	
	Nuclear medicine	*Positron emission tomography (PET), nuclear imaging*	
MAR	Artificial insemination		
	In vitro fertilization		

Clinical Laboratory Tests

Routine Tests

The clinical laboratory tests Labco offers are regularly used in general patient care. They allow health professionals to establish or confirm a diagnosis, monitor treatment or search for an otherwise undiagnosed condition. The most frequently requested types of test are biochemistry, hematology, immunology and bacteriology.

Labco performs these categories of routine tests in all of its laboratories, including hospital laboratories if it operates under an outsourcing contract, as is the case in the United Kingdom. Labco performs most routine procedures, and generally report their results within 24 hours, by using a variety of sophisticated and computerized laboratory testing instruments.

Within the catalogue of tests that Labco offers, not all tests have comparable volumes. For instance, in 2012, approximately 2% of the tests found in the French nomenclature of clinical laboratory tests (BIOLAM) accounted for 66% of all prescribed tests and for 54% of reimbursements (source: BIOLAM).

Specialty Tests

As specialty tests involve a higher level of complexity than routine tests, they are conducted by highly skilled biologists and generally use more-sophisticated technology, equipment or materials than routine testing. Due to constraints related to costs or infrastructure, hospital, routine or doctor-office laboratories develop and perform a broad range of specialty tests in-house. Labco laboratories that provide specialty testing services specialize in the following fields: allergology, autoimmunity, specialized hormonology, specialized bacteriology, molecular biology, nutritional biology and virology. Labco currently performs specialty tests in all of the countries in which it operates.

Labco operates, together with Labco NOÛS and Roman Païs, two specialty laboratories with an international reputation. Labco NOÛS is a specialty laboratory, offering a catalogue of 5,000 tests which are in part ISO 15 189 accredited, the ability for clients to integrate their results directly in their Laboratory Information Management System, medical and technical multilingual support and expertise in the field of sample transportation. Through this know-how, Labco NOÛS can satisfy the outsourcing needs of most laboratories around the world. Clients of Labco NOÛS are mainly located in Spain, Latin America, the Middle East, Eastern Europe and North Africa. Labco plans to increase the marketing of

Labco NOÛS's services through its local subsidiaries, particularly in Italy and the United Kingdom. Labco's Roman Païs laboratory deals specifically with nutritional biology and functional biology testing. This expertise has allowed it to develop an international client base which contributed towards just over half of its revenue in 2014.

Prior to 2010, Labco outsourced most of its specialty tests in France to clinical testing laboratories that specialize in performing these tests, such as Cerba, Biomnis and Institut Pasteur de Lille. Regulatory changes implemented in France in January 2010 led Labco to set up technical platforms in which it could begin to carry out in-house a limited number of previously outsourced specialty tests. Labco intends to expand the range of specialty tests it performs in France when this option proves to be profitable from an economic viewpoint.

To remain competitive in the clinical testing market, Labco intends to further enhance its testing capacity. The teams led by Labco's Chief Medical Officer monitor the scientific literature and trade press and hold talks with test manufacturers and suppliers in order to identify new tests that become commercially available and, when appropriate, add them to Labco's range of services. Introducing new tests requires giving information about the tests to those who can prescribe them (such as doctors and hospitals) and, in many instances, third-party payers have to cover the reimbursement of such tests. Labco often uses its customer service and continuing medical education initiatives to educate prescribers about new tests. Labco describes the range of routine and specialty tests offered by each of its laboratories in its pathology handbook/test catalogue that enables it to keep its main prescribers regularly informed about changes that may occur in the services that it provides.

Below are a few examples of the innovative tests that Labco offers in its catalogue:

- "A200," a test developed especially for Labco that detects, from a blood sample, a patient's intolerance to more than 200 kinds of food;
- "Septin9," a noninvasive test to detect premature colon cancer, which avoids the need for a colonoscopy;
- "Breast cancer genes panel," using new NGS, detects the presence of each of the 21 genes involved in the hereditary risk of developing breast cancer;
- "Prosigna," which provides reliable identification of the ten-year risk of future recurrence and sub-type of breast cancer, enabling oncologists to decide whether or not to prescribe chemotherapy;
- "TDAGen+," a genetic test for patients with Attention Deficit Hyperactivity Disorder (ADHD) which collects personalized information on the main genetic factors involved and allows predictive treatment in response;
- "Life Length," which measures the percentage of short telomeres in individual cells taken from blood and/or tissue samples, providing an accurate indicator of telomere dysfunction and cellular aging;
- "HPV OncoTect," a test which helps in the early detection of cervical cancer;
- "Gut Microbiome," a functional biology genetic test that analyzes the genomes of normal living microorganisms in the human being (microbiota);
- "Recombine," a noninvasive test to detect the risk of transmitting a genetic disease to one's child;
- "Migratest," a test which helps to evaluate the potential causes of migraine headaches in order to determine the best treatment; and
- "Liquid Biopsy de Pangaea Biotech," a test which reveals the potential mutations of the EGFR, BRAF and KRAS genes (usually related to lung cancer) and which facilitates the determination of the best treatment for the patient.

Moreover, in oncology, numerous treatments require companion tests that detect whether a drug will be efficient or tolerated in a group of patients. Most of these are available in Labco's catalogue of tests, such as the HER2.

Anatomical Pathology

Anatomical pathology is, along with clinical laboratory testing and imaging, one of the principal diagnostics disciplines. This discipline is dedicated to the morphological study of macroscopic and microscopic anomalies of biological tissues and pathological cells removed from a living or dead human being. Anatomical pathology is widely used in oncology to detect and assess the efficiency of the ablation of tumors.

Preparing samples is an important and highly technical stage during which a thin slice, only a few microns thick, is placed onto a glass slide before being colored in order to be examined with a microscope. The preparation, examination and diagnostic of a sample cannot be automated, which results in substantial labor costs.

Anatomical pathology also encompasses cytopathology. Cytopathology studies cells smeared over a glass microscope slide and not cross-sections of cells. The cells are, accordingly, whole cells and can be more easily observed. Some of the most widespread cytologic analyses include lumbar or articular punctures, b1 marrow punctures and pap smears.

In the last few years, the development of "telepathology technology" has paved the way for major progress in the discipline. Sample slides can now be digitalized and sent to a microscope that will automatically identify the zone to be diagnosed and the pathology. This technology, in addition to allowing a doctor's diagnosis to be established more easily and more swiftly, enables the sample to be sent to specialized doctors anywhere in the world in the case of a complex pathology.

Labco offers anatomical pathology services in France, the United Kingdom, Belgium, Spain and Portugal. On May 29, 2015, Labco acquired Technipath, an anatomical pathology group in France, and aims to increase its business in this field as a result.

Imaging

Medical Imaging

Medical imaging encompasses several disciplines such as radiology, scanography, mammography, orthopantomography (dental imaging), sonography and Doppler sonography. Medical imaging services are mainly provided by Labco's Italian subsidiaries. Scanning and mammography are Labco's most widely used disciplines.

Scanography is a medical imaging technology derived from conventional X- ray radiology. The extent to which X-rays are absorbed by tissues is measured by a transmitter and a receiver pivoting around the patient who can be standing or lying down. Two-dimensional or three-dimensional images of anatomical structures are then built digitally.

A mammogram uses X-rays to examine human breasts and detect possible anomalies, most frequently cases of breast cancer. A mammogram provides images of tissues within the breast from different angles, which makes a doctor's diagnosis easier.

Technical, technological and IT developments allow more sharply defined and more precise images to be obtained, more rapidly than in the past. Labco anticipates that this trend is likely to continue to gather momentum. Moreover, systems already enable images to be digitalized and communicated so as to allow a diagnosis to be made remotely.

Nuclear Medicine

Molecular imaging is a medical imaging discipline that provides an in-depth view of what occurs within the human body, at the level of molecules and cells. While conventional medical imaging (X-rays, scanography and ultrasounds) generates an image of the patient's physical structure, molecular imaging enables a doctor to observe the metabolic or molecular activity of the body or its organs by using a technique that is not significantly invasive. Molecular imaging offers a unique vision of the body that allows doctors to, among other things:

- access information that cannot be provided by other imaging technologies or that would require invasive methods such as biopsy or surgery;
- identify the pathology at an earlier stage while locating with a high degree of precision the contaminated zone, often before the symptoms actually appear or before anomalies can be detected by other diagnostic methods;
- determine the most appropriate therapy on the basis of the patient's specific biological characteristics;

• study and monitor the patient's reaction to a specific drug or treatment;

• determine precisely the treatment's efficiency on the patient;

• adapt treatment rapidly in response to the change in cellular activity; and

• gauge the progression of the disease.

Molecular imaging is deemed to be part of nuclear medicine because it uses a small amount of radioactive material (a radioactive marker) to diagnose a pathology. The method consists in injecting into the patient a tracer marked by a radioactive atom (such as carbon, fluorine, nitrogen, oxygen, etc.). The behavior and the biological properties of this tracer are known. The scanner will detect how the tracer moves within the living organism or the organ; this information will then be collected and processed by computers to highlight the presence, or the reaction, of a given number of molecules. Labco has a cyclotron in its SDN Integrated Diagnostics Center that enables it to produce, and potentially market, its own tracers.

PET technology combined with scanography, as offered in Labco's center of excellence in Italy, is a nuclear medicine test combining the two technologies and providing a three-dimensional view of how the organism operates. A PET- CT uses a small dose of radioactive tracer in order to show very precisely the difference between healthy tissues and contaminated tissues.

Molecular imaging techniques are non-invasive, reliable and painless for the patient. They enable doctors to detect, among other things, cases of cancer, heart disease, nervous system diseases such as Alzheimer's disease or Parkinson's disease, b1 diseases and lung diseases.

Changes in molecular imaging will be shaped by the arrival of new tracers and new molecules that will lead to the development of numerous new applications. As far as changes in equipment are concerned, the number of PET-CTs will likely grow further in the next few years, thereby paving the way for additional progress in terms of rapidity, sensitivity and resolution.

Medical Imaging within the Labco Group

Following the 2007 and 2008 acquisitions of the CAM and Baluardo laboratories, nearly all of Labco's imaging services are provided by its Italian subsidiaries. With the acquisition of the SDN Group, Labco now has expertise and cutting- edge technology in the field of molecular imaging that it intend to use and deploy in its other subsidiaries. As adjusted for the acquisition of the SDN Group, revenue generated by imaging services amounted to approximately €40 million for the year ended December 31, 2014.

Medically Assisted Reproduction

Medically assisted reproduction ("MAR"), in a broad sense, covers two main applications:

• intra-uterine insemination ("IUI"), which consists of collecting a sample of sperm and preparing it (selection and concentration of the fastest moving sperm) before giving it to a man so that he can go to his partner's gynecologist, who will place this concentrate into her uterus or cervix; and

• in vitro fertilization ("IVF"), which generally takes place in a hospital and consists of taking sperm from a man and oocytes from a woman through a light surgical intervention. Once they have been collected, the sperm and oocytes are put into contact, either naturally in a test tube, or via a micro-injection of sperm into the oocyte using a micro-needle.

Before resorting to these applications, Labco offers two additional disciplines in most of its laboratories: spermiology, which is the study of the quality of sperm; and hormonology, which is the study of a woman's fertility.

In France, specifically qualified and authorized biologists are required to perform IVF and IUI and clinical laboratories need special authorizations granted by the regional health authority. Every regional health authority grants such authorizations to a very restricted number of public and private biologists in the region it covers. Labco offers IVF in Nantes in two clinics as well as in a hospital located in Lens. The business generated by these three centers enables Labco to position itself as one of the leaders in the IVF market among private entities. Labco also offers IUI in these two cities and work with private gynecologists, as well as in Calais, Libourne, Nice, Orleans and Rodez.

Our Operations

Synlab's operations are conducted through its laboratories and collection centers, while Labco's operations utilize the three major organizational models found in the clinical laboratory services industry:

- clinical laboratories;
- subcontracting and outsourcing operations on behalf of hospital laboratories; and
- export services.

We refer to Labco's speciality platforms and Synlab's central laboratories as our European centers of excellence which have the ability to perform specialty tests.

Synlab's Operations

Synlab's laboratories can be broadly categorized into three types:

Central laboratories

Synlab's 16 central laboratories are centralized, highly specialized laboratories with specific, esoteric testing capabilities and which collectively offer processing of the full spectrum of approximately 5,000 test parameters, including test parameters outside the full routine spectrum of tests, such as leukemia and DNA tests. Such specialty tests are conducted by highly skilled laboratory professions and often require more sophisticated technology, equipment and materials. In particular, various specialty tests from across Synlab's European laboratory network are primarily conducted in its state-of-the-art reference labs in Germany, such as those in Augsburg, Leinfelden, Leverkusen, Munich and Weiden, to maximize utilization rates and efficiency.

Base laboratories

Synlab's 82 base laboratories are regional platforms equipped with advanced equipment to perform high volume routine tests and automated specialty tests. Synlab's base laboratories typically offer a test spectrum of up to 800 different tests. Due to the highly automated processes of Synlab's advanced, multipurpose testing equipment, the processing time at its base laboratories is frequently only a few hours, with same-day or next-day delivery of results.

Satellite laboratories

Synlab's 203 satellite laboratories perform routine tests prescribed by doctors and medical institutions in connection with general patient care to establish or support a diagnosis, to monitor treatment or to search for an otherwise undiagnosed condition. The most common routine tests include cholesterol tests, blood cell counts, blood chemistry analyses and urinalyses. Many of Synlab's satellite laboratories are located in or adjacent to the hospitals which they primarily serve. Results of routine testing at Synlab's satellite laboratories are predominantly delivered on a same-day basis.

Blood collection points

Blood collection points are common in certain of the markets in which Synlab operates, such as Italy, Belgium and the Czech Republic, where blood samples are taken at dedicated collection points rather than by a physician. Tests and analyses of blood samples are typically not performed at Synlab blood collection points. Rather, these collection points generate sample volumes and transfer samples to the appropriate network laboratories for analysis.

Logistics

Synlab's own logistics team includes approximately 670 drivers, who are responsible for ensuring the timely delivery of test samples to its network of laboratories and maintain frequent direct contact with Synlab customers through the collection of test samples. The vehicles that comprise Synlab's logistics fleet are primarily leased. Synlab believes this helps it to maintain its quality and reliability of service. Furthermore, the operation of Synlab's logistics operations allows it to more easily integrate new acquisitions of laboratories into its existing operations and laboratory network, in particular with respect to speciality laboratory testing where applicable national regulations permit the cross-border transport of laboratory samples. Synlab's logistics team is also supported by external logistics providers, particularly in geographic markets where it does not operate its own logistics activities.

Labco's Operations

Labco Collection Centers and Clinical Laboratories

Labco's Diagnostics Centers and Labco Collection Centers can be categorized into six types:

- *sampling centers,* which do not perform tests. Samples are collected from patients and then sent to routine testing laboratories, technical platforms or third parties' laboratories where tests are carried out. Labco owns and manages Sampling Centers in all the countries in which it operates laboratories;
- *routine laboratories*, which collect samples, carry out routine tests and usually communicate results to patients and prescribing healthcare professionals;
- *hospital laboratories providing emergency services*, which are routine testing laboratories located in hospitals that provide emergency diagnostic tests. These laboratories are open all day. They are smaller and have more limited facilities than Labco's other types of laboratories;
- *technical platforms*, which are regional platforms that centralize the processing of all or some test samples from Labco Collection Centers, laboratories and hospital laboratories. Technical platforms are equipped with sophisticated, highly automated equipment and can carry out all routine tests as well as, generally, some specialty tests. They also sometimes have on-site facilities for collecting samples;
- *laboratories and specialty platforms,* which perform specialty tests for Labco's laboratories or external laboratories. Labco has twelve laboratories dedicated exclusively to specialty tests, including one specialty platform in Spain following the acquisition of CIC, which has since changed its name to Labco NOÛS. Labco also has four technical platforms providing a broad range of specialty tests to members of its network in Barcelona, Cambrai, Madrid and Nice; and
- *Integrated Diagnostics Centers or Poly-Ambulatory Centers* ("Integrated Diagnostics Centers"), which combine several diagnostic disciplines including clinical laboratory testing, anatomical pathology, ambulatory surgery, physiotherapy and medical imaging. Of Labco's nine laboratories in Italy, five are Integrated Diagnostics Centers.

The type and size of a laboratory varies from one country to another because of differences between health systems and regulatory environments.

The number of laboratories that Labco operates is constantly changing, as it acquires new laboratories and transforms its Sampling Centers. Between 2012 and 2014, the number of laboratories that it owns decreased even though it made 43 acquisitions, as illustrated in the below chart:

	2012	2013	2014
Country			
France	77	64	64
Belgium	4	3	4
United Kingdom	3	4	6
Spain	57	58	56
Portugal	27	24	25
Italy	4	3	9
Switzerland	—	1	1
Total	**172**	**157**	**165**

Subcontracting and Outsourcing Laboratory Services

Labco offers public and private hospitals and clinics the possibility of subcontracting and outsourcing its clinical laboratory services in France, Spain, Portugal and the United Kingdom. The range of services Labco offers differs according to customers' needs. Some customers want to outsource all their clinical laboratory services, while others prefer to keep some of these services in-house such as, for instance, sampling, the logistics involved in collecting samples (in the United Kingdom, hospitals are in charge of the logistics involved in collecting samples from the general practitioners in their region who take such samples), the diagnosis of certain types of pathologies, medical validation or emergency services. The markets in which Labco offers to subcontract and outsource clinical laboratory services are characterized by high entry barriers since the process followed in a call for tenders requires a company to invest a lot of time before being selected as a joint subcontractor. Being selected requires technical expertise and substantial investment capacities. Finally, the reputation and experience of the bidders are key criteria if they are to be picked as a joint subcontractor.

Labco has built up significant know-how in respect of bidding in tenders for the outsourcing or subcontracting of clinical laboratory services. The most important elements taken into account in this regard relate to:

- *whether existing technical platforms are used or not.* Labco has technical platforms in most of the countries in which it operates. Accordingly, Labco can swiftly and efficiently cope with the additional tests resulting from a new contract. In the United Kingdom, Labco does not have as dense a network as in the other countries where it operates, and sometimes it needs to set up a laboratory on an ad hoc basis, as was the case in Taunton and Basildon;
- *operational reorganization.* The operations of the existing laboratory(ies) within a hospital or clinic are slashed to a strict minimum in order to manage the urgent needs of patients, while the remaining tests are transferred to Labco's technical platform. During this transition, Labco offers appropriate and adapted training courses to facilitate this reorganization;
- *harmonization of equipment*, to benefit from additional economies of scale. This possible change in equipment can lead to additional investments stemming from the need to terminate contracts with a non- referenced supplier;
- *transfers and reorganization of human resources.* Transfers of employees are crucial, especially when they consist of transfers from the public sector to the private sector. In the United Kingdom, Labco has benefited from Sodexo's experience in this respect; and
- *harmonization of information systems.* Labco must ensure the harmonization of its IT systems with those of the relevant hospitals.

The teams that submit bids to these calls for tenders build a specific financial model for every contract that takes into account all variables (such as investments, term and growth) in order to determine the net present value of the project's return on investment and the time needed to reach this return. These two key criteria play a crucial role in determining the price offered to the potential customer. Moreover, although EBITDA margins recognized by Labco in these calls for tenders are generally lower than in the other countries where Labco operates, these contracts offer excellent visibility on future income because prices are set for the entire duration of the contract and are often reassessed in line with inflation indices. This valuation approach is therefore different from the one used for Labco's conventional acquisitions.

Labco has developed transferable expertise in the fields of subcontracting and outsourcing. For instance, Labco transmitted the know-how it developed in Spain and Portugal in outsourcing to Labco's subsidiary in the United Kingdom. Since this initiative began, it has already won two tenders with four NHS hospitals and three more NHS hospitals have launched calls for tenders for outsourcing laboratory services during the first few months of 2015, some of which are located close to its laboratories. This success is mainly due to Labco's approach of focusing on the quality of services and the establishment of partnerships with NHS hospitals by, for example, establishing a scientific committee composed mainly of doctors employed by the hospitals who are responsible for overseeing the transition and then later the proper functioning of the service. In addition, the hospitals benefit from more-attractive prices in the case of an increase in their volumes or when new hospitals join the technical platform in their region.

Export Services

Developing business in emerging countries is one of Labco's organic growth drivers. Integrated providers of diagnostic services, such as Labco, can contribute substantial value to the healthcare sectors in emerging countries. Through Labco's Spanish subsidiary, Labco NOÛS, it has already established a promising foothold in some of these markets.

This presence can take various forms, such as:

- making capacity available for specific tests or providing capacity to cope with excess demand when volumes exceed installed capacity. The laboratory of Labco NOÛS in Barcelona is a central platform for the performance of specialty tests that can carry out highly sophisticated tests when subcontracting for other laboratories. Samples are sent by plane and results are e-mailed to prescribing doctors and patients. This business is particularly developed in Latin America, where prospecting for customers is carried out by local subsidiaries, controlled by Labco but with minority interests held by local partners. This is the case in Brazil, Colombia, Peru and Mexico. In other countries in Latin America (Ecuador, Uruguay and Chile), in Eastern Europe (Romania and Poland), in North Africa or in the Middle East, Labco uses commercial agents, paid on a commission basis, in order to set up partnerships; and
- providing assistance for designing laboratories or providing laboratory management for local partners lacking this kind of expertise. As of the date of this offering memorandum, Labco is working on preparing bids for several calls for tenders related to this kind of assistance in Latin America and the Middle East.

Our Core Markets

Synlab identifies its core markets as the following: Germany, Switzerland, Italy, the Czech Republic, Belgium, Hungary, Austria and North Europe. Labco divides its markets into the Northern European market, including France, United Kingdom, Belgium and Switzerland, the Southern European market, including Spain, Portugal and Italy, emerging countries and Germany (where it sold its operations in 2013).

Synlab's Core Markets

Germany

Synlab was founded in Germany in 1998, and Germany remains its primary core market. As of December 31, 2014, Synlab operated five central laboratories (in Augsburg, Leinfelden, Leverkusen, Munich and Weiden), 23 base laboratories and 91 satellite laboratories, 20 environmental testing laboratories and five veterinary testing laboratories. Synlab's laboratory footprint in Germany is primarily located in southern and western Germany.

Synlab believes it is the second largest provider of clinical laboratory testing in Germany based on 2014 revenue. Synlab's laboratories in Germany are predominantly focused on human medicine laboratory testing and are complemented by a limited number of laboratories which provide environmental laboratory services and veterinary diagnostics testing. Synlab's primary competitors in Germany include Sonic and Limbach, both of whom also have nationwide coverage, as well as amedes and LADR, both of whom operate predominantly in northern Germany.

Synlab's laboratories in Germany offer its full spectrum of routine and specialty tests. Routine tests are performed in either Synlab's hospital satellite laboratories or its base laboratories, depending on where the sample is collected. Specialty tests are primarily performed at Synlab's base laboratories, where possible, or in its central laboratories depending on the particular test requested.

Synlab's revenue in Germany amounted to €406.1 million for the year ended December 31, 2014, or 55.7% of its revenue. Synlab's EBITDA in Germany amounted to €56.4 million for the year ended December 31, 2014, or 46.5% of its EBITDA.

Switzerland

Synlab began operating laboratories in Switzerland in 2006, following the acquisition of Labor Dr. Güntert AG. As of December 31, 2014, Synlab operated three central laboratories (in Lausanne, Lucerne and Lugano), four base laboratories (in Geneva, Olten, Zurich and Frauenfeld) and 11 hospital satellite laboratories and 11 blood collection points located throughout the country covering all three main language regions.

Synlab believes it is the second largest provider of clinical laboratory testing in Switzerland based on 2014 revenue. Synlab's laboratories in Switzerland are predominantly focused on human medicine laboratory testing and are complemented by a limited number of laboratories which provide environmental laboratory services testing. Synlab's primary competitors in Switzerland include Unilabs, Medisupport and Viollier.

Synlab's laboratories in Switzerland offer its full spectrum of routine and specialty tests. Routine tests are performed in either Synlab's hospital satellite laboratories or its base laboratories, depending on where the sample is collected. Specialty tests are primarily performed at Synlab's base laboratories, where possible, or in its central laboratories in Lausanne, Lucerne and Lugano, with a very limited number of advanced specialty tests sent to one of its central laboratories in Germany.

Synlab's revenue in Switzerland amounted to €88.1 million for the year ended December 31, 2014 (at a foreign exchange rate of CHF1.22 to €1.00), or 12.1% of its revenue. Synlab's EBITDA in Switzerland amounted to €18.7 million for the year ended December 31, 2014, or 15.4% of its EBITDA. Since 2012, Synlab has benefitted from a large hospital outsourcing contract with a large group of private clinics in Switzerland, and access to a corresponding large number of attending doctors. This hospital outsourcing contract has been renewed until 2020.

Italy

Synlab began operating laboratories in Italy in 2009, following the acquisition of Fleming Labs, a leading laboratory service provider in northern Italy founded in 1973. As of December 31, 2014, Synlab operated one central reference laboratory located near Brescia, five base laboratories (including one in each of Florence and Rome) and two hospital satellite laboratories generally located in the vicinity of Synlab's base laboratories. As of the same date, Synlab also operated 115 blood collection points.

Synlab believes it is the leading provider of clinical laboratory testing in Italy based on 2014 revenue. Synlab's laboratories in Italy are almost exclusively focused on human medicine laboratory testing, as additional authorizations and separate laboratories are required for environmental and veterinary testing. Synlab's primary competitors in Italy include San Raffaele, Bianalisi and, prior to the Completion Date, Labco.

Synlab's laboratories in Italy offer its full spectrum of routine and specialty tests. Routine tests are performed in either Synlab's hospital satellite laboratories or its base laboratories, depending on where the sample is collected. Specialty tests are primarily performed at Synlab's base laboratories, where possible, or in its central laboratory in Brescia, with a very limited number of advanced specialty tests sent to one of Synlab's central laboratories in Germany.

Synlab's revenue in Italy amounted to €67.1 million for the year ended December 31, 2014, or 9.2% of its revenue. Synlab's EBITDA in Italy amounted to €12.3 million for the year ended December 31, 2014, or 10.1% of its EBITDA.

Czech Republic

Synlab began operating laboratories in the Czech Republic in 2004 through the acquisition of three local laboratories and, in 2011, significantly increased its presence through the acquisition of Chambon, a leading genetics laboratory network in the Czech Republic. As of December 31, 2014, Synlab operated two central laboratories in Prague, 12 base laboratories and 14 satellite laboratories situated throughout western and southern Czech Republic, and 51 blood collection points.

Synlab believes it is the leading provider of clinical laboratory testing in the Czech Republic based on 2014 revenue. In addition to human medicine laboratory testing, Synlab is able to offer a wide range of genetics tests using its specialized genetics laboratory in Prague. Synlab's primary competitor in the Czech Republic is AeskuLab and, to a lesser degree, AGEL.

Synlab's laboratories in the Czech Republic offer its full spectrum of routine and specialty tests, with particularly strong positions in certain specialty testing areas, such as genetics and hematology, as well as the routine testing market. Routine tests are performed in either Synlab's satellite laboratories or its base laboratories, depending on where the sample is collected or the location of the doctor sending the sample. Specialty tests are primarily performed at Synlab's base laboratories, where possible, or in its central laboratories in Prague.

Synlab's revenue in the Czech Republic amounted to €46.1 million for the year ended December 31, 2014, or 6.3% of its revenue. Synlab's EBITDA in the Czech Republic amounted to €7.2 million for the year ended December 31, 2014, or 5.9% of its EBITDA.

Belgium

Synlab began operating laboratories in Belgium in 2012, following the acquisition of Laboratoire Collard, a leading regional laboratory group founded in 1994. As of December 31, 2014, Synlab operated one central laboratory in Liège Froidmont, two base laboratories in Mons and Arlon and 53 blood collection points with an extensive coverage of Wallonia, the French speaking part of Belgium.

Synlab believes it is the number two provider of clinical laboratory testing in Wallonia based on 2014 revenue. In addition to human medicine laboratory testing, Synlab's laboratories in Belgium are increasing their regional coverage to focus on the high growth of veterinary testing in the market. In contrast to certain of Synlab's other core markets, hospitals have not yet begun outsourcing their laboratory testing to private laboratory companies. Synlab's primary competitors in Belgium include amedes and, prior to the Completion Date, Labco.

Synlab's laboratories in Belgium offer a broad range of its full spectrum of routine and specialty tests. Routine tests are performed in either Synlab's central laboratory or one of its two base laboratories, depending on where the sample is collected or the doctor sending the sample. Specialty tests are primarily performed at Synlab's central laboratory in Liège Froidmont, with a very limited number of advanced specialty tests outsourced to other laboratories in its network.

Synlab's revenue in Belgium amounted to €24.8 million for the year ended December 31, 2014, or 3.4% of its revenue. Synlab's EBITDA in Belgium amounted to €6.7 million for the year ended December 31, 2014, or 5.5% of its EBITDA.

Hungary

Synlab began operating laboratories in Hungary in 2004, following the acquisition of Prodia Diagnosztikai. As of December 31, 2014, Synlab operated one central laboratory in Budapest, 11 base laboratories (thereof six hospital laboratories and the majority of which are located in the vicinity of Budapest), 13 satellite laboratories and 23 blood collection centers across the country.

Synlab believes it is the clear leading provider of clinical laboratory testing in Hungary based on 2014 revenue, with a strong position in the hospital laboratories market and leading expertise in microbiology, genetics, forensics and clinical chemistry testing. Synlab's primary competitors include Centrum Lab and Corden International.

Synlab's laboratories in Hungary offer its full spectrum of routine and specialty tests. Routine tests are primarily performed in its hospital satellite laboratories, some of which located directly in or connected to the hospital sites. Specialty tests are performed at either Synlab's base laboratories or its central laboratory in Budapest, with less than 1% of very advanced specialty tests sent to its central lab in Leinfelden, Germany, for processing.

Synlab's revenue in Hungary amounted to €24.7 million for the year ended December 31, 2014, or 3.4% of its revenue. Synlab's EBITDA in Hungary amounted to €3.0 million for the year ended December 31, 2014, or 2.5% of its EBITDA.

Austria

Synlab began operating laboratories in Austria in 1986 through the merger of IMCL and Labor Margareten, both being predecessor entities of FutureLAB, which was founded in 2004. As of December 31, 2014, Synlab operated one central laboratory in Vienna, one environmental base laboratory in Linz and eight hospital laboratories and seven blood collection centers concentrated the vicinity of Vienna.

Synlab believes it is the number three provider of clinical laboratory testing in Austria based on 2014 revenue, with a strong position in the hospital laboratories market, a key market for private laboratory groups in Austria. A significant portion of the market in Austria is still served by public hospital labs, which offer growth opportunities if hospital outsourcing continues in the future. Synlab's primary competitors include Labors.at and Wonnerth und Partner OG.

Synlab's laboratories in Austria offer its full spectrum of routine and specialty tests. Routine tests are primarily performed in Synlab's hospital satellite laboratories located at hospital sites. Specialty tests are performed at Synlab's central laboratory, with only a small number of very advanced specialty tests sent to a central laboratory in Germany for processing.

Synlab's revenue in Austria amounted to €20.3 million for the year ended December 31, 2014, or 2.8% of its revenue. Synlab's EBITDA in Austria amounted to €6.3 million for the year ended December 31, 2014, or 5.2% of its EBITDA.

North Europe

Synlab began operating laboratories in Estonia, Lithuania and Finland in 2013 through the acquisition of the Quattromed Group, the largest laboratory services provider in Estonia founded in 1999. In, 2014, Synlab further expanded its presence in North Europe to Norway. As of December 31, 2014, Synlab operated one central laboratory in Tallinn, Estonia, five base laboratories (with two in Finland and one in each of Estonia, Lithuania and Norway) and 57 satellite labs and 10 blood collection points.

Synlab believes it is the leading provider of clinical laboratory testing in Estonia and the number two provider in Finland, in each case based on 2014 revenue. Synlab's primary competitors in the region include Yhtyneet Medix Laboratoriot and VITA.

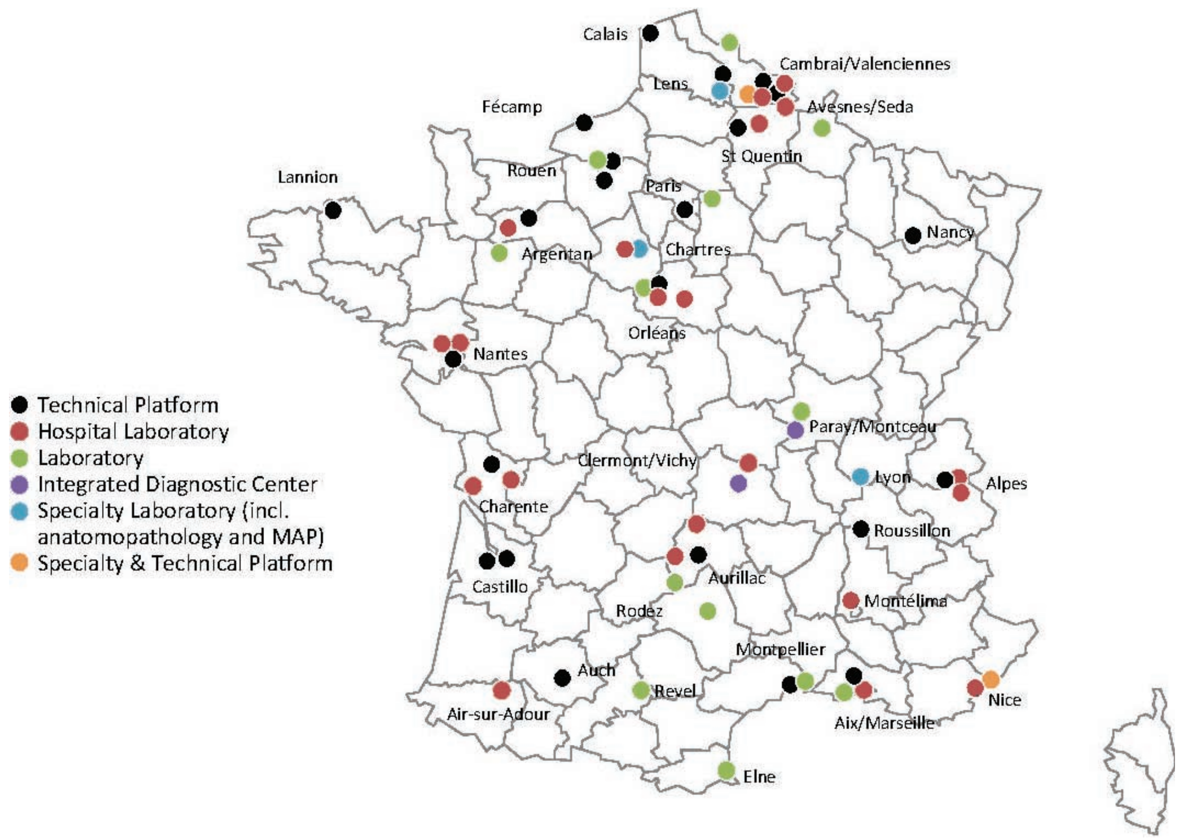
Synlab's laboratories in North Europe offer its full spectrum of routine and specialty tests. Routine tests are performed in either Synlab's satellite laboratories or one of its five base laboratories. Specialty tests are primarily performed at Synlab's base laboratories, where possible, or its central laboratory in Tallinn, Estonia, with a very limited number of advanced specialty tests sent to one of Synlab's central laboratories in Germany. Synlab's operations in North Europe provides a good example its cross-border hub-and-spoke network and the integration of Synlab's laboratory network, particularly through the optimization of test flows to its central laboratory in Tallinn, from which it is able to serve its expanded footprint in Finland through a more cost effective base.

Synlab's revenue in North Europe amounted to €18.2 million for the year ended December 31, 2014, or 2.5% of its revenue. Synlab's EBITDA in North Europe amounted to €11.7 million for the year ended December 31, 2014, or 9.7% of its EBITDA.

Labco's Core Markets

Overview of Labco's Northern European Market

France



Labco entered the diagnostic services market in France in 2003 and is currently one of the two French leaders. Labco's laboratories are evenly distributed throughout France, and are mainly located in small towns or rural areas, but it is also present in major cities such as Bordeaux, Clermont-Ferrand, Marseille, Montpellier, Nancy, Nantes, Nice, Orleans and Paris. Labco's limited operations in large cities is due to its belief that clinical laboratories can be bought at more attractive prices in small towns than in big cities, while the revenue and average profitability per laboratory in large cities is generally lower than the national average in France.

As of December 31, 2014, Labco operated 255 facilities, including 64 laboratories in France. Each of Labco's laboratories and Sampling Centers in France employs a medical doctor. Labco set up technical platforms (some of which provide specialty testing services) following the regulatory changes implemented in January 2010 that relaxed restrictions on the outsourcing of testing and authorized the operation of technical platforms. Some of Labco's routine testing laboratories and technical platforms are located in or near hospitals. They offer their services, in a non-exclusive manner, to public and private hospitals pursuant to outsourcing contracts, such as Labco's Biofrance laboratory in northern France. In September 2014, Labco took over the Alpigène laboratory in Lyon and can now provide cutting-edge molecular biology services in France.

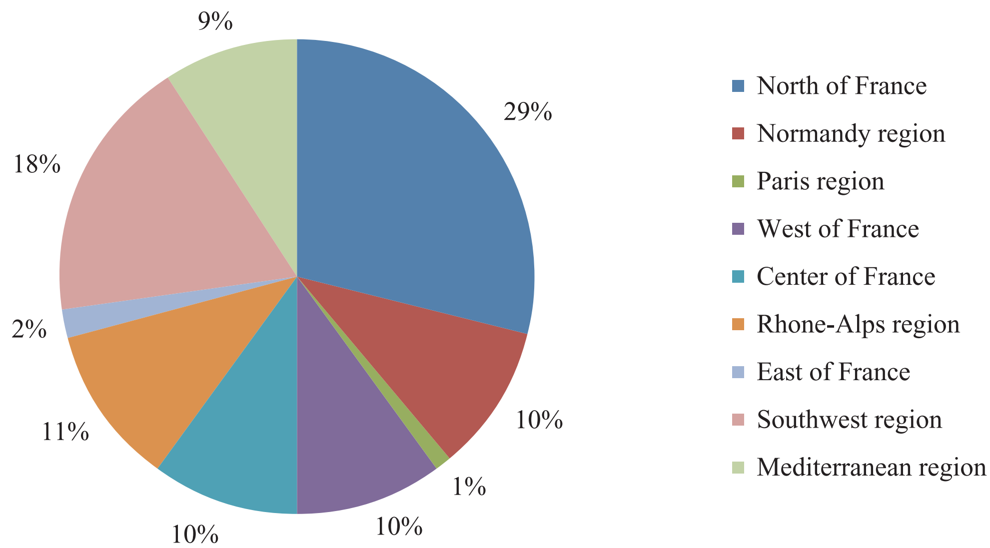
Labco decides whether to do a test internally (keep it) or to outsource it (sell it) depending on the urgency of the demand and the test's production cost. In the case of an internal test, Labco determines the facility in which the test will be taken in order to strike the best balance between the result's date and the production cost. This determination results in the transfer of samples to local, regional or national technical platforms offering specialty tests or specialty laboratories, such as Labco NOÛS, Roman Païs or Alpigène. Generally, samples collected by Labco Collection Centers and laboratories are sent for processing at its technical platforms by using vehicles it owns or rents. Labco's two specialty platforms also have the equipment required to perform specialty tests, but in some cases it can be more efficient and less expensive for Labco's routine testing laboratories to outsource such tests to third parties (which generally transport samples from sampling points to their laboratories). As Labco further expands its network of technical platforms, it plans to transform gradually most of its routine testing laboratories into Sampling Centers and to consolidate, within its technical platforms, its processing activities for routine and specialty tests.

From 2010 to 2014, the aggregate number of facilities Labco operates in France, including laboratories and Sampling Centers, increased from 150 to 255. Over the same period, the proportion of Sampling Centers increased from 37% to 75% of the total. Moreover, the number of health territories (as defined by the French regional health authority (*agence régionale de santé*)) which Labco serves increased from 36 in 2010 to 47 in 2014 (or 44% of the 108 existing health territories). Over the same period, the average number of Labco Collection Centers attached to a technical platform has increased from two to seven. Similarly, the average number of case files handled per laboratory has increased from approximately 60,000 in 2010 to approximately 155,000 in 2014.

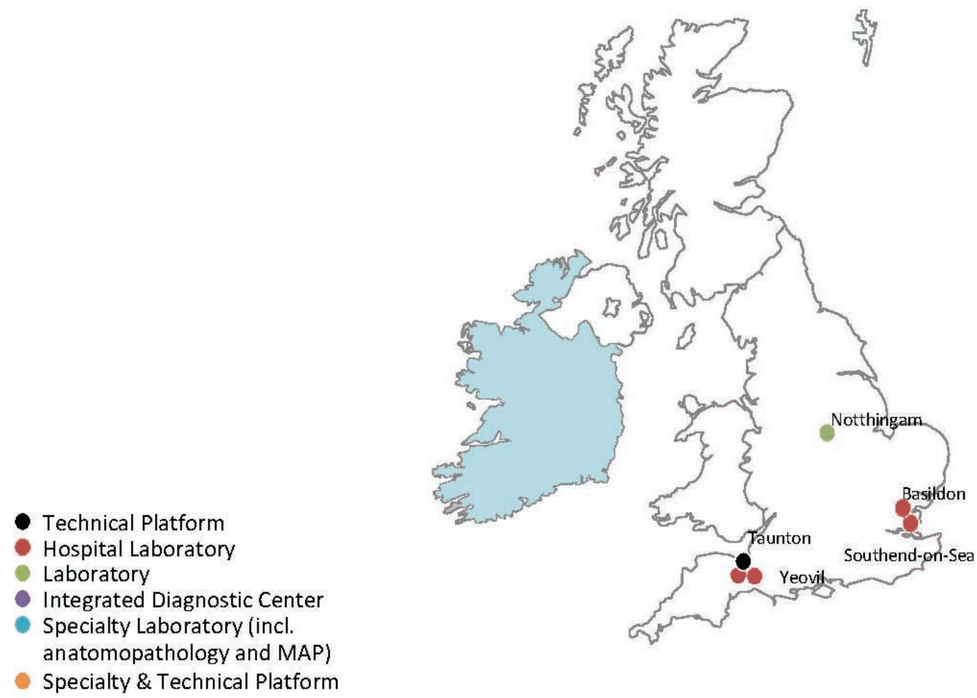
Between 2011 and 2014, Labco made 31, 15, 8 and 6 acquisitions, respectively, in France. Among these 60 acquisitions, 54 were bolt-on acquisitions for preexisting platforms.

In the year ended December 31, 2014, Labco's revenue in France amounted to €342.3 million, or 52.7% of Labco *Pro Forma* Total Revenue.

The number of case files handled by Labco amounted to 8.42 million, 9.17 million and 9.82 million for the years ended December 31, 2012, 2013 and 2014, respectively. The following chart shows the geographical distribution of case files handled by Labco in France:



United Kingdom



In 2010, Labco set up Integrated Pathology Partnerships (iPP), a joint venture with Sodexo, a leading global provider of facilities management services to the healthcare market. Labco holds a 90% equity interest in iPP and two call options over the 3% held by Sodexo and the 7% granted to the two main managers of iPP through a UK Employee Shareholder Scheme (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Labco—Off-Balance Sheet Commitments*"). As of December 31, 2014, Labco operated six laboratories in the United Kingdom and ranked number three in the market for outsourced and subcontracted laboratory services.

In January 2012, Labco Diagnostics UK signed a ten-year contract to operate the clinical diagnostic testing business of Fresenius Medical Care (dialysis). In June 2012, iPP began to operate under the partnership set up with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust. Under the partnership agreement, iPP delivers the full range of clinical laboratory and anatomopathology laboratory services, while the clinical interpretation and clinical consulting functions continue to be provided by the medical staff of these trusts, who remain NHS employees. This partnership and related agreements have an initial term of 20 years, renewable for five years.

This partnership is focused on providing services to Taunton and Somerset NHS Foundation and Yeovil District Hospital NHS Foundation, but it was structured in a way that allows other medical trusts in the region to join it. The contract has been profitable since 2014 following two years of losses in 2012 and 2013, due to heavy investments and restructuring of the service. The contract was amended on March 2015 and restructured into two separate contracts, one regarding site management and material (concerning the provision of material, reagents, consumables and support functions), and the other relating to the provision of staff (concerning the provision of technical teams). This amendment puts the commercial organization in line with that put in place for other contracts signed in 2014 and described below.

Following the signing of this contract, iPP focused on developing its technical platform in Taunton. Once it became operational in 2013, iPP was able to start transforming the existing hospital laboratories into laboratories able to provide emergency services.

During the first half of 2014, Labco set up two new business units, iPP Facilities Ltd and iPP Analytics Ltd. iPP Analytics was set up in order to integrate NHS staff under TUPE regulations (see "*Regulation—United Kingdom*") and provide testing results. iPP Facilities, in charge of managing Labco's facilities and equipment in the United Kingdom, was also created to handle potential tenders, manage Labco's facilities or provide point of care testing (POCT) systems.

Through these two companies, Labco signed two partnership agreements in May 2014 with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust to provide laboratory services. These partnerships will also allow new customers to be integrated. Operations began in October 2014 for an initial ten-year term with a possible five-year extension. Under these new partnerships, iPP will manage the Sampling Centers of both hospitals and provide the full range of clinical laboratory and anatomical pathology laboratory services.

In total, 560 persons were transferred from the NHS to entities within Labco's Group: 164 under the agreements between Taunton and Somerset NHS Foundation and Yeovil District Hospital NHS Foundation and 396 under the agreements with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust.

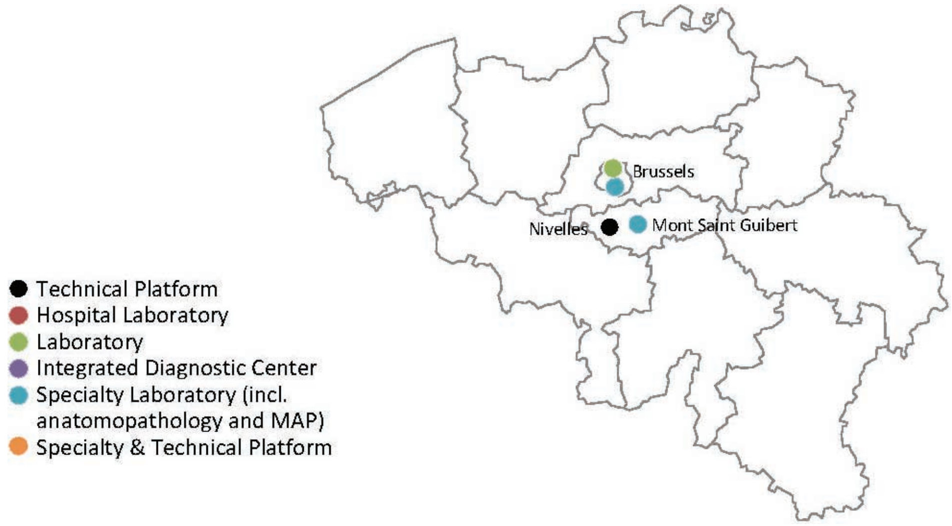
Between 2011 and 2014, Labco made one acquisition in 2012 and one acquisition in 2013 in the United Kingdom.

In the year ended December 31, 2014, Labco's revenue in the United Kingdom amounted to €27.0 million, or 4.2% of *Pro Forma* Total Revenue.

All of Labco's revenue in the United Kingdom is generated by contracts signed with public or private hospitals. However, a significant proportion of the tests analyzed by Labco's facilities is collected from independent doctors, who are themselves partners of these hospitals.

In the United Kingdom, Labco carried out a total of 0.39 million tests in 2012, 1.64 million in 2013 and 10.37 million in 2014. In 2014, 6.7 million tests were carried out under contracts with Taunton and Somerset NHS Foundation and Yeovil District Hospital NHS Foundation, 3.2 million under contracts with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust, and 0.5 million tests were carried out by Labco Diagnostics UK.

Belgium



Labco entered the Belgian market in 2008 after acquiring the Roman Païs biology company. As of December 31, 2014, Labco operated four laboratories in Belgium. Labco's facilities are concentrated in Brussels and Wallonia.

Labco's laboratories in Belgium mainly offer routine and specialty tests. Samples are collected in Labco's Sampling Centers or are sent by healthcare professionals.

In addition to conventional clinical laboratory tests, Labco's laboratories in Belgium perform nutritional tests, which are not usually subject to regulated prices. For the years ended December 31, 2013 and 2014, Labco's nutritional biology business accounted for €10.9 million and €12.2 million, respectively, amounting to 40% and 41% of its revenue in Belgium. In 2014, just over half of the samples of nutritional biology were transferred by laboratories and doctors based outside Belgium. This activity has grown at an average annual rate of approximately 15% since 2011.

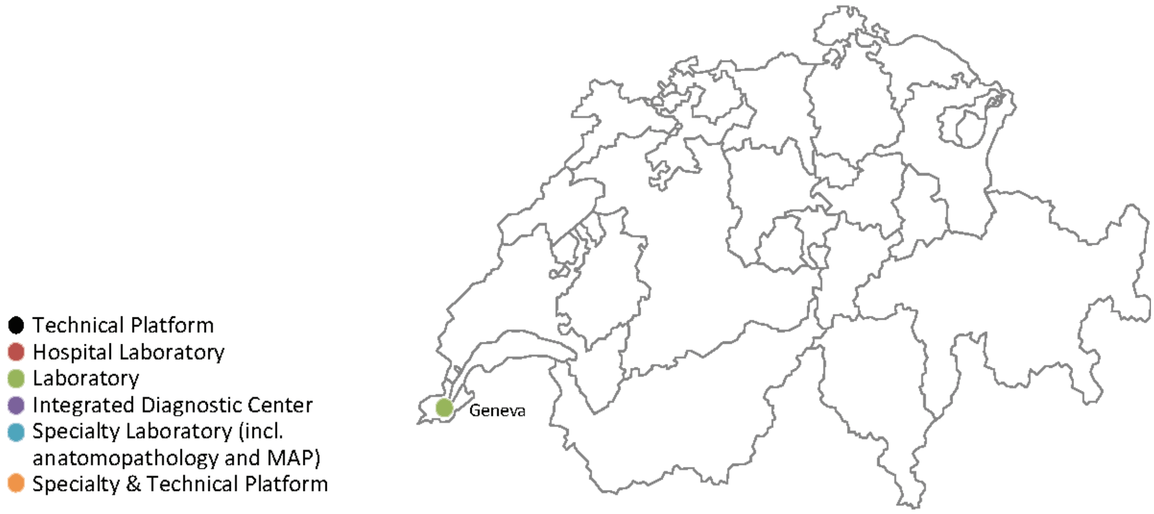
Between 2011 and 2014, Labco made one acquisition in 2011 and one acquisition in 2014 in Belgium.

In the year ended December 31, 2014, Labco's revenue in Belgium amounted to €30.0 million, or 4.6% of *Pro Forma* Total Revenue.

Labco's revenue in Belgium as of December 31, 2014 can be apportioned as follows: poly-ambulatory business: 53%; nutritional operations: 41%; and other tests (anatomical pathology, veterinary, etc.): 6%.

Labco handled approximately 370,000 case files in Belgium for the year ended December 31, 2014, 330,000 for the year ended December 31, 2013 and 340,000 for the year ended December 31, 2012. In 2014, the number of case files related to nutritional biology amounted to approximately 62,000.

Switzerland



Labco has operated one laboratory, Test S.A., in Switzerland since 2013. This laboratory, jointly owned with Labco's two founders, began operations in 2013. Labco holds 48% of the issued capital and a call option at a set price on the remaining 52%. The main objective of this joint venture is to improve Labco's knowledge of the Swiss market and its specific features, in view of potential investments it could make in this market. This laboratory works mainly with independent healthcare professionals. It offers them an all-electronic solution that enables them to view the catalogue of tests, select the tests to be conducted, input information about the patient, look up results and order additional tests, etc.

In the year ended December 31, 2014, Labco's revenue in Switzerland amounted to €2.0 million, or 0.3% of *Pro Forma* Total Revenue.

Overview of Labco's Southern European Market

Spain

Labco entered the Spanish market in 2007 when it acquired General Lab S.A., and it became the leader of the Spanish clinical laboratory services market in 2008 with the acquisition of Sampletest, S.A. Labco is the leader in the Spanish market based on its 2013 and 2014 revenues.

As of December 31, 2014, Labco operated 56 laboratories and a network of more than 500 Sampling Centers, a majority of which is managed with partners (mainly medical centers and nurse offices) under collaboration agreements. Most of Labco's facilities are concentrated in Catalonia, Madrid and Andalucía, which are the three main population centers in Spain.

In 2015, Labco plans to carry out a major restructuring in Spain following the 2014 acquisition of a building in Barcelona, which will house all of its regional operations. The restructuring will entail closing down five laboratories, one warehouse and an administrative office, rationalizing the equipment currently used, insourcing some of Labco's tests to the new Barcelona platform and splitting its support functions between Madrid and Barcelona. This restructuring should significantly improve the productivity of Labco's operations, with capacity to perform 100,000 tests daily at the new facility and a decrease in staff of about 50 employees nationwide.

During 2014, Labco acquired and integrated three laboratories specializing in cytogenetics and molecular biology in Madrid and thereby increased its business in these fields.

In early 2013, Labco added a noninvasive prenatal screening test to its catalogue. This test detects the most frequent chromosomal anomalies in a fetus from a blood sample taken from the mother. Such anomalies include, among other things, Down's syndrome (trisomy 21), Edwards' syndrome (trisomy 18) and Patau's syndrome (trisomy 13). Labco believes that this test has the advantage of not exposing either the mother or the fetus to any risk while being more reliable than all the other tests aimed at detecting these chromosomal anomalies found on the market. After its successful introduction in Spain, this test was launched on the Portuguese and Italian markets. This high value-added test has since then been sold tens of thousands of times within Labco's Group.

Labco's laboratories in Spain offer a range of routine and specialty tests (including anatomical pathology tests). The laboratory in Barcelona is the most technologically advanced in Labco's network. Labco's geographic footprint allows it to enter into nationwide agreements for private market clinical laboratory services with private health insurers, the main ones being with Adeslas, DKV, CASER, Medifiatc, Sanitas (Bupa Group), Assistancia Sanitaria, Colegial, Mapfre, Axa, Divina Pastora, CIGNA and Allianz. These agreements are mainly based on an activity-based fee structure, under which Labco is paid per test performed.

For more than ten years, Labco has managed outsourcing contracts with private hospitals such as Quiron Hospitales, Allançia (Capio group), Sanitas Hospitales and Hospital de Manises (since 2011). Labco carries out tests either in one of its emergency services laboratories or at nearby routine testing laboratories or technical platforms. Labco also performs specialty tests for other private clinical laboratories. As of December 31, 2014, Labco had signed outsourcing contracts with 37 hospitals in Spain.

Labco also has a portfolio of companies and occupational health service providers for which it provides clinical laboratory testing services in connection with regular check-ups for employees. In addition, Labco provides other services in Spain, such as specialty tests for public hospitals and out-of-pocket services for patients.

Following a ruling handed down by the Court of Justice of the European Union on January 17, 2013, Spain was forced to change its regulations relating to the VAT rate applicable to pharmaceutical products and medical equipment.

The European Council Directive (2006/112/EC) of November 28, 2006 on the common system of value added tax (in particular, its Annex III) authorizes a Member State to apply a lower VAT rate to the following products:

- pharmaceutical products used for healthcare, the prevention of illnesses and as treatments for medical and veterinary purposes, especially when used for contraception or sanitary protection purposes; and
- medical equipment, aids and other appliances normally intended to alleviate or treat disability, for the exclusive personal use of the disabled, including the repair of such goods, and supply of children's car seats.

As a result of the aforementioned ruling of the Court of Justice of the European Union, the Spanish VAT regulations have been amended so that the reduced VAT rate of 10% was no longer applicable to certain of Labco's services as of January 1, 2015 and the standard rate of 21% will instead be applied.

Since the acquisition of CIC in 2011, (renamed Labco NOÛS in 2013), a laboratory based in Barcelona that performs specialty tests, Labco has also offered clinical diagnostic testing services to customers in emerging countries (see "*—Emerging Countries*").

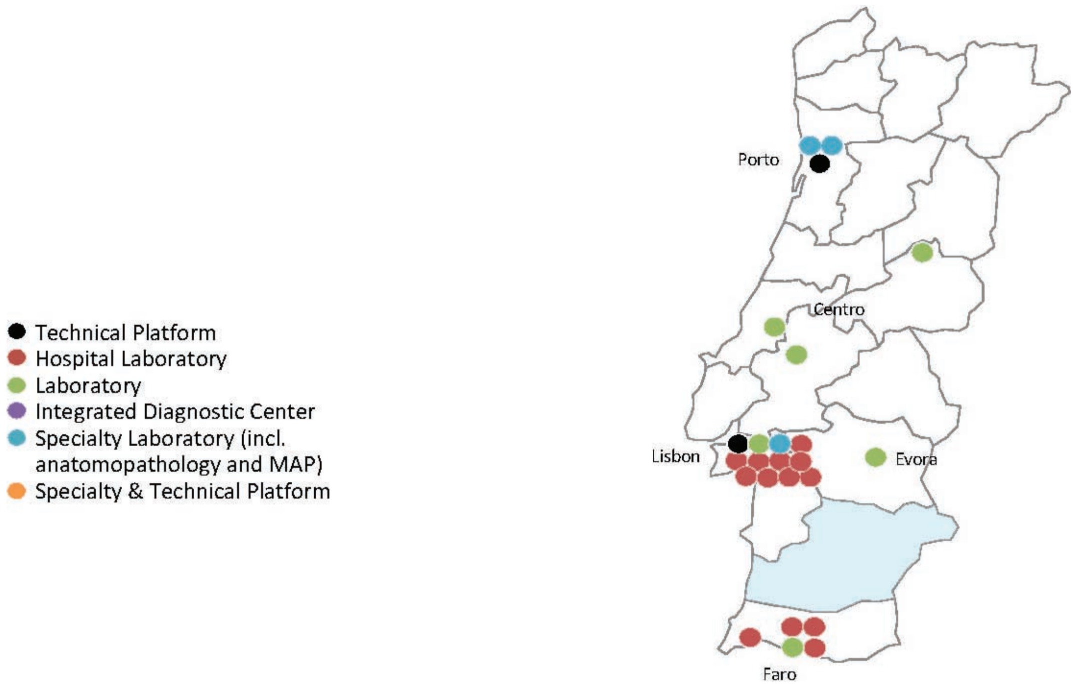
Between 2011 and 2014, Labco made one acquisition in 2011, two acquisitions in 2013 and three acquisitions in 2014 in Spain.

In the year ended December 31, 2014, Labco's revenue in Spain amounted to €115.6 million, or 17.8% of *Pro Forma* Total Revenue.

Labco's revenue in Spain for the year ended December 31, 2014 can be apportioned as follows: poly-ambulatory business: 36%; subcontracting and outsourcing generated by hospitals: 29%; specialty tests: 12%; occupational healthcare: 11%; anatomical pathology: 6%; and other income sources: 6%.

Labco handled a total of 5.90 million case files in Spain in the year ended December 31, 2014, 5.27 million in the year ended December 31, 2013 and 5.01 million in the year ended December 31, 2012.

Portugal



Labco began operating laboratories in Portugal in 2007 following its acquisition of General Lab S.A., and subsequently became the Portuguese clinical testing market leader in 2008 with the acquisition of Sampletest, S.A., which also operates in Spain. In 2011, Labco purchased Macedo Dias, the leader in the Portuguese anatomical pathology market.

As of December 31, 2014, Labco operated 25 laboratories in Portugal, including two technical platforms in Lisbon and one in Porto, which offer a range of routine and specialty tests. Labco has a network of more than 200 Sampling Centers, half of which are managed with partners (mainly medical centers and nurse offices) through collaboration agreements. Most of Labco's facilities are concentrated in the cities of Lisbon, Faro and Porto and in their suburbs.

Labco has signed reimbursement agreements with private insurance companies for patients covered by such private insurers. Labco provides, among other things, services to hospitals in Cascais and Loures based on a model of a flat fee per patient (see "—*Spain*"). As of December 31, 2014, Labco had signed outsourcing contracts with nine hospitals, including two public hospitals. Furthermore, Labco has entered into contracts with a small number of companies to provide diagnostic services for their employees.

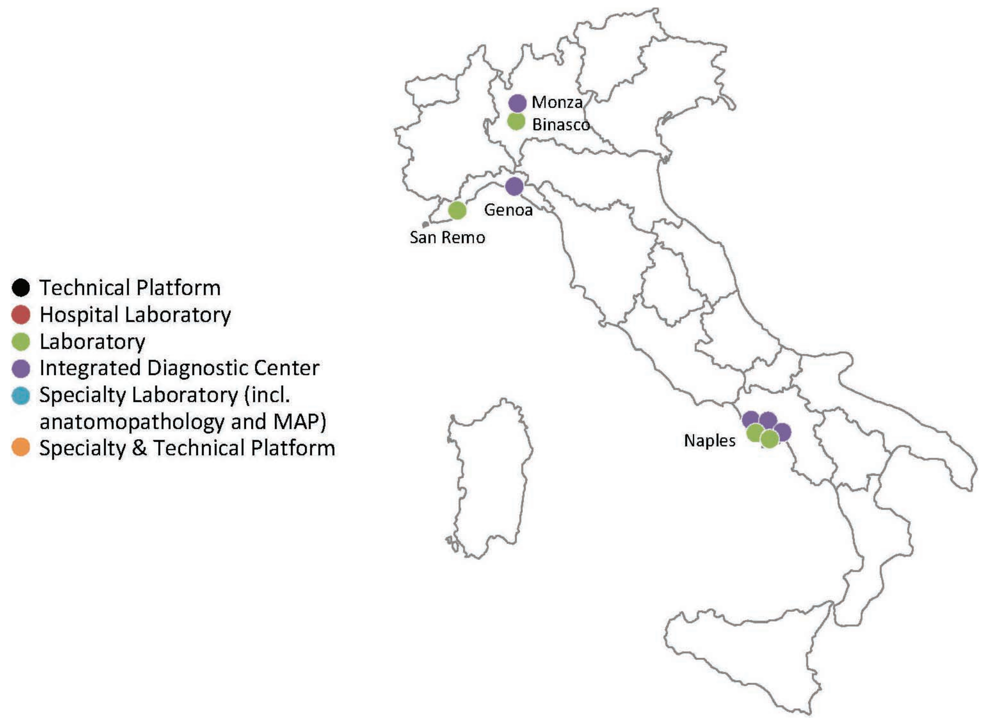
Between 2011 and 2014, Labco made one acquisition in Portugal in 2011.

In the year ended December 31, 2014, Labco's revenue in Portugal amounted to €43.1 million, or 6.6% of *Pro Forma* Total Revenue.

Labco's revenue in Portugal for the year ended December 31, 2014 can be apportioned as follows: poly-ambulatory business: 59%; subcontracting and outsourcing generated by hospitals: 30%; anatomical pathology: 4%; specialty tests: 1%; occupational healthcare: 1%; and other income sources: 5%.

Labco handled a total of 1.74 million case files in Portugal for the year ended December 31, 2014, 1.68 million for the year ended December 31, 2013 and 1.55 million for the year ended December 31, 2012.

Italy



Labco began operating laboratories in Italy in 2007. As of December 31, 2014, Labco operated nine laboratories including five Integrated Diagnostics Centers located in Lombardy, Campania and Liguria. In addition to clinical testing services, Labco also offers other diagnostic services, including medical imaging services, medical check-ups, a complete offer in occupational medicine, physiotherapy services and day surgery.

In July 2014, Labco completed its acquisition of the SDN Group, which offers integrated diagnostic services including (routine and specialty) laboratory tests and the entire range of medical imaging: radiology, MRI and the most sophisticated PET scanning medical imaging technologies, combining molecular imaging and nuclear medicine. Of all the medical imaging companies in Italy, the SDN Group is the only one to hold the status of IRCCS (*Istituto di Ricovero e Cura a Carattere Scientifico,* or an NHS research center), indicating its advanced level of technical expertise. Furthermore, the SDN Group is the driving force of a not-for-profit scientific foundation that conducts research aimed at improving nuclear diagnostic technologies. The foundation boasts unrivalled experience and has been granted substantial national and European grants and subsidies. In 2013 and 2014, the SDN Foundation published 99 and 98 research articles, respectively, in specialized journals such as the Journal of the American College of Cardiology, the European Heart Journal and the American Journal of Gastroenterology.

The SDN Group holds a substantial market share in Campania, particularly in molecular imaging, and has developed an efficient operational organization as a result of its integrated production of contrasting radioactive products (called “tracers”) in a cyclotron located at the company’s main site. Apart from accreditation for all of its activities, the SDN Group is also accredited by The Joint Commission, a US non-profit organization, certifying the quality of care provided to patients while continuing to improve care levels.

Integration of the SDN Group is proceeding according to plan. In 2014, the SDN Group’s revenue increased by more than 1.5% compared with 2013. For instance, in the first two months of 2015, more than 600 patient case files were exchanged between Labco’s laboratories through teleradiology.

The acquisition of the SDN Group fits in well with Labco’s strategy. This acquisition will reinforce the medical imaging and integrated diagnostics already offered in Genoa since 2008 by the laboratory of the Baluardo Group. The know-how and expertise of the SDN Group in the field of integrated diagnostics can be used by other entities of the Group when the national markets where they are present mature.

Between 2011 and 2014, Labco made one acquisition in 2011 and six acquisitions in 2014 in Italy, including five as a result of the acquisition of the SDN Group.

In the years ended December 31, 2013 and December 31, 2014, Labco's revenue in Italy amounted to €38.2 million, or 6.4% of its total revenue, and €55.6 million, or 9.0% of its total revenue, respectively. As adjusted for the acquisition of the SDN Group, Labco's revenue in Italy for the year ended December 31, 2014 amounted to € 89.5 million, or 13.8% of *Pro Forma* Total Revenue, respectively.

Pro Forma Total Revenue in Italy for the year ended December 31, 2014 can be apportioned as follows: clinical laboratory services: 40% (including poly-ambulatory: 30%; occupational healthcare: 8%; and specialty tests: 2%); molecular imaging: 23%; medical imaging (other than molecular): 22%; other medical services: 13%; and other revenue sources: 2%.

Labco handled approximately 710,000 case files in Italy for the year ended December 31, 2012, 790,000 for the year ended December 31, 2013 and 1.23 million for the year ended December 31, 2014 (*pro forma* for the acquisition of the SDN Group). For the year ended December 31, 2014, Labco handled 878,000 clinical case files, 192,000 medical imaging case files, 35,000 nuclear imaging case files and 169,000 other case files.

Emerging Countries

Labco began to offer services in emerging countries after acquiring the CIC laboratory in 2011 (renamed Labco NOÛS in 2013), a laboratory located in Barcelona that performs specialty tests. At the time of the acquisition, Labco NOÛS already had sales offices in Brazil, Colombia and the Middle East. Since then, it has opened two more, in Peru and Mexico. Labco's legal representations in Latin America are purely commercial subsidiaries that negotiate service contracts with local laboratory groups that allow them to send their specialty tests to the technical platform in Barcelona. Local representatives are also in charge of supervising customer relations, promoting new tests and ensuring the smooth running of operations.

In addition to its sales offices, Labco NOÛS also has sales representatives who are Labco Group employees as well as independent commercial agents whose mission is to negotiate new contracts in the regions where Labco has not established as much of a presence as in Western Europe, such as Latin America (Ecuador, Uruguay and Chile), Eastern Europe (Romania and Poland) and North Africa.

As tests for emerging countries are performed by Labco NOÛS in Barcelona, business from emerging countries is allocated to Labco's Iberia cash generating unit and therefore the corresponding revenue is recognized in Spain's revenue.

Germany

In 2008, Labco entered the German market by acquiring six laboratories located in the country's four western *Länder*: Baden-Württemberg (Karlsruhe); Hesses (Dillenburg, Giessen and Marburg); Saar (St-Ingbert); and Rhineland-Palatinate (Duisburg).

The competitive environment in Germany is characterized by an advanced level of market consolidation, with a few major international companies (e.g., Sonic Healthcare, Limbach, Synlab), and mid-sized regional companies.

In such a highly technical environment, the small size of Labco's operations in Germany rapidly came to be seen as a detrimental factor. Furthermore, the results of Labco's German operations were severely affected by contentious relations with the former owners of some of the laboratories that Labco acquired. Due to the lack of non-compete clauses, these owners left the Labco Group to set up directly competing businesses in the very same local markets. Finally, in the case of Labco's Dillenburg laboratory, Labco discovered that the selling shareholders had overcharged private insurance companies and the Hessen health insurance fund. As the new management team notified the relevant authorities of the fraud, this laboratory's revenue massively contracted and, in turn, significantly reduced the overall results for this company. Labco sued the former owners of this laboratory and recovered compensation of €5.5 million. Although a new management team was recruited in 2011 and operational efficiency program was implemented (consolidation of Hessen-located laboratories, the internalization of logistics, pooling of support functions at the Frankfurt site), the turnaround in Labco's German operations remained insufficient in view of its profitability demands. In particular, the turnaround significantly slowed as a result of sweeping price reductions implemented in 2012 at a regional level, and from 2013 onwards at a federal level.

The severe deterioration in Labco's revenue in Germany resulted in a €36 million goodwill impairment loss that was recognized in the German business in its 2012 consolidated financial statements.

Acknowledging its badly weakened market position in Germany, Labco's board of directors decided in the summer of 2013 to conduct a strategic review of its operations in this country. Shortly after launching this review, Labco received an indication of interest for these operations from Sonic Healthcare, an Australian competitor that already has significant operations in Germany. Talks were soon opened and swiftly enabled the main points of a sale agreement to be agreed upon. The agreement was signed on September 26, 2013 and the transaction completed on December 2, 2013.

Labco's German operations were sold for €76 million, showing a double-digit EBITDA multiple.

The sale contract for Labco's German operations includes the usual liabilities guarantee clauses, which expired on June 2, 2015 without any claims, and provides that Labco remains exposed to possible residual eventual legal risks related to the specific situations relating to the Dillenburg and Duisburg laboratories.

Finally, the sale contract does not include a non-compete clause, as Labco reserves the right to re-enter the German market should the conditions allowing it to acquire a leadership position in this market be met.

Acquisitions and External Growth Strategy

Significant portions of the European clinical laboratory services market, including the French, German, Czech, Italian, Portuguese, Spanish and Swiss markets remain fragmented. These markets present opportunities for consolidation and growth, and the shift of test volumes from small, privately-owned laboratories, generally benefit larger laboratory companies or networks such as Synlab and Labco. Synlab and Labco are both leading consolidators in the European clinical laboratory services market based on the number of acquisitions that they have completed.

From 2012 to 2014, Synlab completed 44 acquisitions, primarily in Germany, Italy, Belgium and North Europe. In the first three months of 2015, Synlab completed an additional seven acquisitions and, since March 31, 2015, has entered into sale and purchase agreements in respect of four acquisitions that it expects to close in 2015.

In the years ended December 31, 2012, 2013 and 2014, Labco completed 16, 11 and 16 acquisitions, respectively, and in the three months ended March 31, 2015, Labco completed two acquisitions.

Synlab's Growth Strategy

Since Synlab's founding, it has developed its business both through strategic acquisitions of local and regional laboratories, as well as through selective acquisitions of larger clinical laboratory groups to access new markets and expand its presence in existing markets. Since 2009, when Synlab merged with FutureLAB and acquired Fleming Labs, it has acquired over 60 laboratories.

Synlab's acquisition strategy has three primary objectives: expand its footprint in existing markets, reinforce its scientific expertise and expand into new markets. Acquisitions within Synlab's existing footprint increased its network density, while acquisitions outside its footprint in an existing market enabled Synlab to move into new, attractive regions in a given country. For example, in recent years, Synlab has continued to expand its laboratory network in Italy through cross-region acquisitions to expand its presence beyond Lombardy—including Veneto in 2011, E. Romagna and Lazio in 2013 and Campania in 2014—while at the same time acquiring laboratories and new blood collection points to increase the density of its laboratory network and leverage synergies.

Acquisitions to reinforce Synlab's scientific expertise primarily relate to purchases of laboratories in adjacent or niche markets. For example, in early 2012, Synlab acquired a German laboratory active in preventive testing, thereby expanding its offering to cover additional interpretations of test results consistent with complementary and alternative medicine approaches. More recent acquisitions include laboratories in human genetics and pathology as well as laboratories active in environmental and veterinary testing. Synlab believes these acquisitions complement its test offering by adding knowhow and innovation to its existing platform and present it with significant cross-selling opportunities.

In recent years, Synlab has also acquired laboratories in new geographic markets to diversify its geographic exposure, enter into attractive growth markets and realize synergies from leveraging its existing laboratory network platform. For example, in 2012, Synlab entered the Belgian market through the acquisition of Laboratoire Collard, a leading regional provider of human and veterinary medicine testing services in Wallonia, the French speaking part of Belgium. In July 2013, Synlab entered the Baltic and Scandinavian markets through the acquisition of Quattromed Group, which was active in Estonia, Lithuania and Finland. Synlab has utilized the acquired laboratory facilities in Estonia, including a central laboratory, as a platform for further growth by leveraging its scale, brand and best practices to accelerate growth and generate synergies, mainly in Finland.

Synlab has developed a structured and disciplined approach to acquisitions. Smaller potential acquisitions are initially screened for strategic fit de-centrally by Synlab's country chief executive officers, whereas larger acquisitions are screened at a group level by its executive board. Once a target is identified and before a non-binding offer is submitted, initial due diligence is conducted by Synlab's local management (in the case of acquisitions in existing markets) and its M&A department in close coordination with its group sourcing and operations teams. Final board approvals of acquisitions are subject to consideration and satisfaction of a rigorous set of criteria, including, among others, geographic and strategic fit, customary due diligence, valuation multiples, synergy potential and review by Synlab's post-merger integration teams.

Integration of acquired targets is primarily handled by Synlab's country management teams, with oversight and support provided by management at a group level. Post-merger integration of acquisitions is focused on certain synergy levers, including laboratory network optimization and streamlining of processes, back-office centralization, test volume in sourcing of previously outsourced specialty test volumes to Synlab's central laboratories and procurement optimization. Procurement optimization includes implementation of Synlab's pan-European framework conditions with preferred suppliers as soon as the closing of the acquisition has occurred as well as introduction of standardize laboratory processes and best practices consistent with Synlab's European laboratory network.

Labco's Growth Strategy

Since Labco was founded in 2003, it has implemented a selective external growth strategy aimed at developing its network of clinical laboratories and it constantly reviews acquisition opportunities. Labco's strategy with regard to acquisitions in particular consists in targeting three categories of laboratories or medical diagnostics centers. First, Labco targets incremental ("bolt-on") acquisitions in zones where it already has technical platforms since this leads to the rapid implementation of industrial synergies. In addition, Labco is interested in acquisitions that enable it to improve its coverage of a given region, which means mainly acquiring large platforms in new markets from which Labco will be able to implement its strategy of consolidating smaller operators. Finally, Labco considers acquisitions that allow it to acquire new scientific or technological capacities that can subsequently be deployed throughout its network. Labco is particularly interested in innovations that fit with its strategy of acquiring business that enhance its technological capabilities, especially anatomical pathology, molecular biology and molecular imaging.

Labco generally requires the laboratory doctors who have sold their businesses to it to continue to operate them. In addition, depending on the case, Labco either offers these laboratory doctors the chance to reinvest some of the proceedings from the sale in buying or subscribing for shares in Labco. In the case of substantial acquisitions, Labco likes to ensure that the key managers of the companies it has acquired, who know the region well, join its management team. For instance, Luis Vieira, the current Executive Vice-President of Corporate Development in Europe, became a member of Labco's management team following the acquisition of Sampletest, S.A. in 2008.

Labco has developed a structured approach to acquisitions that enables it to complete these transactions under the best financial and legal terms and conditions, while carrying them out quickly enough to be able to acquire, in a short time span, the most attractive opportunities. Three kinds of synergies can be generated: a reduction in the cost of sales; optimizing the workforce; and cutting other costs related to operations, mainly logistics costs and administrative expenses. For bolt-on acquisitions, once an acquisition has been completed, Labco aims to achieve about half of the synergies expected from the transaction in the first year and then virtually all the remaining synergies during the second year. With larger platform acquisitions, Labco aims to achieve all synergies within the same time period as for bolt-on acquisitions; however, a greater proportion of the synergies for such larger acquisitions are usually realized in the second year following the acquisition and may be delayed further, sometimes significantly, since implementing the measures required to realize the synergies typically takes longer.

Therefore, after factoring in operating gains, the acquisition multiple that Labco achieved on Labco NOÛS was 2.6 times 2014 EBITDA versus 4.9 times 2010 EBITDA.

Labco NOÛS's activity is recognized in the Iberia cash-generating unit, as the samples coming from Latin America are treated in Spain on the technical platform in Barcelona.

In France, Labco's strategy has consisted of unifying the analytical phase and transferring the pre-analytical phase to Sampling Centers. As a result, operational synergies and significant productivity gains were achieved as a result of the automation of tests, optimizing the workforce, the existence of a common IT platform and the setting up of a shared services center.

In addition, Labco is focused on consolidating its position in Europe both through its selective growth strategy and through opportunistic larger acquisitions. Labco has set up a European development team dedicated to identifying potential acquisition targets. This team, which includes financial analysts, local in-house lawyers and local representatives in charge of development, carries out market studies covering, in particular, the regulatory and competitive environments of the countries in which Labco operates or in countries where it is considering the possibility of setting up operations. This team can draw upon, in each of these geographical zones, a constantly updated database covering the potential acquisition targets. By the end of February 2015, the database contained more than 70 entities; were all of such acquisitions to take place, ten of these entities would strengthen Labco's geographical coverage and ten of them would broaden its clinical service offering, while the other acquisitions would be integrated incrementally with its existing laboratories. Labco Group representatives use this database, among other things, to decide whether to get in touch directly or indirectly with the legal entities or natural persons who hold controlling interests in the potential targets. These targets are also identified as a result of relationships forged by Labco's laboratory doctors with their colleagues and proposals made by owners of laboratories who would like to join Labco's network.

When assessing potential targets, Labco studies and evaluates several financial, legal and strategic criteria that may vary according to the country in which the targets are located. The financial criteria include the target's EBITDA margin, return on capital employed (pre-tax operating income as a ratio of capital employed, defined as non-current assets plus working capital), potential synergies and the compatibility of investments with Labco's financial commitments. Among the legal criteria, are analysis of the legal structure of the target, the regulatory constraints applicable to this target and the entirety of the commitments and events that can likely generate constraints or specific risks. The strategic criteria include the target's margins, the extent to which the relevant market has already undergone concentration and its remaining consolidation potential and how close the target's laboratories are located to Labco's own, as well as their size and profitability. Another major assessment criterion is the extent to which the target's laboratories fit strategically in particular with respect to the techniques used and the tests performed by these laboratories that could help Labco build up some of its operations or widen its know-how to specific fields that would complete its range of expertise. Furthermore, when those who could relinquish control of such a target consider the option of continuing to work subsequently for Labco, their ability to buy into Labco's model and corporate culture is also a decisive criterion of whether or not Labco makes the acquisition.

As soon as a target is identified, the acquisition project is reviewed by a deal team composed of a project manager, the relevant country managing director and Labco's President of Corporate Development.

The project is then presented to the management team and, when the investment under consideration is so large or of a nature that requires prior approval from Labco's board of directors, the board decides whether to approve the project or not, after an examination of a complete presentation file.

A compliance certificate for the acquisition is drawn up. It sums up the relevant acquisition in detail by showing the target's key parameters, performance indicators and key financial items so that these indicators can subsequently be monitored to assess the target's performance. Acquisitions carried out less than one year earlier are reviewed to a limited extent every month while the performance of acquisitions made more than a year earlier is reviewed in depth every six months over three years. Labco expects that its acquisition process will be revised following the Acquisition.

Quality Standards

Synlab and Labco are subject to regulation relating to the quality of the tests they perform and the manner in which they conduct tests. In every country in which they operate, Synlab and Labco are both subject to the national legislation that defines the mandatory quality standards they must comply with in their respective operations. These regulatory requirements vary from one country to the next.

Synlab's Quality Standards

Synlab's quality assurance efforts primarily focus on correct patient identification of samples, reporting accuracy, proficiency testing, reference range relevance, process audits, statistical process control and personnel training at all of its laboratories and blood collection centers. Synlab also focuses on ensuring that its professional and technical staff receive the proper training and satisfy applicable licensing and credentials requirements.

Synlab believes that it is in compliance with applicable accreditation or certification standards and, in applicable jurisdictions, the requirements of standard-setting bodies, such as the International Organization for Standardization ("ISO"), among others. For more detail on certain regulations to which Synlab's operations are subject, see "*Regulation*."

Synlab seeks to assure the highest level of diagnostic quality control throughout its group. Synlab's laboratories follow quality control assessment processes and are subject to periodic external reviews for quality assurance. In addition, in various countries, Synlab is a member of self-regulation associations of laboratories or physicians and is committed to the highest quality standards for laboratory services. For example, Synlab is a founding member of ("ÄQL"), the German Laboratory Association for Quality in Laboratory Medicine, and assisted in the promulgation of its Code of Conduct for laboratory physicians and in Switzerland, Synlab is a member of the Swiss Federation of Analytical Medical Laboratories (*Foederatio Analyticorum Medicinalium Helveticorum*, or FAMH).

Synlab is committed to a strategy of medical expertise and scientific leadership based on the highest standards of quality and reliability. Synlab will continue to focus on providing customers with accurate test results with the highest possible medical precision, the shortest turnaround time and a zero analysis error rate. Synlab intends to further develop its medical expertise by ensuring that all of its laboratories continue to be fully-accredited at the highest European standards.

Labco's Quality Standards

As Labco seeks to harmonize quality standards throughout its network, it has set up a quality assurance program that also includes compliance with applicable accreditation or certification standards such as those laid down by the ISO, as well as internal quality assurance standards. The three ISO standards most commonly applied in the sector are ISO 9001, ISO 17025 and ISO 15189. The latter, which is extremely demanding, more specifically applies to clinical laboratories.

Laboratory accreditations according to ISO 15189 are difficult to compare as they vary greatly in scope. Accreditation can cover:

- facilities: places where the tests or samples are carried out;
- test categories, including biochemistry, hematology and coagulation; and
- the tests themselves within each of their respective categories, such as cholesterol, glucose, white blood cells, blood platelets and HIV serology.

For example, a SEL with five facilities comprising two laboratories and three Sampling Centers could be accredited as follows:

- accreditation of one laboratory for the bacteriology test category and for samples at that site;
- accreditation of the other laboratory for biochemistry, hematology and coagulation test categories; and
- accreditation of the three Sampling Centers for samples.

All of the SEL's facilities are therefore accredited but it would be wrong to say that the SEL is accredited for all the tests it performs.

Labco is currently conducting quality programs at a national level in all the countries in which it operates. Labco has therefore set up a European Quality Committee, composed of laboratory doctors and clinical pharmacists, which is in charge of these national quality programs.

France has the strictest quality standards (see "*Regulation—France*"). Labco has therefore set up a national committee composed of five laboratory doctors (or clinical pharmacists) and three internal quality experts, as well as a quality department that employs around 40 quality experts. In addition, upon their integration within the Labco Group, each SEL president undertakes to sign a charter setting out the internal quality policy.

In France, Labco supplies every laboratory in its network with a quality reference handbook along with access to a documentary database, including ISO 9001, ISO 17025 during the first accreditation four-year period and ISO 15189.

The laboratories are subject to an internal audit and an independent external audit by COFRAC. Accreditations are subject to periodic review every twelve months and then every 15 months.

As of November 1, 2016, all clinical laboratories will have to be accredited for 50% of the clinical laboratory tests they perform. This threshold will be raised to 70% as of November 1, 2018 and then to 100% as of November 1, 2020 (see "*Regulation—France*"). In order to achieve this target, Labco has already made significant progress towards complying with the minimum accreditation standards required under ISO 15189.

As of June 30, 2015, 90% of Labco's SELs were ISO 15189 accredited by COFRAC, 7.5% were awaiting COFRAC's decision and 2.5% were awaiting a COFRAC audit. For comparison purposes, according to COFRAC, as of early June 2015, 1,012 laboratories have engaged in an accreditation process and 52% are ISO 15189 accredited.

In the United Kingdom, laboratories have to be accredited by the United Kingdom Accreditation Service ("UKAS"), the national accreditation bureau or the Clinical Pathology Accreditation ("CPA"). In 2009, CPA became a subsidiary of UKAS pursuant to the modernization and development of clinical services in the United Kingdom. All the laboratories accredited by CPA will have to comply with the UKAS accreditation and the intention is for CPA accreditation and standards to ultimately be withdrawn and replaced by UKAS accreditation to the internationally recognized standard ISO 15189. UKAS accreditation standards are converging with those of the ISO 15189 accreditation. Of the six laboratories in the United Kingdom, five are currently CPA accredited and one is UKAS accredited.

In Belgium, the March 19, 2008 Royal Decree imposes an obligation on any laboratory wishing to offer molecular clinical services to obtain ISO 15189 accreditation relating to the departments' tests from the BELAC, the national bureau for Belgian accreditation.

In the other countries where Labco operates, although accreditation is not a prerequisite, most of its laboratories have begun the accreditation process in order to obtain this international recognition of quality.

Environmental, Health and Safety

Both Synlab's and Labco's operations are subject to licensing, authorization and regulation under EU, national and local laws and regulations relating to the protection of the environment and human health and occupational health and safety, including those governing the handling, transportation and disposal of medical samples and biological, infectious and hazardous waste, and the clean-up of contaminated sites. All of their respective laboratories are subject to strict requirements for the disposal of laboratory samples at authorized facilities, and both Synlab and Labco generally use external service providers for the disposal of such samples.

In addition, Synlab and Labco have to meet extensive requirements relating to workplace safety for employees in clinical laboratories who could be exposed to various biological risks such as blood-borne pathogens (including HIV and the hepatitis B virus). These requirements include work practice controls, protective clothing and equipment, training, medical follow-ups, vaccinations and other measures designed to minimize exposure to, and the transmission of, blood-borne pathogens.

Synlab believes it is in material compliance with applicable environmental requirements. However, there can be no guarantee that significant costs will not be incurred for environmental matters. See "*Risk Factors—Risks Related to Our Commercial Activities—Failure to comply with environmental, health and safety* *laws and regulations may result in fines, penalties and other costs as well as the loss of our licenses and authorizations, which could have a material adverse effect on our operations*." Synlab employs comprehensive and strict environmental, health and safety systems in its facilities.

Although Labco is not aware of any current material noncompliance with or any failure to comply with any specific obligation under environmental, health and safety laws and regulations in connection with its operations, failure to comply with such laws and regulations in the future could result in civil and criminal fines and penalties, remediation costs, enforcement actions, the suspension or termination of Labco's licenses and authorizations to operate or third-party claims (see "*Risk Factors—Risks Related to Our Commercial Activities*").

Our Customers

Synlab's Customers

Synlab's customer and payer base comprises more than 30,000 medical practices, 700 hospitals and thousands of individual customers, primarily through Synlab's 285 blood collection points in countries such as Italy, the Czech Republic and Belgium. Synlab's customers and payers also include public and private healthcare providers, including hospitals, public and private clinics and laboratories, physicians, public health agencies, the general public, statutory and private health insurance companies, pharmaceutical companies and clinical research organizations. Patients come to Synlab in a variety of ways: on an in-patient or out-patient basis, as walk-ins, by physician referral or through outsourced testing.

Synlab's customer base is highly diversified and is not characterized by customer concentration. For the year ended December 31, 2014, Synlab estimates that its top general practitioner referrer accounted for significantly less than 1% of its revenue and its largest hospital chain customer accounted for approximately 1% of its revenue.

Synlab enters into long-term contracts with a number of hospitals and clinics, including hospital and clinic full outsourcing contracts, the terms of which are typically up to five years in duration and include an option to renew, which is frequently exercised. Synlab's customer contracts in place with various hospitals are usually concluded following the acquisition of an existing laboratory operated or working in cooperation with the laboratory.

Labco's Customers

Labco provides testing services to a diverse range of customers. Labco considers any party that either directly gets in touch with it or refers a patient to one of its laboratories to be a "customer." It considers any party from whom a sample is taken or on whom a test is performed to be a "patient." Lastly, Labco considers any party that pays for the tests performed to be a "payer." In most cases and depending on the country, Labco's customers, patients and payers are different persons or entities.

Labco's customer base varies considerably from country to country. The main categories of customers to whom Labco provides its services are as follows:

- *Patients.* In France, Italy and, albeit to a lesser extent, in Portugal, patients with a prescription for testing from their doctor may choose the clinical laboratory in which their tests will be performed. The main factor taken into consideration when choosing a laboratory is usually how close it is to their home or workplace. Labco has therefore positioned its network of laboratories in France and Italy mostly in small towns, city centers and suburbs.
- *Independent healthcare professionals and partnerships of health professionals.* In certain countries, healthcare professionals who require testing for their patients can recommend Labco's laboratories. In Belgium and in Switzerland, healthcare professionals take samples themselves and send them to hospitals or private laboratories such as Labco's. Consequently, the relationship with healthcare professionals is a major commercial challenge.
- *Hospitals.* Labco provides hospitals with services ranging from routine and specialty testing to contract management services. Labco operates certain clinical laboratories which hospitals generally maintain on-site to perform immediate testing. However, hospitals may also refer less time sensitive, less frequently needed and highly specialized procedures to outside facilities, including independent clinical laboratories such as Labco's. Labco provides hospital outsourcing services in France, Spain, Portugal, Germany and the United Kingdom. Labco typically enters into mid- and long-term contracts with such clients.

- *Laboratories.* Labco performs specialty tests for other clinical testing laboratories via its Labco NOÛS subsidiary. These laboratories are found in Europe but also in Latin America, the Middle East and North Africa (see "*—Labco's Core Markets—Emerging Countries*").
- *Private Medical Insurance Companies.* In certain countries such as Spain, private medical insurance companies typically require their insured patients to choose from a list of pre-selected laboratories with which these insurers have a reimbursement contract. The list varies depending on the patient's private insurance scheme.
- *Companies.* In jurisdictions such as Spain, Portugal and Italy, employees are entitled to a regular medical check-up paid for by their companies. The services related to these check-ups are generally provided by specialized companies that subsequently subcontract the tests to a private laboratory.
- *Other institutions.* Labco also provides services to other institutions, including government agencies and other independent clinical laboratories that lack the breadth of its testing capabilities.

Invoicing and Payment Procedures

Billing for laboratory services is a complex process that sometimes involves many payers. According to the billing arrangement and the applicable law of the country in which Synlab and Labco each operates, the payer may be either a third party responsible for providing health insurance coverage to patients (such as a national public health insurance system, a private medical insurance company or an employer), a patient, a practitioner or any other party (such as a hospital, another laboratory or an employer) that referred the patient, or several of these parties. Other than in Synlab's hospital outsourcing business, Synlab generally bills for clinical testing services on a fee-for-service basis.

For example, in the outpatient sector in Germany, different price and compensation levels exist under the SHI and PHI systems. In the SHI system, a uniform assessment standard (*Einheitlicher Bewertungsmaßstab*, or "EBM") for compensation has been established at the federal level based on a point system and fixed tariffs. Laboratories invoice the SHIs according to the EBM, which sets standardized limits on compensation across SHIs. In the PHI system, a binding scale of fees for physicians (*Gebührenordnung für Ärzte*, or "GOÄ") has been enacted by the Federal Ministry of Health. The GOÄ is the equivalent of the EBM for PHI patients and sets price corridors for each service. In the PHI system, the laboratories invoice the PHI patients according to the GOÄ, and the patients claim reimbursement from their PHIs. In the inpatient setting, private laboratories invoice hospitals according to negotiated contracts which may be based on flat rates or fees per test that are measured as a percentage of GOÄ values.

Generally, Labco bills for clinical testing services on a fee-for-service basis, except in Spain where it has entered into agreements with some private insurance companies on the basis of individual policyholders' expenditure.

Although neither Synlab nor Labco has knowledge of material problems with or issues with respect to receiving its fees, both are exposed to the risk of nonpayment by patients or other customers. See "*Risk Factors—Risks Related to Our Commercial Activities—Financial difficulties of a customer or third-party payer may result in payment delays or require us to write off debts*."

See "*Industry*" for a description of the billing and payment arrangements in each of the markets in which Synlab and Labco each operate.

Our Suppliers

Synlab's Suppliers and Procurement

The primary equipment and materials required to conduct Synlab's business activities are testing equipment, reagents and other consumables. Synlab regularly reviews its testing equipment needs and have entered into pan-European procurement agreements with certain preferred laboratory suppliers for the supply of chemical reagents and testing equipment. The terms of these agreements typically range from five to seven years and include pricing frameworks which ensure consistent pricing across countries. Synlab has also entered into "per reportable result" agreements for certain testing equipment, reagents and services. Under these agreements, the costs for reagents and consumables as well as the required testing equipment and related services are variable and depend on the number of tests performed. In particular, the cost of testing equipment machines as well as the costs for reagents and consumables is frequently based on the type and number of reported results over a given period with certain minimum volumes of reported results and discounts above certain volume thresholds agreed from time to time in individual agreements.

Synlab does not generally enter into exclusivity contracts with respect to its suppliers. Synlab does, however, enter into exclusive framework agreements for its primary supplies, pursuant to which suppliers provide Synlab's laboratories with equipment, reagents and other consumables on an exclusive basis for a specific medical area of testing for a fixed term of several years. There are a number of other suppliers who are able to supply the equipment and materials necessary for the performance of Synlab's tests. Accordingly, Synlab does not believe it is dependent on any single supplier.

Labco's Suppliers and Procurement

The main equipment and material required by Labco's operations are testing equipment and reagents. Labco regularly assesses its equipment (analytical systems, robotics, and pre- and post-analytical devices) and has entered into national or pan-European pricing agreements with certain laboratory suppliers chosen after calls for tenders. These agreements set purchase prices for reagents according to an adjustable pricing grid as well as for equipment and maintenance required to ensure satisfactory operation of laboratories.

These pricing agreements are entered into for an average term of five years according to the kind of activity but parties are entitled to renegotiate the agreed prices if reimbursement levels set in the relevant county are lowered unless an automatic adjustment in prices was previously provided for in the contract. This provision enables Labco to benefit from the latest technological and medical advances and strike the right balance between total cost, innovation, flexibility and risk management, as quality remains one of Labco's key priorities. For instance, Labco's Quality department steps in at the very beginning of the tendering process by drafting specifications for every category of operation which suppliers must comply with.

In 2014, Labco's three largest suppliers were Siemens, Biomérieux and Roche. They accounted for less than 40% of Labco's total purchases of reagents and consumables. Several other suppliers can supply Labco with the equipment required to perform its tests. Accordingly, Labco believes that it does not depend on any one supplier and therefore losing one of its current suppliers would probably not have a material adverse effect on its business.

Labco increasingly enters into leasing contracts based on a "fee-for-service" model for its laboratory devices. These contracts provide that suppliers of reagents provide Labco with laboratory devices, and in exchange it undertakes to buy reagents exclusively from them. Accordingly, the price that Labco pays to these suppliers also includes the reagents themselves as well as the rental and maintenance of the equipment. Since 2009, Labco has also implemented inventory management policies for its network of laboratories, which are aimed at lowering the level of its inventories by asking suppliers to remain the owners of certain products held in Labco's inventories and by making supply deliveries flexible according to the needs of Labco's laboratories.

Labco regularly launches initiatives aimed at reducing costs for all expenditure items. In particular, in order to lower the cost of raw materials and maintain its margins against a backdrop of price cuts imposed on clinical testing in many countries, Labco launched a pan-European program called SPORT in 2009. It has resulted in a reduction in consumed purchases by cutting the number of suppliers and by negotiating better business terms and conditions as a result of the use of framework contracts, particularly for purchases of reagents used in clinical testing. For example, four European calls for tenders covering up to five countries were successfully concluded during 2014 in the following fields: consumables, microbiology, electrophoresis and immunology-hematology.

Information Technology Systems

Both Synlab and Labco use IT systems in virtually all aspects of their respective businesses, particularly in clinical testing, test reporting, billing, customer service, logistics and the management of medical data. Our ability to maintain our combined business' operations depends on the continued and uninterrupted performance of our IT systems, especially when time is of the essence for a laboratory test result.

Synlab's Information Technology

Historically, Synlab has grown through acquisitions, and, as a consequence, newly acquired laboratories often use older software platforms that are not consistent with the systems it has implemented on a group-wide basis or otherwise used in the relevant country. Synlab uses its internal reporting system in order to monitor key performance indicators in each of its laboratories and adjusts its operations accordingly. Synlab is continually integrating laboratory, reporting, billing and other information technology systems, particularly with respect to newly acquired laboratories but also with respect to existing laboratories. Synlab expects that the implementation of integrated practices and systems across its network will take time to complete, and until such completion, there is a risk that Synlab's operations could be disrupted during the implementation of new systems.

Synlab's current operational initiatives include various measures to further optimize its IT systems across its laboratory network as well as improve internal financial and operational reporting. For example, in Switzerland, Synlab is implementing a unified laboratory information system structure to reduce its IT systems to three, one for each language region in Switzerland. Furthermore, in Germany, Synlab is enhancing the reporting quality and transparency to allow for benchmarking of certain performance indicators by region, location and cost center through the introduction of uniform reporting processes. Monthly reporting of such reporting indicators has been introduced recently, with further refinements to be rolled out in certain locations, depending on the IT infrastructure of a particular site. Finally, Synlab intends to further leverage best practices in the management of blood collection points to facilitate a direct IT interface between its expanding network of blood collection points and its analysis systems.

Synlab has implemented application-specific measures such as stable and redundantly-designed IT systems, backup processes, virus and access protection and encryption systems as well as standardized IT infrastructure and applications. Synlab regularly tests and updates its IT systems. Risk management related to IT systems and applications is conducted using standardized regulations as well as an internal control system.

Labco's Information Technology Systems

Labco has standardized some of its systems and are rolling out standard laboratory information and invoicing systems in all its operations, including those of recently acquired companies. Nonetheless, Labco sometimes still uses non-standardized IT systems for billing and laboratory work as well as centralized information systems for some of the companies it has recently acquired. However, Labco forecasts that rolling out standardized practices and systems throughout its network will take several years; in the meantime, Labco's operations might be negatively affected because of cases of incompatibility between the various IT systems used within them. The breakdowns in Labco's IT systems that would result from systems being converted could disrupt Labco's operations and result in customers or business opportunities being lost (see "*Risk Factors—Risks Related to Our Technology and Intellectual Property Rights*").

Faced with growing demand for the electronic delivery of laboratory data and because Labco is committed to improving its patients' experience, it intends to develop its platforms by adding new capabilities and services. In order to do so, Labco is automating the workflow in patient service centers as well as data processing in laboratories, while working on integrating patient health records and developing online access to information on services and test results for its customers.

In the last few years, Labco has invested heavily in its IT systems to develop the following functionalities:

- It selected Axional to set up its enterprise resource planning system (ERP). The implementation of the asset management and procurement management modules of the system began in 2012 and the were finalized in the first half of 2015. Other system modules will be rolled out once Labco has finished ascertaining its functional needs;
- an application for the publication of clinical results, owned by the Labco Group, which will enhance Labco's relationships with patients, healthcare professionals, nurses and hospitals. The project has been fully deployed in France and Switzerland and is expected to be rolled out in Spain, Portugal and Belgium. Labco plans to further improve this application by also targeting healthcare professionals and mobile users. Since it was set up in 2007, more than ten million patients' case files have been processed and subsequently archived;

- a shared laboratory information system in Spain. Labco launched the convergence process in 2012 and expect it to be completed by the end of 2015;
- a database or "Group Datawarehouse" for all Labco subsidiaries, covering the operational, human resources and procurement aspects in an initial phase. Rolled out in 2013 and 2014 in France, the system's deployment will be completed in late 2015; and
- a mobile application called "iLab" that enables healthcare professionals and partners of Labco's laboratories (such as nurses and homes for dependent seniors) to look up catalogues of tests and instructions on how to take samples, and to remain informed of any possible changes. This will result in a better level of services and compliance. Labco has been working on the enhancement of this application and on adapting it to different countries, and plan to deliver a version for patients in 2015.

In 2014, Labco launched a project to standardize the laboratory information systems for all network members by 2020. This project, known as "EuroLIS," aims to replace all the information systems currently used in the network laboratories to gain significantly in flexibility and productivity. EuroLIS will initially be implemented in several pilot laboratories in France in 2016 and then rolled out to all the French laboratories. In a second stage, it will be rolled out Europe-wide.

Sales Forces, Assistance in Performing Tests and Establishing Diagnostics

Synlab and Labco operate in highly competitive markets across Europe, in which referring parties can send tests to the laboratory of their choice.

Synlab competes primarily on the basis of the quality of its clinical laboratory testing, innovation in its services, the breadth of the test parameters and services it offers, access points (e.g., blood collection points) throughout the various countries in which its operates and prices in the hospital laboratory outsourcing market and in segments in which the prices for its services. In certain markets or segments of its markets, prices may be freely negotiated, including, in environmental laboratory services and veterinary diagnostics.

To stand out from its competitors, Labco mainly relies on the quality of its diagnostic services, innovations in its services, the wide range of services it offers, the fact that its laboratories are easily accessible in the various countries in which its operates and, when the hospital laboratory market has been outsourced, on the prices it offers.

Synlab's and Labco's laboratory doctors play an important role in sales and marketing due to the relationships they have forged with customers. They are backed by a sales force in charge of identifying potential customers with whom laboratory doctors can subsequently get in touch with when local regulations allow them to do so.

Synlab's laboratory doctors also continue to conduct independent research supported by Synlab and participate in international networks and pan-European scientific committees for certain areas of specialty testing. They are supported by Synlab's country management teams.

In the case of Labco, for example in Spain, it is up to management to identify key prospective customers because reimbursement agreements must be negotiated with private insurance companies. Labco's laboratory doctors are subsequently entrusted with the task of establishing a relationship with such healthcare professionals in Spain. In addition, Labco has developed new applications aimed in particular at healthcare professionals. See "*—Information Technology Systems.*"

Property, Plant and Equipment

Synlab's operational facilities consist predominantly of clinical laboratories, collection centers and office space while Labco's facilities consist primarily of Labco Collection Centers, routine testing laboratories, emergency services hospital laboratories, technical platforms and specialty platforms.

Synlab's Property, Plant and Equipment

Synlab rents nearly all of its premises and a significant majority of its laboratory equipment pursuant to commercial and operating leases, respectively. Synlab believes that its laboratories are generally adequate for its present needs and that suitable additional or replacement space would be available to the extent required.

The following table sets out certain information related to Synlab's laboratories and blood collection centers by country, as of December 31, 2014:

Country	Facilities
Germany	119 laboratories (5 central labs, 23 base labs, 91 satellite labs), 20 environmental labs and 5 veterinary labs
Switzerland	18 laboratories (3 central labs, 4 base labs, 11 satellite labs) and 11 blood collection points
Italy	8 laboratories (1 central lab, 5 base labs, 2 satellite labs) and 115 blood collection points
Czech Republic	28 laboratories (2 central labs, 12 base labs, 14 satellite labs) and 51 blood collection points
Belgium	3 laboratories (1 central lab, 2 base labs) and 53 blood collection points
Hungary	25 laboratories (1 central lab, 11 base labs, 13 satellite labs) and 23 blood collection points
Austria	9 laboratories (1 central lab and 8 satellite labs) and 7 blood collection points
North Europe(1)	63 laboratories (1 central lab, 5 base labs, 57 satellite labs) and 10 blood collection points
Rest of World(2)	28 laboratories (1, central lab, 20 base labs, 7 satellite labs)

(1) North Europe comprises Finland, Norway, Estonia and Lithuania.

(2) Rest of world comprises the following 11 countries: Belarus, Croatia, Cyprus, Macedonia, Poland, Romania, Slovakia, Slovenia, Turkey, the United Arab Emirates and the United Kingdom.

Labco's Property, Plant and Equipment

As of December 31, 2014, Labco owned property, plant and equipment with a gross value of approximately €261.3 million, including €50.8 million in the form of contracts eligible to be accounted for as leases under IFRS.

The property, plant and equipment that Labco owns is described in Note 15 to its consolidated financial statements for the years ended December 31, 2012, 2013 and 2014 included elsewhere in this offering memorandum.

Real Estate

Labco's policy is to lease rather than own its facilities, preferably through long-term leases, except where concentrated activity justifies the acquisition of the buildings in which these activities are conducted. Labco rents its head office in Paris. Labco believes that its facilities are generally adequate for its present needs and that suitable additional or replacement space would be available if required.

Barcelona Project

On October 2, 2014, Labco acquired a building in Barcelona to bring together the activities of five production plants, a storage facility and administrative offices in a single location. This building is ideally located as it is close to the Barcelona ring road (*Ronda de Dalt*) and lies within easy reach of the airport (13 km) and the city center (10 km).

The various departments will occupy three floors and a basement providing 5,747 square meters in total floor space. This space is due to be increased in the second half of 2016 to 8,957 square meters. The total cost of this project is estimated at €15.5 million, including reorganization costs (relating to removal expenses, double rent and redundancy payments), of which €12.0 million of expenditure was incurred in 2014 in acquiring the building and completing the initial refurbishment works.

Prior to this acquisition, Labco occupied approximately 7,000 square meters of space in the Barcelona region at an annual cost of approximately €0.8 million. Bringing operations together at a single location will optimize efficiency and reduce overhead costs, generating economies of scale.

Basildon Project

The Basildon real estate project results from Labco entering into an outsourcing contract with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital

NHS Foundation Trust. Labco has undertaken to build a new technical platform to perform all of the non-urgent tests at the two hospitals. A site has been chosen to host the new laboratory facility in north Basildon, close to the A127 road. The proximity of this major road means that the journey time to Southend hospital will be less than 25 minutes, and the location also offers easy and rapid access to London as well as to the region's other public hospitals.

iPP Facilities Ltd, the subsidiary responsible for managing Labco's assets in the United Kingdom, completed this acquisition on September 29, 2014. In advance of this purchase, Labco prepared, along with its partner Ashley House Ltd., the refurbishing and conversion of the premises, which are currently used as office and warehouse space. Labco is also working with its principal suppliers to equip this new technical platform with all the requisite technology. The laboratory facility is expected to open in the first half of 2016.

The total cost of the project is £5.4 million, excluding taxes, consisting of £1.0 million used to acquire the building at the end of September 2014 and £4.4 million to refurbish and convert the premises.

This project will give Labco better control and greater flexibility in the management of its real estate portfolio in the United Kingdom. In addition, given the length of the contract entered into with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust, this project is financially more attractive than a conventional lease.

Property in Belgium

As part of the acquisition of a laboratory in Belgium in July 2014, Labco acquired a building with floor space of approximately 650 square meters via a Belgian real estate holding company created in 2014 called General Immo, for €1.7 million. A sample-taking laboratory is located on the ground floor of the building, which also contains offices. The building is located on one of Brussels' main thoroughfares.

Other Property, Plant and Equipment

The property, plant and equipment that Labco owns consists mainly of technical equipment and installations, particularly automated devices and tools used to perform clinical testing, office and IT facilities, fixtures and fittings for the premises and vehicles.

Employees

On a combined basis, Synlab/Labco employed a total of over 13,000 people as of December 31, 2014.

Synlab's Employees

As of March 31, 2015, Synlab had 8,006 full-time equivalent employees, including 654 laboratory doctors, 270 scientists and 3,699 medical technical assistants. The following table sets forth Synlab's average number of employees for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2012	**2013**	**2014**	**2015**
Administration	1,866	2,246	2,419	2,470
Operations	4,983	5,299	5,395	5,506
Total	**6,849**	**7,545**	**7,814**	**7,975**
Domestic (Germany)	4,247	4,218	4,205	4,134
Foreign countries	2,602	3,327	3,609	3,841
Total	**6,849**	**7,545**	**7,814**	**7,975**

The increase in the number of employees from 2012 to 2013 was primarily attributable to acquisitions of laboratories in North Europe. The increase in the number of employees from 2013 to 2014 was primarily attributable to acquisitions of laboratories in Italy.

Synlab believes that its relationships with its employees are generally good. Synlab has not suffered any material work stoppages or strikes in recent years.

The countries in which Synlab operates provide various protections and other rights to employees. These employment rights may require Synlab to expend greater time and cost in altering or amending employees' terms of employment or making staff reductions.

Synlab is subject to certain mandatory bargaining agreements (*Tarifverträge*) in certain countries, such as Germany, and collective bargaining agreements with unions representing its employees in certain other countries, including in Italy and Hungary. In Germany, certain of Synlab's employees in Germany are represented by works councils (*Betriebsrat*) and other representative bodies for employees with various information, consultation and co-determination rights. For example, they must be notified in advance of any employee layoffs, must consent to hirings and relocations of employees and are granted co-determination rights in social matters, such as work schedules and rules of conduct. As German law prohibits asking employees whether they are members of unions, Synlab does not know how many of its employees are unionized. In general, Synlab's employees in Germany fall within the scope of the German Dismissal Protection Act (*Kündigungsschutzgesetz*), which limits Synlab's ability to terminate individual employment relationships unilaterally. Synlab also complies with the German Anti-Discrimination Act (*Allgemeines Gleichbehandlungsgesetz*) and comparable legislation in other countries in which it operates.

Labco's Employees

As of December 31, 2014, Labco employed almost 6,000 people. Its workforce is increasing continuously, mainly due to its external growth policy.

During the year ended December 31, 2014, Labco's staff costs amounted to approximately €232.8 million compared with approximately €213.5 million for the year ended December 31, 2013, as adjusted for staff costs incurred by Labco's German business, which was sold on December 2, 2013. Staff costs include gross salaries paid to employees and corresponding employer's social security contributions, as well as fees paid to self- employed (*travailleurs non-salariés*) professionals.

Staff costs (€ million)	2014	201
Wages and salaries	180.7	163.6
Social security charges	52.1	49.9
Total	**232.8**	**213.5**

Breakdown of Employees by Country

The table below shows a breakdown of Labco's employees by country as of December 31, 2014:

	France	Spain	Portugal	United Kingdom	Italy	Belgium	Switzerland	South America(1)	Total
Number of employees	2,907	1,350	538	542	471	138	9	26	5,981

(1) Presence in Brazil, Peru, Colombia and Mexico.

Until 2014, Labco's human resources management was decentralized to each entity within the Labco Group, and in some cases was outsourced to specialized independent firms (particularly in France). A coordinated, consistent human resources policy, introduced in the third quarter of 2014, is currently being implemented across the Labco Group. This policy aims to harmonize the presentation of the workforce according to whether they are linked to one of the three production phases (pre-analytical, analytical and post-analytical) or to support services.

The table below shows a breakdown of Labco's workforce by country as a percentage of total employees as of December 31, 2014:

	France	Spain	Portugal	United Kingdom	Italy	Belgium	Switzerland	South America(1)	Total
Workforce (percentage)	48.6%	22.6%	9.0%	9.1%	7.9%	2.3%	0.2%		0.4%

(1) Presence in Brazil, Peru, Colombia and Mexico.

As of December 31, 2014, 71% of Labco's workforce was employed in France and Spain. Between 2013 and 2014, the salaried workforce increased by 78% in Italy and by 223% in the United Kingdom, following the acquisition of the SDN Group on July 31, 2014 on the one hand and the transfer of NHS employees pursuant to the agreements with Basildon and Thurrock University Hospital NHS Foundation Trust and Southend University Hospital NHS Foundation Trust on the other hand.

Breakdown of Employees by Country and Occupational Category

The following table shows a breakdown of Labco's employees by occupational category and by country as of December 31, 2014:

December 2014	France	Spain	Portugal	United Kingdom	Italy	Belgium	Switzerland	Latin America
Production								
Lab doctor	84	109	52	0	76	0	1	0
Management[(1)]	6	9	0	35	4	1	0	0
Technician	1,137	682	240	246	53	47	3	0
Sampling[(2)]	271	188	0	53	24	1	0	0
Messenger	218	13	17	14	13	23	3	0
Secretaries	840	189	68	32	151	38	0	0
Lab assistant[(3)]	144	10	134	134	42	2	1	0
Support								
Central support function	109[(4)]	106	19	6	1	0	0	0
Local support function	98	44	8	22	107	26	1	26

(1) Management of technical teams only.

(2) Includes nurses.

(3) Includes maintenance personnel.

(4) Includes headquarter personnel of the entire Labco Group.

Breakdown of Workforce Between Full-Time and Part-Time

Labco complies with local legislation on working hours in each country in which it operates. The working week for Labco's employees ranges from 35 hours in France to 40 hours in the United Kingdom and Portugal.

The table below shows a breakdown of Labco's employees in Europe for full- time and part-time workers (excluding South America) as of December 31, 2014:

	Number of Group employees	Percentage of Group employees
Full-time	4,362	73%
Part-time	1,593	27%

Employee Representation

Elections for employee representative bodies have been held in each of Labco's subsidiaries in accordance with applicable legislation. The rights, obligations and operating methods of these bodies vary from one country to another, depending on local legislation.

In France, social dialogue is structured at the company level. Each company has, if necessary, a works council and trade union representatives or a single staff representative body, depending on the number of employees and the complexity of the company's structure. The management of each company negotiates agreements with the representative trade unions on subjects such as incentive plans, gender equality and working time reduction and flexibility. Such company's management chairs the bodies and can negotiate company-wide agreements with the company's trade union representatives.

In the United Kingdom, in-depth work has been carried out with social partners to define the rules and organization governing the transfer of staff from the NHS to Labco's business under a public—private partnership.

There is currently no staff representation at the Labco Group level.

Research and Development, Patents and Licenses

As of March 31, 2015, Synlab owned or had the right to a limited number of trademarks or trade names related to its business. Synlab believes that its trademarks are of value to its business, but, other than its "synlab" brand name, no one trademark is material to its business as a whole.

Labco places considerable emphasis on using equipment at the cutting edge of technology in every laboratory it runs. Labco does not have any specific research and development centers or employee categories devoted to research because it relies in this regard on the results of the research and development research obtained by its equipment and test suppliers.

However, since the acquisition of the SDN Group in July 2014, Labco now runs a research and development activity through the non-profit scientific foundation in which the SDN Group actively participates (see *"—Labco's Core Markets—Overview of Labco's Southern European Market—Italy"*).

Labco operates under several different business names, trademarks and service brands. Although Labco has consolidated a large portion of its business under the "Labco" name, it sometimes operates under the business name of the laboratory acquired in order to gain access to the latter's customer base and reap the benefit of the prestige associated with the trademark or business name of the laboratory concerned.

Ten brands, including the Labco (device) trademark, the Labco NOÛS Advanced Special Diagnostics (device) trademark and the SDN (device) trademark were the object of a community registration and are therefore protected in each of the 28 countries of the European Union, including France (see "*Risk Factors—Risks Related to Our Technology and Intellectual Property Rights*"). The Labco (device) trademark was also registered in Switzerland and other trademarks have been registered in Spain, Portugal and Italy.

Other than the "Labco" trademark, Labco does not believe that any of its other business names, service brands and trademarks are essential for its business activities. Labco has also registered several domain names.

Labco actively protects its intellectual property, particularly by registering its trademarks and business names.

Insurance

We believe that the types and amounts of our existing insurance policies are adequate in terms of both amounts covered and conditions of coverage to cover the major risks of our business, taking into account the cost of insurance coverage and the potential risks to business operations. However, there can be no assurance that no losses will be incurred or that this coverage will be sufficient to cover the cost of defense or damages in the event of a significant claim. In addition, longer interruptions of operations in one or more of our laboratories can, even if insured, result in loss of sales, profit, customers and market share.

Synlab maintains insurance policies to cover risks for physical damage to, and loss of, its equipment and properties and losses related to business interruption, professional and general liabilities that may arise in the ordinary course of business. Synlab also maintains liability coverage for directors and officers. These policies are generally renewed annually.

Synlab also maintains various other insurance policies to cover a number of other risks related to its business, such as employment practices, accident and sickness, automobile liability and physical damage and employers' liability, as well as general excess liability policies which reimburse it in certain situations when the limit under the applicable primary liability policy is insufficient to fully satisfy a valid claim.

Labco maintains insurance against various risks related to its business, including mandatory professional civil liability (for which amendments are made from time to time for laboratories conducting specific activities within the scope of Labco's business, such as artificial insemination or prenatal diagnosis), combined property damage and, in respect of certain of Labco's laboratories, business interruption policies. Labco has taken out directors' and officers' liability insurance for executives within the Labco Group. Labco also maintains applicable compulsory workers' compensation and motor liability coverage.

Legal Proceedings

Synlab's Legal Proceedings

Synlab is party to various legal and regulatory proceedings arising in the ordinary course of business. Synlab is not currently involved in any legal or regulatory proceedings, nor is it aware of any threatened claims against it that it expects to have a material adverse effect on its financial position and results of operations. However, the outcome of legal and regulatory matters can be extremely difficult to predict with any certainty, and there can be no assurances in this regard.

An issue in a dispute between Synlab and one of its suppliers has been resolved in Synlab's favor, as an arbitral tribunal found that the termination of a supply contract was found to have been caused by the supplier. The supplier had brought a claim for breach of a supply contract, and Synlab had counterclaimed for damages, a claim which is still pending. Synlab expects a result in its favor.

In another dispute between Synlab and one of its suppliers currently pending before an arbitral tribunal, Synlab has brought a damage claim in connection with an alleged breach of the supplier's obligations under a framework agreement. Synlab expects a decision soon.

Labco's Legal Proceedings

In the ordinary course of its business, Labco is involved and may in the future be involved in certain contentious proceedings (including administrative, judiciary, arbitration and disciplinary proceedings), relating to matters concerning the professional liability of its laboratories, disputes with laboratory doctors, medical doctors and employees and regulatory issues, as well as enquiries initiated by regulatory authorities, professional associations and health insurers, regarding, among other things, billing matters. Labco also operates in a regulated business sector and, as such, is subject, in the ordinary course of its business, to particular controls and supervision by the competent national or local healthcare authorities. Regulations with which Labco must comply may increase its costs or restrict its activities. Failure to comply with such regulations may lead to sanctions of various types. Future alterations to regulations that apply to Labco could have a material adverse impact on its business (see "*Risk Factors—Risks Related to Our Commercial Activities*").

Labco set aside provisions where there is a sufficient probability of the litigation in question leading to costs for Labco or any of its subsidiaries. The overall amount of provisions for disputes to which Labco is exposed amounted to €1.6 million as of December 31, 2013 and €4.2 million as of December 31, 2014.

Ordre des pharmaciens and Ordre des médecins

The following is a summary of the disciplinary proceedings and other proceedings commenced against Labco by the *Ordre des pharmaciens* and *Ordre des médecins* in France, and of the proceedings commenced by Labco against the *Ordre des pharmaciens*.

In France, the *Ordre des pharmaciens* and, to a lesser extent, the *Ordre des médecins* have challenged Labco's organizational and legal structure. In numerous instances, the *Ordre des pharmaciens* has instituted disciplinary actions against Labco's SELs or laboratory doctors. In 2003, shortly after Labco was founded, the *Ordre des pharmaciens* and the *Ordre des médecins* (together, the "*Ordres*"), in a joint letter to Labco, expressed the view that Labco's project of creating a network of laboratories contravened the principle of independence of laboratory doctors. In that joint letter, the *Ordres* highlighted two aspects of Labco's structure: (i) capital ownership and voting rights arrangements between the laboratory doctors working in each SEL and the rest of the Labco Group; and (ii) the ultimate ownership of a network of laboratories by a financial holding company not subject to the French regulation pertaining to clinical laboratories.

In keeping with this initial position, the *Ordre des pharmaciens*, as well as in several instances the *Ordre des médecins*, have raised a number of objections to the organization of Labco's French operations in the context of their administrative review of proposed changes to the articles of association (*statuts*) or to the ownership structure of SELs of clinical laboratories. Those objections were communicated to the competent administrative authorities in charge of granting the administrative approvals and authorizations necessary for Labco's SELs to operate their laboratories. All such approvals and authorizations were nevertheless eventually granted. Most of the objections raised by the *Ordres* related to the capital ownership structure of Labco's SELs of clinical laboratories in France. The *Ordres* argued that the ownership of a large majority of shares in a SEL operating a clinical laboratory by a person or entity other than the laboratory doctors working in that laboratory constituted a threat to the independence of such laboratory doctors, notwithstanding the fact that such laboratory doctors retained a majority of the voting rights at shareholders' general meetings, as required by regulations. The *Ordres* also challenged the separation of voting rights from economic rights in such a manner. In addition, the *Ordre des pharmaciens* expressed the view that the qualified majority voting provisions contained in the articles of association of Labco's SELs for certain decisions were incompatible with the principle of independence of laboratory doctors insofar as they took away from doctors practicing within the laboratory the final decision-making power over a number of matters pertaining to the laboratory. Finally, the *Ordre des pharmaciens* challenged the provisions set forth in the articles of association of SELs and providing for the distribution of priority dividends to those laboratory doctors who are also shareholders in their laboratory company. The *Ordre des pharmaciens* argued that such provisions, by limiting *ex ante* the share of dividends to be distributed to laboratory doctors, was incompatible with the principle of the independence of laboratory doctors. Both the *Ordres* have, in several cases, raised objections to the registration, based on one or more of the above grounds, of one of Labco's SELs on their respective national registries.

At the disciplinary level, the *Ordre des pharmaciens* brought a number of proceedings against certain of Labco's SELs, as well as against laboratory doctors practicing within those SELs. Several of these proceedings, some of which are still pending, directly challenge the capital ownership structure and the qualified majority voting provisions contained in the articles of association of Labco's SELs as a breach of the principle of independence of laboratory doctors. The *Ordre des pharmaciens* has also regularly brought, or threatened to bring, disciplinary proceedings against Labco's SELs for failing in a timely manner to file with it proposed changes in articles of association or capital ownership. Some of those proceedings are still pending. Labco's SELs and laboratory doctors concerned have appealed these decisions and before the disciplinary chamber of the *Ordre des pharmaciens* at the *Conseil d'Etat* have won a number of cases on procedural grounds. In addition, certain of Labco's laboratory doctors and SELs have been subject to disciplinary measures for failing to maintain adequate health, safety and quality standards. Certain of these disciplinary proceedings, brought on the grounds of a failure to meet filing requirements or to maintain adequate health, safety and quality standards, resulted in decisions to close, for periods ranging from one week to several months, several of Labco's laboratories. In several instances, however, Labco successfully obtained from the competent administrative authority a requisition order to prevent such closing, arguing the public need for access to local laboratory testing services.

In 2007, Labco filed a complaint with the European Commission, arguing that the *Ordre des pharmaciens* had inappropriately used its administrative and disciplinary powers to impede the development of free competition and the creation of groups of laboratories in the French clinical laboratories services market. On December 8, 2010, the European Commission ruled against the *Ordre des pharmaciens*, finding that the *Ordre des pharmaciens* had (i) systematically targeted groups like Labco since 2003 with the aim of impeding their development and (ii) set minimum prices on the French clinical laboratories services market between September 2004 and September 2007, limiting the negotiation of discounts in contracts with large customers such as hospitals or insurance bodies. The European Commission held that the *Ordre des pharmaciens* had breached competition rules and provisions relating to restrictive business practices in the Treaty establishing the European Community by introducing such distortions to competition without it being justified by public health reasons. The Commission thus imposed a €5 million fine on the *Ordre des pharmaciens* and its governing bodies. According to the press release issued by the European Commission commenting on its decision, the European Commission's ruling did not extend to an appreciation of the French laws regulating the clinical laboratories market, but was only related to the behavior of the *Ordre des pharmaciens*. The *Ordre des pharmaciens* appealed against this decision to the European General Court, which, on December 10, 2014, confirmed that the French *Ordre des pharmaciens* had restrained competition in the clinical laboratory services market. Even though the court confirmed the decision of the Commission, it reduced the fine imposed on the *Ordre des pharmaciens* from €5.00 million to €4.75 million. Through a press release dated February 23, 2015, the *Ordre des pharmaciens* confirmed that it would not file an appeal against this decision before the Court of Justice of the European Union.

On March 5, 2015, the *Conseil Central de la Section G*, which is the body of the *Ordre des pharmaciens* competent for clinical testing, closed, during an administrative session, several disciplinary cases without taking any action. The losing of these cases results from a withdrawal of the complaints filed by its president against Labco's laboratory doctors and SELs. Even though the reason for these withdrawals is not mentioned, they are probably the result of the decision of the *Ordre des pharmaciens* not to appeal the ruling of the European General Court.

Aggrieved parties such as Labco are entitled to seek damages before French courts on the basis of the European Commission's decision as confirmed by the court. Consequently, Labco commenced proceedings in 2013 against the *Ordre des pharmaciens* seeking damages. Those proceedings are still underway before the Paris Administrative Court (*Tribunal administratif de Paris*).

French Disputes

Fosty

Through a writ of summons dated June 10, 2013, Fosty, Labco's chief financial officer when the company was still an SAS (*société par actions simplifiée*), asked for a ruling that Labco be ordered to pay to it the following sums plus interest: (i) termination compensation of €520,300 relating to a contract entered into on December 18, 2008; (ii) remuneration of €36,156 (later reduced to €23,695.83); (iii) €20,000 in damages; and (iv) €10,000 under Article 700 of the French Civil Procedure Code (later increased to €15,000).

As part of the proceedings before the Paris Commercial Court, Labco asked for all of Fosty's claims to be rejected, on the grounds that (i) the compensation clause in the December 2008 contract was void and inapplicable in the present case, (ii) no real diligence justified the remuneration claimed and (iii) the claim for damages had no basis. Labco also counterclaimed for €20,000 in damages from Fosty for bringing unjustified proceedings and €15,000 under Article 700 of the French Civil Procedure Code.

On November 28, 2014, the Paris Commercial Court, after a first-instance hearing involving both parties, ruled in favor of Fosty, reducing, however, the damages to €5,000 in respect of non-pecuniary loss (moral damages) and €10,000 under Article 700 of the French Civil Procedure Code. Since the judgment was immediately enforceable, Labco paid the aforementioned amounts but appealed against the decision to the Paris Appeal Court on January 5, 2015.

The provision that Labco set aside, which covered all of the potential risk associated with these proceedings, was used on December 31, 2014 to pay the immediately enforceable judgment amounts. Labco agreed on May 26, 2015, to withdraw the appeal upon closing of the Acquisition.

Labco Midi

Labco's subsidiary Labco Midi leased premises that had previously been rented by a rival laboratory, and that laboratory brought an interim claim (*en référé*) and then a full claim (*au fond*) against Labco. The claimant is claiming from Labco Midi, jointly and severally with the lessor, €1,320,737 in damages and €20,000 under Article 700 of the French Civil Procedure Code for alleged unfair competition. The claimant's interim application was dismissed on April 4, 2013 and the substantive full proceedings are now pending before the Montpellier First Instance Court (*Tribunal de Grande Instance de Montpellier*). Since the claimant itself terminated the lease for the premises leased by Labco Midi, Labco believes that the claim is completely unfounded.

Portuguese Disputes

In September 2014, Labco Diagnostics, one of Labco's Portuguese subsidiaries, was sued, together with a hospital and a medical doctor, for around €2.8 million with respect to an alleged misdiagnosis. The proceedings are at a preliminary stage and Labco believes that the claim for compensation is unfounded.

German Disputes

The following disputes concern companies that no longer belong to Labco. However, they may result in financial liability for the Labco Group because of specific warranties given to the buyer of Labco's German operations, Sonic Healthcare, in late 2013 under the sale agreement.

MVZ Medizinisches Fachlabor Dillenburg GmbH

Legal proceedings brought by the board of the professional association of doctors for the Nordrhein region against former Labco Group subsidiary MVZ Medizinisches Fachlabor Dillenburg GmbH relate to alleged over-billing and fraud relating to the manipulation of test results and the related invoices.

Fees were incorrectly invoiced to the German health insurer Kassenärztliche Vereiningung Hessen ("KV Hessen") and private mutual health insurers by the managers and previous shareholders of that subsidiary, before it was acquired by Labco. Internal audits that Labco performed found irregularities which led to civil and criminal legal proceedings against the former managers. As part of the criminal investigation led by the local prosecuting authority, victim—offender mediation took place, as a result of which Labco's former subsidiary was indemnified in an amount of €5.5 million under a settlement agreement with the former managers and shareholders.

Labco's former subsidiary has already made an undertaking to the board of the professional association of doctors for the Nordrhein region to correct invoices issued between July 1, 2008 and the second quarter of 2012, and to pay the recovery fees arising from the situation. In return, the board has undertaken to limit the amount claimed for the reimbursement of incorrectly invoiced fees. On the basis of this settlement, Labco expects to be ordered to pay €648,845.65; Labco recognized such amount as a provision in its consolidated financial statements for the year ended December 31, 2014.

MVZ Labor Duisburg GmbH

Proceedings involving Labco's former subsidiary MVZ Labor Duisburg GmbH relate to a claim commenced on March 1, 2013 by the North Rhine Appeals Committee of Physicians and Statutory Health.

In a letter sent to that company dated December 28, 2012, a health insurer stated that it had carried out random checks for the period between the third quarter of 2008 and the third quarter of 2011 following claims that a doctor, who has now left the subsidiary, had overprescribed drugs to a patient suffering from hemophilia.

Those checks found an abnormally large number of prescriptions for that patient. After initial proceedings against the doctor, the health insurer's supervisory body also commenced administrative proceedings against MVZ Labor Duisburg GmbH, seeking the reimbursement of prescriptions made by that doctor between April 24, 2008 and July 25, 2011, amounting to €1,325,969. The hearing before the appeal committee took place on October 29, 2014. Labco is awaiting its decision, but consider the claims against its former subsidiary to be unfounded. No provision was recognized for this dispute.

REGULATION

In all the countries in which we operate, the medical diagnostic market (including clinical laboratory tests) is subject to stringent regulation and is supervised by various regulatory bodies. This regulation and supervision strongly influence the way in which we operate. With respect to clinical laboratories, this regulation primarily relates to operating standards, the professional qualifications laboratory staff must hold, restrictions on equity interests in companies operating laboratories and their corporate governance (which restrictions are noticeably stringent in France), and the prices, and the reimbursement of clinical laboratory tests. By way of illustration, in some countries, regulations on owning and operating laboratories require each laboratory or small group of laboratories to be held through a separate subsidiary. In some countries such as France, the regulations also govern the legal form of the entities via which laboratories may be held.

Our operations are also subject to numerous other legal and regulatory provisions, in particular with respect to the handling and storing of certain chemical products and reagents, the disposal of infectious healthcare waste ("*déchets d'activités de soins à risque infectueux*"), the handling and storing of personal data (notably the patients' medical information) and the prevention of fraud to social security systems.

Germany

Laboratory Diagnostics

In Germany, the health insurance system distinguishes between statutory health insurance (*Gesetzliche Krankenversicherung*, "SHI") and the private health insurance (*Private Krankenversicherung*, "PHI"). About 90% of the German population is covered by SHI. The following focuses on our services for SHI patients and SHI reimbursement.

Outpatient medical services, including clinical laboratory testing services, to patients insured through SHI must be provided either by physicians who are licensed by administrative order (*Vertragsärzte*) or by certain non-physician service providers who are licensed by contract with the respective patient's SHI fund. The services must be conducted under the personal supervision and control of such qualified specialists (*Prinzip der persönlichen Leistungserbringung*). Hospitals may also provide outpatient laboratory testing services in certain specialized areas such as oncology, in which case hospital-specific regulations and tariffs apply.

We provide our laboratory testing services primarily by medical care centers (*Medizinische Versorgungszentren*, "MVZ") employing qualified physicians. Alternatively, laboratory work may be provided through independent (*freiberuflich*) office-based physicians, working as sole practitioners or in collaboration with other qualified physicians. In addition, clinical laboratory services providers can enter into outsourcing or other cooperation agreements to provide clinical laboratory services to hospitals.

To obtain admission (*vertragärztliche Zulassung*) and to thereby provide medical services to patients insured under the SHI scheme, MVZs have to meet certain specific eligibility requirements:

- Under the current law, each MVZ is required to offer multidisciplinary services (*fachübergreifende Tätigkeit*), which de facto requires the presence of at least two physicians with different areas of specialization at the same site. Recent case law suggests that two part-time physicians working at least 20 hours per week with different areas of specialization may suffice. Pursuant to a recently enacted bill entering into force on July 23, 2015, the operation of a MVZ will no longer require multidisciplinary services. Under the new regulation, MVZs may be founded and continued with one or more physicians of the same discipline.
- As it is usually the case, our physicians are employees of the MVZ, however, the law also allows to maintain their status as SHI physicians. The employment of a physician at the MVZ must be approved by way of an administrative order issued by the licensing committee.
- A qualified and licensed SHI physician who works at the MVZ must supervise the provision of any medical services offered by the MVZ. The articles of association of each MVZ operating company must specify that shareholders may not instruct physicians acting in their medical capacity.
- MVZs licensed in or after 2012 must be organized in the legal forms of a partnership (a general partnership under German civil law (GbR), a registered partnership (*Partnerschaftsgesellschaft*), a registered cooperative (*eingetragene Genossenschaft*), or a limited liability company (GmbH). MVZs which obtained their license before 2012 benefit from a grandfathering provision pursuant to sec. 95

para. 1a of the Social Security Code V (*Sozialgesetzbuch Fünftes Buch*, "SGB V"). The grandfathering only refers to the status quo of the MVZ (i.e., the legal form and shareholder structure of a MVZ may only be amended into a legal form and shareholder structure which is permissible under the new law).

- Since 2012, MVZs may only be founded and their shares be held by SHI-authorized physicians, SHI-authorized hospitals, licensed non-physician dialysis service providers and non-profit providers already licensed to provide services to publicly-insured patients.
- Prior to 2012, any healthcare service provider licensed to provide services to SHI patients was entitled to establish a MVZ entity. Investors that did not qualify as a healthcare services provider were able to indirectly establish and operate a MVZ by acting through non-physician healthcare service providers, which are not limited by similar ownership restrictions. To those MVZs licensed prior to 2012, the grandfathering provision under sec. 95 para. 1a SGB V is also applicable. Grandfathering protection ceases after six months if new shareholders participate in the MVZ entity that would have not been permitted as shareholders prior to 2012 (sec. 95 para. 6 SGB V).
- Shareholders of an MVZ operating in the legal form of a GmbH must provide a directly enforceable guarantee (*selbstschuldnerische Bürgschaft*) for potential claims of the SHI physicians' associations (*kassenärztlichen Vereinigungen*) and SHI funds against the MVZ entity relating to the MVZ's operation as a SHI healthcare provider. The obligations of the guarantor are strictly accessory to the obligations of the MVZ as principal debtor and are not subject to priority claims by the beneficiaries of these guarantees.

We believe that all German MVZs owned by us have obtained the relevant admissions.

The admission of outpatient medical service providers for SHI services is generally subject to capacity planning (*Bedarfsplanung*) on a state-by-state basis, which means that admission is restricted in certain areas of medical specialization. Under this scheme, which was subject to significant amendments in 2013, SHI admission in restricted areas, whether through individual practice or as an employee in an MVZ, is only granted if the applicant already holds a planning position (*Kassenarztsitz*, or *Arztstelle* in a MVZ) in that state or takes over the practice of physician who holds an existing planning position. The replacement of a planning position generally requires a formal public procurement proceeding prior to the transfer of a planning position to another physician. For an MVZ, additional rules apply. An MVZ may generally be allowed to replace an employed doctor who leaves the MVZ; however, when a physician in individual practice abandons his or her planning position to work in an MVZ, the licensing committee generally has to consent to such employment. While previously exempted, laboratory specialists also became subject to capacity planning in 2013.

In the outpatient sector, different price and compensation levels exist under the SHI and PHI systems. In the SHI system, a uniform assessment standard *Einheitlicher Bewertungsmaßstab*, ("EBM") for compensation of medical services has been established at the federal level. The EBM is mandatory in the SHI scheme and the fees for lab services are laid down in chapter 32. Payments are distributed and effected at the state level by state associations of SHI physicians (*Kassenärztliche Vereinigungen*). In the second half of 2012, the German Federal Association of Statutory Health Insurance Physicians (*Kassenärztliche Bundesvereinigung*, or national KV) implemented a central federal quota (i.e., a capped percentage of the scheduled EBM fees) for laboratory tests. Contrary to the former system, whereby quotas on scheduled compensations were managed at the regional level, under the new national EBM funding structure quotas are calculated nationwide and in advance for each quarter with the general objective of limiting the recent significant increase in laboratory testing expenses in Germany. The quota for the fourth quarter of 2012 was 95.4%. It decreased for the first quarter of 2013 to 89.2%. The quota for the first quarter of 2015 is 91.6%. Tariff reductions are expected in respect of future quarters as well.

A dispute pending at the Federal Social Court (*Bundessozialgericht*) may not only affect the quota regulation in Hamburg in the fourth quarter of 2010, which is the subject of the dispute, but also the current federal quota system.

In the PHI system, a binding scale of fees for physicians (*Gebührenordnung für Ärzte*, "GOÄ") has been enacted by the Federal Ministry of Health. An amendment of the 30-year-old tariff system which has been part of perennial political discussions over the last decade is aimed to be implemented in the current legislative period.

Special contracts (*Selektivverträge*) between SHI funds and clinical laboratories are permitted in the German clinical laboratory services market, and lower prices may be agreed in exchange for volume guarantees. Prices for services provided to hospitals by clinical laboratory services operators under outsourcing or other cooperation contracts are subject to negotiation or public procurement, and are not directly regulated.

Environmental Testing and Analysis

Environmental testing orders are placed following a procurement procedure or following a direct order of private customers. Our service providers are licensed to the extent applicable, and, except for the location in Freiburg, all locations are also accredited according to DIN EN ISO 17025.

The locations are qualified by a number of diverse European, federal and state authorizations and notifications, depending on the operations carried out at the respective laboratory. For example, under sec. 15 para. 4 s. 2 of the Drinking Water Ordinance (*Trinkwasserverordnung*), certain examinations may be conducted by approved bodies. Certain of our locations are acknowledged as investigative bodies for waste industry under the law of the states as applicable as well as investigative bodies pursuant to sec. 18 of the Federal Soil Protection Act (*Bundesbodenschutzgesetz*). In addition, certain of our locations hold permits for testing and analyzing sewage for the self-control of waste water facilities and the waste water discharge required under the law of Saxony.

Veterinary Diagnostics

Pursuant to sec. 44 of the German Infection Protection Act (*Infektionsschutzgesetz*, "IFSG"), inter alia, the treatment of pathogenic agents requires permission by the competent authority, which may be denied if the applicant does not have sufficient expert knowledge or is found to be unreliable. The same is true for the treatment of epizootic pathogens under the Regulation on Epizootic Pathogens (*Tierseuchenerreger-Verordnung*).

Except for the site in Leverkusen, the permissions under the Regulation on Epizootic Pathogens (*Tierseuchenerreger-Verordnung*) have been granted to the full extent. The permission for the Leverkusen site is expected to be granted soon.

France

Description of the Regulations Applicable in France

Applicable rules to the operation of clinical laboratories

In France, the functioning (namely the establishment and operation) of clinical laboratories was historically governed by administrative authorizations. These authorizations were issued by the competent administrative authorities, after review of an application that described in detail the premises, equipment, performed tests and operating procedures of each laboratory, as well as the professional qualifications of the laboratory staff (including laboratory doctors), the governance of the laboratory and its corporate form. The regulations set minimal standards to be met in each of these areas. While the authorizations were not issued for a limited period of time, these could be withdrawn if the legal requirements for operating a clinical laboratory ceased to be fulfilled. Any change in the above had to be notified to the competent administrative authorities.

A January 13, 2010 Ordinance (*ordonnance n°2010-49 relative à la biologie médicale*), ratified and amended by the Law of 30 May 2013, replaced this administrative authorization procedure. Companies operating clinical laboratories are hence now subject to an accreditation procedure delivered by the French COFRAC (Committee for Accreditation) and to a declaration to the ARS (*Agence régionale de santé*), the regional health authority, prior to the opening of the clinical laboratory.

However, a transitional regime has also been introduced. Under this regime, existing administrative authorizations will remain in force until the clinical laboratories that hold them are accredited, but until no later than November 1, 2020, since these authorizations will be rescinded as of that date. New authorizations can no longer be issued apart from a very small number of cases, and under certain conditions, in the context of the restructuring of existing laboratories or site openings. At the same time, accreditation is gradually being made compulsory, in the following manner:

- as of November 1, 2016, clinical laboratories will no longer be allowed to operate without an accreditation covering 50% of the clinical tests they perform;

- as of November 1, 2018, clinical laboratories will no longer be allowed to operate without an accreditation covering 70% of the clinical tests they perform; and
- as of November 1, 2020, clinical laboratories will no longer be allowed to operate without an accreditation covering 100% of the clinical tests they perform.

Some of the provisions relating to the conditions under which COFRAC will deliver accreditations have yet to be specified in the enforcement decrees.

Accreditation under ISO 15189 (the international quality standard for clinical laboratories) is delivered by COFRAC. According to the accreditation procedure rules of COFRAC, the very first accreditation of a clinical laboratory is set to expire within four years following its delivery and is subject to an audit every twelve months, for so long as the first accreditation is in force. At the end of this first four-year period, a renewal audit is then undertaken and, if satisfactory, a five-year accreditation is delivered. COFRAC may suspend or withdraw a clinical laboratory's accreditation in case of failure to comply with the standards and regulatory requirements.

COFRAC may suspend or withdraw a clinical laboratory's accreditation for all or part of the laboratory's business if it fails to comply with applicable requirements. A ministerial decree dated October 17, 2012 as amended by a decree dated October 21, 2013 provides that applications to begin the accreditation process were to be addressed to COFRAC by any non-accredited laboratory no later than May 31, 2013; failing that, the non-accredited laboratory's application were to be regularized no later than October 31, 2013. All our laboratories in France have been notified by COFRAC that it has accepted their applications to enter the accreditation process within the deadlines set out in the mentioned decrees. In addition, the February 23, 2015 decree stated that, in order to be in compliance on November 1, 2016 with the accreditation conditions defined by the regulation, each clinical laboratory must submit to COFRAC by April 30, 2015 at the latest either an initial request for accreditation which will cover at least 50% of the clinical tests that it carries out, or, for clinical laboratories already having a partial accreditation, an accreditation extension request to cover the percentage of accredited tests defined above. In both circumstances, accreditation must apply to at least one test within each category of clinical test that the laboratory carries out.

There were two possible options for entering the accreditation process: route A, consisting of partial COFRAC accreditation (which option has been chosen by 48% of French clinical laboratories) and route B, consisting of temporary "Bio Quality" recognition, which recognition is due to disappear by 2015-2016 (which option has been chosen by 52% of French clinical laboratories). All of our SELs (but one) have chosen route A as it is a longer lasting solution under the transitional provisions. Fewer than 20% of laboratories having opted for route B had filed an accreditation application on November 1, 2014. The mandatory timeline stipulated by the Law of 30 May 2013 has had the effect of accelerating consolidation in the French clinical laboratory market, as the laboratories experiencing difficulties with their accreditation process being forced to merge rapidly with accredited structures. Based on discussions with various market operators, we clearly stand out as the network with the highest number of accredited laboratories.

The ARS, as the competent administrative authorities in France, are responsible for ensuring that clinical laboratories comply with existing sanitary and safety regulations through on-site inspections. Any change in the operating conditions of a laboratory or in the legal or financial structure of the company operating the laboratory must be notified to the ARS. In addition, some tests or categories of tests are controlled by specialized agencies as part of an annual quality control program. The ARS may impose administrative sanctions on SELs, as well as, in certain instances, on laboratory doctors, that infringe certain provisions of the applicable regulation (in particular, health, safety and quality requirements). These sanctions range from fines (up to €2 million per SEL) to the temporary or permanent closure of the laboratory, in the case of particularly serious or repeated violations.

A clinical laboratory can be located on one or several sites. There is no limit under French law to the number of sites that a clinical laboratory may operate, but certain legal provisions may restrict the opening of new sites. Accordingly, a clinical laboratory that has not been granted an accreditation covering 100% of the clinical tests it performs may only open a new site if the total number of its sites open to the public does not increase as a result. Moreover, sites of a clinical laboratory cannot be located in more than three adjacent regional health territories, barring an exemption granted by the managing director of the competent ARS under the conditions set out by a decree issued by the government, reviewed for legality by the *Conseil d'Etat* and included in the regional health organization plan.

Lastly, the ARS can, or must, reject any opening of new sites in certain cases defined by the Law of 30 May 2013. For instance, the ARS' managing directors may oppose the opening of a clinical laboratory or site if it would result in an increase in the relevant regional health territory's availability of clinical tests to a level 25% higher than the population's needs, as defined by the regional health organization plan. They may also oppose, on grounds related to the risk of affecting the continuity of clinical testing availability, an acquisition or restructuring affecting a clinical laboratory or site when this acquisition or restructuring would result in the number of tests performed by the laboratory resulting from the acquisition or restructuring exceeding the threshold of 25% of all clinical tests carried out in the relevant health territory. Finally, the acquisition of shares of companies operating a clinical laboratory is not authorized when such an acquisition would enable a person or entity to control, directly or indirectly more than 33% of all clinical tests performed in the same health territory. A person or entity is deemed to control more than 33% of all clinical tests carried out in a health territory if they own, directly or indirectly, the majority of the share capital of several companies operating a clinical laboratory, and the combined business of those companies represents more than 33% of all clinical tests in that health territory.

French law also limits the number of tests that can be outsourced by one clinical laboratory to another for analysis and interpretation every year to 15% of the total number of tests carried out by the outsourcing laboratory. Subcontracting contracts must be registered with the ARS and professional *Ordres* (as defined below). Clinical laboratories, however, are free to distribute the tests to be carried out between their various sites as they wish. They can even concentrate the performance of all tests in a single site.

Laboratory doctors (doctors or pharmacists), laboratory technicians and nurses who collect samples taken from patients must meet minimum professional qualifications.

In France, every clinical laboratory must be supervised by at least one laboratory doctor (called the responsible laboratory doctor) who acts as the legal representative of the laboratory company operating the laboratory. This laboratory doctor is responsible for the laboratory's operations, including the processing of tests outsourced to other laboratories. A laboratory doctor can hold the position of responsible laboratory doctor in only one laboratory. Each of a laboratory's sites must also be supervised during its opening hours by a laboratory doctor who can be identified at all times and who can intervene within a timeframe that is compatible with the guarantee of patients' safety. Hence any laboratory shall have a number of laboratory doctors equal to at least the number of sites that it has created.

Laboratory doctors working in laboratories are subject to the same rules of professional conduct as doctors and pharmacists, depending on the professional Order they are members of. Laboratory doctors must be registered with the relevant professional association (the *Ordre des pharmaciens* for qualified pharmacists. and the *Ordre des médecins* for qualified medical doctors). Companies operating a clinical laboratory must also be registered with either one or both *Ordres*, based on the professional affiliation of the laboratory doctors practicing within the laboratories they operate.

The professional associations (the *Ordres*) are self- regulating bodies with administrative and disciplinary powers over practicing doctors and pharmacists, and over the companies that have registered with them. They also represent the collective interests of pharmacists (in the case of the *Ordre des pharmaciens)* and medical doctors (in the case of the *Ordre des médecins*), including, in both cases, the interests of laboratory doctors, before French public authorities. These *Ordres* may be called upon to issue opinions on certain issues involving their profession, including when bills and regulations are being drafted. They also monitor compliance with applicable laws, regulations and rules of professional conduct by practicing professionals and professional companies.

The principle of independence, defined in article R. 4235-18 of the French Public Health Code, is one of the professional conduct rules enforced by the *Ordre des pharmaciens*. Under this principle, a pharmacist must not be subject to any financial, commercial, technical or moral constraint, if such constraint could impair his or her professional independence. As for medical doctors, article R. 4127-5 of the French Public Health Code provides that a medical doctor cannot, in any manner whatsoever, compromise his or her professional independence. To guarantee this independence, when the responsible laboratory doctor thinks that the decisions taken by a physical or legal person operating a clinical laboratory could endanger patients' health, public health or the operating rules of the laboratory provided for in the French Public Health Code, the responsible laboratory doctor can inform the managing director of the competent ARS, who will then take appropriate measures.

The *Ordre des pharmaciens* and the *Ordre des médecins* maintain, as far as each is concerned, a national register of practicing professionals (*Tableau de l'Ordre*), on which every practicing pharmacist, doctor and professional company, must be registered, thereby regulating access to the profession. New companies operating clinical laboratories must apply for registration in the relevant national register as a prerequisite to obtaining the prefectoral approval referred to below. An *Ordre* may withhold or suspend registration if it notices that the applicant has breached the relevant rules of professional conduct.

Clinical laboratories are subject to ongoing regulatory supervision by the *Ordres* and must therefore submit certain proposed actions to the relevant *Ordre* or *Ordres* for review. These actions include any proposed change in the share capital or in the articles of association (*Statuts)* of the companies that operate the laboratories, any cooperation contract entered into with other clinical laboratories and, more generally, any agreement relating to the operations of laboratories or governing relations between their shareholders. After reviewing this information, the *Ordres* may inform the ARS of any breaches of the regulations. The ARS are not bound by the findings of the *Ordres* in this respect.

Each professional *Ordre*, using its disciplinary powers, may impose disciplinary sanctions on professional companies and laboratory doctors (doctors or pharmacists). An *Ordre* may especially temporarily or permanently suspend practicing laboratory doctors who have breached rules of professional conduct.

Certain illegal activities, including the illegal practice of clinical biology and the misleading use of the title of laboratory doctor, carry criminal penalties that range from a prohibition from practicing clinical biology or operating a clinical laboratory, to imprisonment for natural persons.

Clinical laboratories may not advertise their services, directly or indirectly, to the general public. However, scientific information given to medical doctors and pharmacists, the public announcement of the existence and location of a clinical laboratory published at the time of its opening or the opening of its sites, and references to the accreditation of a laboratory, are excluded from this prohibition.

With regard to pricing and reimbursement, clinical laboratories are bound by the prices set by the UNCAM. These prices are revised regularly following negotiations between the Ministry of Social Affairs, Health and Women's Rights, the UNCAM, the *Ordre des pharmaciens* and the *Ordre des médecins*. However, an agreement between the main French biologists' trade unions and UNCAM was signed on October 10, 2013. The purpose of such agreement is to give clinical laboratories visibility on their financial prospects over a three-year period and to facilitate a control over public healthcare spending. This led to a three-year agreement setting an annual growth target of 0.25% for clinical laboratory spending for the period 2014-2016. This target will be achieved by reductions in prices to be spread over the period, and a control of prescriptions, in order to offset the natural growth in volumes. Trade unions are due to meet with UNCAM every six months in order to assess the impact of changes in prices and determine what future changes may be necessary to meet the annual growth target. In late January 2015, UNCAM held discussions with trade unions to reiterate its commitment to the three-year agreement and to propose a rate revision commensurate with the growth in volume projected for 2014 and expected for 2015. We estimate that the proposed rate revision will have a gross adverse effect on revenue of around 1.50%, while the 2014 revision had a gross adverse effect of 2.51% and a net adverse effect of around 1.20% (reductions are estimates based on annual test volumes). According to CNAM's projections, volume growth in 2015 will make up for the decline and result in the 0.25% target for annual clinical expenditure growth set by the agreement being reached. On the basis of definitive 2014 figures and information about the trend in early 2015, at its meeting held July 8, 2015, CNAM decided to maintain the existing nomenclature for 2015. Another meeting is planned in November 2015 to assess the market spend evolution and potentially propose a rate revision for the beginning of 2016 to align the overall spend with the three-year agreement guideline. The expenses for clinical tests are reimbursed to the patients if the performed tests are registered upon a predetermined list set by the UNCAM and if the tests have been prescribed in compliance with applicable rules. The French authorities may be tempted in the future to extend the scope of the clinical tests which do not give rise to a reimbursement by the public health insurance funds, hence resulting in a significant decrease of the related prescriptions and revenues.

Restrictions on the ownership and corporate governance of companies operating clinical laboratories

Most importantly, French regulation imposes restrictions on the ownership and corporate governance structure of companies operating a clinical laboratory. These restrictions reflect the traditionally-held view in France that laboratories should be operated by small, privately run professional practices.

All our clinical laboratories in France are operated by SELASs (*société d'exercice libéral par actions simplifiée*), which are a specific category of SELs. This kind of company is governed, in particular, by the following principles:

- a SEL shall be registered on the national register of the *Ordre des médecins* or the *Ordre des pharmaciens* and must have been approved by the "*Préfet de départment*" of the area (who usually delegates this task to the ARS);
- a SEL can only be run by a laboratory doctor who is a shareholder of that SEL and who works for the SEL; a laboratory doctor can run only one SEL; and
- more than half of the share capital and voting rights of a SEL must be held, directly or indirectly (through specific companies), by the laboratory doctors working for the SEL.

The remaining shares and voting rights may be owned by professionals practicing the same profession, which may be either natural persons (i.e., laboratory doctors who do not practice within the SELs) or legal entities (i.e., companies operating laboratories).

Exceptionally, SELs of laboratory doctors that had a different capital ownership structure when the Law of 30 May 2013 was promulgated benefit from a grandfathering exception that allows them to keep their existing structure, so that laboratory doctors who do not practice within these SELs and companies that operate laboratories can continue to hold a majority stake in their share capital (but not in their voting rights). The law gives the laboratory doctors practicing within the SELs who qualify for this exemption a priority right should the shares of the SEL be put up for sale. If the laboratory doctors practicing within the SELs are unable to acquire the transferred shares, such shares can be proposed to professionals practicing the same profession (natural persons or legal entities) and to natural persons or legal entities that are neither laboratory doctors nor laboratory companies (within the limit of 25% of the share capital, as mentioned below);

- natural persons or legal entities that are neither laboratory doctors, nor laboratory companies, cannot directly hold more than 25% of the share capital of a SELAS (this limit was confirmed by a decision of the European Court of Justice on 16 December 2010 (case C-89/09), discussed below);
- finally, to prevent any conflict of interest, Article L. 6223-5 of the French Public Health Code forbids the following persons, on the basis of their activities or their relations with certain activities in the medical or paramedical sector (the "prohibited investors"), from making any direct or indirect investment in the share capital of a company operating a French clinical laboratory:
  - (i) every physical or legal person qualifying as a health professional other than laboratory doctors working as provider, distributor or manufacturer of medical devices or In Vitro Medical Diagnostic devices, being a healthcare facility, social or medico-social private law health institutes an insurance or capitalization company, and welfare, retirement or mandatory or elective social security institutions;
  - (ii) every physical or legal persons holding 10% or more of the share capital of a company which provides, distributes or manufactures medical devices or In Vitro Medical Diagnostic devices, insurance or capitalization companies, and welfare, retirement or mandatory or elective social security institutions; and
  - (iii) every physical or legal persons holding a stake of a health professionals' company which is authorized to take samples under the conditions mentioned under Article L. 6211-13 and which does not meet the conditions of chapter II title I *livre* II "Clinical testing" of part 6 of the legislative part of the French Public Health Code.

It should also be noted that Law no. 90-1258 of December 31, 1990 on SELs enables public authorities to issue decrees, reviewed for legality by the *Conseil d'Etat*, preventing a SEL or an entity operating a clinical laboratory from holding a majority interest in another SEL, and restricting the number of SELs in which a person or a legal entity (practicing as a professional or being a nonprofessional third-party) can directly or indirectly hold a stake. Nonetheless, as regards the first of these restrictions, it is probable that the government cannot impose such a restriction with respect to SELs of laboratory doctors insofar as the Law of 30 May 2013 has already made it compulsory for laboratory doctors practicing in a SEL to hold a majority stake in its share capital, while setting out a system of grandfathering exception. As regards the second restriction, the European Court of Justice has already ruled that limiting the number of SELs in which a laboratory doctor or an entity operating a clinical laboratory can be a shareholder to two violates

Article 43 on the freedom of establishment of the Treaty Establishing the European Community, as discussed further below.

Certain aspects of this legal regime were examined by the European Court of Justice. In March 2009, the European Commission launched a procedure against France to challenge two provisions of French law. First of all, the European Commission argued that the 25% limit set on the share capital interests which can be held by non-professional third parties was an unfounded restriction of the freedom of establishment provided for in the Treaty Establishing the European Community. Second, as mentioned above, the European Commission criticized as overly restrictive the rule under which certain legal or natural persons may not own shares in more than two SELs. In its decision dated December 16, 2010, the European Court of Justice found in favor of France on the first issue, holding that this limitation was reasonable in view of the State's legitimate public health and safety concerns. The Court noted the threat to independence that might arise from financial pressures placed on laboratory doctors by third-party investors. It argued that a Member State could validly draw the conclusion that the professional independence of laboratory doctors would not be adequately protected in structures where such professionals would hold only a minority interest in the share capital, regardless of whether they were granted majority voting rights. The Court found against France on the second issue, however, holding that the ownership restriction placed by existing regulations on qualified professionals was inadequate and disproportionate with respect to the public health objectives sought to be achieved. Acknowledging the decision of the European Court of Justice, France repealed the regulatory provision in question in decree no. 2013-117 of February 5, 2013.

Rules governing anatomical pathology laboratories

Lastly, it should be noted that SELs which operate anatomical pathology laboratories (which we recently acquired) are medical doctors' SELs, and therefore subject to substantially similar rules to those applicable to the SELs which operate clinical laboratories. In particular, the restrictions on ownership and corporate governance structure are relatively similar. In this respect, it is noteworthy that in order to prevent any conflict of interest, any equity interest (whether direct or indirect) in SELs which operate anatomical pathology laboratories is also prohibited for various categories of natural persons and legal entities, because of their business or their relations with certain operations in the medical or paramedical sector. This prohibition includes laboratory doctors and companies operating clinical laboratories. To comply with this regulation, we will set up a corporate structure that will enable us to hold SELs which operate anatomical pathology laboratories through some of our subsidiaries that are not affected by this prohibition.

Impact of Regulations Applicable to the Group's Corporate Structure

Our French subsidiaries which operate clinical laboratories (in the form of SELAS) are held directly and indirectly through an Italian laboratory company, and our foreign subsidiaries are held indirectly through several national holding companies and other laboratory companies.

In France, as described above, ownership of the share capital and voting rights of SELs operating clinical laboratories and their corporate governance structure are highly regulated. In particular, the majority of voting rights of the SELs must be held by laboratory doctors practicing within these SELs.

In order to comply with this regulation, we have put in place:

(i) a corporate structure under which we hold about 99.9% of the share capital of the SELs benefiting from the grandfathering exception under the Law of 30 May 2013 described above, directly or indirectly through Istituto il Baluardo S.p.A. (an Italian subsidiary), while some of the laboratory doctors practicing in these SELs hold the remaining shares; and

(ii) the articles of association (*statuts*) of all our SELs grant the majority of voting rights at all shareholders' general meetings to laboratory doctors who are shareholders in the SELs in which they practice.

We can no longer use this approach (which applies, at the date of this offering memorandum, to the majority of our SELs) for most of our acquisitions as from the enactment of the Law of 30 May 2013, which has made it mandatory for more than 50% of the share capital (in addition to 50% of voting rights) of a SEL of laboratory doctors to be held by the laboratory doctors practicing in this SEL.

We have therefore set up an alternative structure, based on issuing preferred shares within the Group, in order to make acquisitions in compliance with the regulation, while enabling us to hold virtually all the economic rights in the acquired SELs and to exercise control over them. Therefore, in all cases, we hold virtually all the economic rights in the SELs and control them under corporate governance, contractual and organizational structures, in compliance with French regulation. Accordingly, we fully consolidate these SELs in our financial statements.

Impact of the Regulation on the Corporate Governance of the SELs

The laboratory doctors from whom we acquire SELs (whether such SEL are covered by the grandfathering exception or not) or clinical laboratories, who decide to stay in the Group, continue to run them on a day-to-day basis but are contractually bound to comply with our policies and standards in terms of reporting, and in particular with respect to financial and accounting information, financing and centralized cash pooling, budgeting and, insofar as compatible with the French regulatory framework, management of the SEL.

In order to improve the coordination of operations in our clinical laboratories and consolidate our network, we have set up a resource sharing structure in the form of a French GIE (*Groupement d'intérêt économique*), Labco Gestion, which encompasses all of our existing French laboratory companies and some of our foreign companies, including General Lab S.A., Laboratoire d'Analyses Médicales Romain Païs (a Belgian laboratory company) and Istituto il Baluardo S.p.A. (one of the Italian laboratory companies). The GIE provides administrative support for the clinical laboratories of its members, in particular in relation to purchasing, quality management, legal affairs, information technology, scientific communication and human resources. The GIE is managed by Labco as its sole director, appointed by a qualified (three-quarters majority) vote of the GIE's members. The GIE's activities are financed by its members through contributions of an amount set every year for each member by Labco as sole director, based on, *inter alia*, the member's financial capacity, number of employees and level of utilization of the GIE's services. Labco as sole director appoints the other executive officers of the GIE, including regional managers within France, and country managers outside of France, who act as agents of the GIE with respect to its members in their geographical area.

Furthermore, as part of our development, possible changes to the corporate governance arrangements of our SELs have been considered in order to adapt these arrangements to the development of our network's laboratories (which has resulted in an increase in the size of entities and in the number of laboratory doctors working in those entities, generation renewal, adaptation to the new regulatory framework, etc.). As a result, in strict compliance with French regulations governing clinical laboratories, we have begun to set up in 2014 a new corporate governance, contractual and organizational structure for our French SELs subsidiaries, giving us control over them. As of the date of this offering memorandum, these new corporate governance arrangements have not yet been implemented in all our SELs, although a significant percentage of our SELs (representing approximately 63% of the French contribution to our revenue for the financial year ended December 31, 2014) have adopted these new corporate governance arrangements. The expected calendar for the deployment of this new corporate governance framework should allow for the implementation of these new provisions in practically all of our SELs by the end of 2015.

This structure is based on a set of standard agreements (the "Operating Rules"), including:

- articles of association (*statuts*), (which set out in particular that barring a contrary decision voted in by a qualified majority of shareholders, all the distributable income of the SEL must be allocated to dividend payments for every financial year);
- a shareholders' agreement (governing all the corporate governance arrangements specific to the SEL);
- a private practice agreement (which is individualized to define each laboratory doctor's specific contractual commitments);
- the internal rules (*règlement intérieur*) (governing the daily organization of laboratory doctors within the SELs); and
- a charter of management board members (governing the manner in which the SEL's management board operates).

These Operating Rules give us the power to control the SELs' strategic and financial operations, (which may be qualified as *de facto* control where necessary), while strictly complying with the regulation requiring that the laboratory doctors who practice in a SEL (the APIs) hold the majority of the voting rights (50.01%) of such a SEL.

Furthermore, shareholders' agreements with the APIs define the commitments which the APIs accept, including an obligation to sell their shares in the SEL, a firm and definitive acceptance of the constraints related to our financing, and a commitment to fully participate in our development and restructuring. Thus, shareholders' agreements facilitate in advance the restructurings that would be put in place (in particular, through the issuance or conversion of existing shares to preferred shares (*actions de préférence*) and changes to the voting majority rules in the general meetings) in case of a change in the regulations applicable to SELs regarding the holding of share capital or voting rights.

We exercise exclusive control over the day-to-day management of the SELs through Strategic Committees which are set up pursuant to the shareholders' agreements. (The control exercised by our French entities relies on corporate governance mechanisms and contractual agreements, qualified by us as *de facto* control (see Note 3 to the audited consolidated financial statements for the financial year ended December 31, 2014 included elsewhere in this offering memorandum)). These Strategy Committees take strategic and financial decisions by a simple majority vote and are composed equally of the APIs who are members of the SELs' management boards (which are generally composed of three members) and representatives of the Group (in equivalent number). Given the contractual commitments accepted by the API parties to the shareholders' agreements, including the commitment of loyal adherence to our legal organization, which includes membership of GIE Labco Gestion and utilization of its central support services (accounting, finance and legal services, purchasing, IT, human resources, scientific information and quality control), decisions proposed by us are intended to be adopted by consensus, with a favorable vote from the APIs who are members of the Strategy Committee.

We note that the shareholders' agreements expressly provide that the commitments accepted by the APIs shall in no way affect their professional independence and that we expressly undertake not to intervene in the regulated clinical laboratory activities exercised under the sole responsibility of the APIs. We therefore do not, and will never, intervene in the SELs' purely clinical practice, which is under the sole responsibility of the laboratory doctors.

In case of a deadlock, which should be analyzed for the sole purpose of justifying our exclusive control described above and therefore full consolidation under IFRS, we may use the following mechanisms to exercise control:

- We will always have the right to remove *ad nutum* an API from the Strategy Committee of a SEL and appoint one of the other laboratory doctors in the SEL as a replacement (a medium-sized SEL typically has approximately ten laboratory doctors), who would be favorable to the decision to be adopted pursuant to the Operating Rules.
- If this mechanism is insufficient, for example in the event of a block opposition from all the laboratory doctors in the SEL, we will always have the right to appoint a Group laboratory doctor from outside the SEL. This laboratory doctor would then be appointed an API and member of the Strategy Committee of the SEL under the first mechanism described above.
- Lastly, in an extreme case of deadlock, we will always have the right to have the strategic and financial decisions reviewed and adopted by the general meeting of SEL shareholders. In accordance with the first two mechanisms above, we would begin by appointing a Group laboratory doctor to the SEL, then transfer him or her a few shares to enable that person to exercise some of the votes allocated to the API, which, combined with our voting rights (exercised by the parent SEL(s)) would together give them a majority within the SEL and, therefore, exclusive control over it. This would be possible as, within each category of shareholders (on the one hand the API, collectively holding 50.01% of the voting rights and, on the other, the Group, holding 49.99% of the voting rights), the split of voting rights is proportional to the share capital held by each shareholder.

The laboratory doctor appointed in accordance with the above mechanisms, qualified as an "aligned" biologist for the purposes of IFRS 10 (referring to the concept of agent versus principal), can be considered as taking decisions compliant with those of the Group as he himself would be a member of the Group's management and aligned to the Group's interests, given his involvement in the Group.

The mechanism for transferring shares to the laboratory doctor appointed by the Group could be a loan of shares, but other mechanisms could also be considered (e.g., a simple sale of shares).

It should be noted that, at the date of this offering memorandum, we have never yet had to make use of a mechanism for ending a deadlock situation, such as a loan of shares, and that it is neither necessary nor useful to set out the contractual terms insofar as its implementation relies on the use of a mechanism under ordinary law, which has, in any event, already been upheld by previous case law for use within an *société d'exercice libéral*.

We are not in a position to assess whether this mechanism for ending a deadlock situation would consist of any infringement of the principle of professional independence by the laboratory doctor receiving the share transfer. We are nevertheless of the view that, as he or she would become a signatory to the relevant shareholders' agreement guaranteeing total independence in the exercise of his or her medical practice, which is not an element indicative of control, this should be mitigating the risk of non compliance. The incoming laboratory doctor would only have to take a position on subjects already explicitly set out in the corporate governance documentation summarized above.

Again, in accordance with the regulation, the documentation underlying the legal and organizational structure is systematically sent to the supervisory authorities (professional *Ordres* and competent ARS) when adopted by a SEL. The supervisory authorities ensure that the operation of the clinical laboratories complies with the regulations, and the professional *Ordres* ensure that it complies with the applicable ethical rules. To date, none of the Operating Rules as summarized above has been challenged in any way by the supervisory authorities.

Lastly, it should be noted in this respect that certain other legal organizational methods adopted in the past by our SELs were criticized and sanctioned by the Governing Board of the *Ordre des pharmaciens*. These sanctions were contested by the Group, which filed a complaint with the European Commission in 2007. It is mainly on this ground that the European Commission found that the *Ordre des pharmaciens* had sought to prevent the development of laboratory groups in the French market, in violation of European Union rules on collusion and restrictive commercial practices, and ordered it to pay a very substantial fine in December 2010. This ruling has just been confirmed by a decision of the European Court of Justice on December 10, 2014 (see "*Business—Legal Proceedings*"). On March 5, 2015, the *Conseil Central de la Section G,* which is the body of the *Ordre des pharmaciens* responsible for clinical testing, closed several disciplinary cases against us during an administrative session without taking any further action. The closing of these cases results from a withdrawal of the complaints filed by its president against our medical doctors and SELs. Even though these withdrawals were not motivated by any external action, they are probably the result of the decision of the *Ordre des Pharmaciens* to not appeal its conviction by the European General Court.

This specific legal and organizational structure which we currently use, as well as the arrangements described above, entail certain risks (see "*Risk Factors—Risks Related to Our Business—We operate in a highly regulated sector. Compliance with regulations applicable to our activities may increase our costs or restrict our activities. Failure to comply with such regulations may lead to penalties of various types. Future alterations to regulations applicable to us may have a material adverse impact on our activities*").

United Kingdom

In the United Kingdom, there is no specific regulation related to the ownership of a company operating clinical laboratories. However, authorization to operate may be suspended if the CEO of a company providing services to the NHS fails the "fit and proper persons test." Since the implementation of a particular measure in April 2015, the Care Quality Commission is now able to apply findings of failure of the test more firmly against CEOs.

In order to run a clinical laboratory in the United Kingdom, one needs to obtain several authorizations and accreditations. First, the company must register with the Care Quality Commission under the Health & Social Care Act 2008 as a service provider; it must also register the address of every one of its laboratories. If the company is already registered, it must apply to register any additional laboratories. Every laboratory must also have a sworn-in manager who supervises operations, quality, safety and compliance rules. The other key requirement is accreditation, delivered by UKAS. All British laboratories need to obtain this accreditation (see "*Business—Quality Standards*"). Lastly, according to the type of operation involved, certain specific authorizations may be required. For example an authorization from the Medicines and Healthcare Regulatory Agency (MHRA) is necessary for blood transfusions.

There are no specific regulations covering laboratory staff or defining a minimum number of qualified employees. Biomedical scientists must be registered with the Health and Care Professions Council (HCPC). With respect to accreditation by UKAS, the ratio of qualified to trainee laboratory technicians is a crucial criterion.

The adoption of the Health & Social Care Act 2012 started a real overhaul of the organization of the NHS and the way in which budgets are allocated. This new organization favors and facilitates agreements between the NHS and the private sector.

Belgium

In Belgium, in order to be eligible for reimbursement of their services by the mandatory health insurance scheme (INAMI), medical laboratories need to obtain several authorizations and accreditations and to comply with certain regulations, including the Royal Decree of December 3, 1999 on the accreditation of clinical biology laboratories by the Minister competent for Public Health, the Royal Decree No. 143 of 30 December 1982 determining the conditions which must be met by laboratories in order to be eligible for reimbursement by the mandatory health insurance scheme for bio-clinical analysis services and the Royal Decree of December 5, 2011 on the accreditation of anatomical pathology laboratories by the Minister competent for Public Health.

Before September 2005, the above mentioned Belgian Royal Decree No. 143 of December 30, 1982 imposed stringent restrictions on the ownership of clinical biology laboratories whereby (generally speaking) only doctors, pharmacists or chemical science graduates could operate clinical biology laboratories.

In 2002, the European Commission requested Belgium to lift the above restrictions on the basis that they constituted an undue restriction on freedom of establishment.

The Royal Decree No. 143 was amended in 2005 to take into account the request of the European Commission. In addition to hospitals and certain other entities in the medical sector, clinical biology laboratories may now be operated by any legal person falling into any of the categories determined by the implementing royal decree. The latter implementing royal decree of April 26, 2007 listed the following categories of legal entities authorized to operate a clinical biology laboratory: a civil company in the form of a private limited liability company (*société privée à responsabilité limitée*, or "SPRL"), of a *société en nom collectif*, of a *société coopérative* or a non-profit legal entity. It also provided that any such entity's by-laws must include a provision to the effect that the entity strives for a standard of quality that avoids any unjustified expenses for the compulsory healthcare insurer or the patient. This implementing royal decree of April 26, 2007 was initially due to expire on December 31, 2009 and was extended by a decree dated January 27, 2010 until December 31, 2012, but to date, no new extension has been enacted.

Furthermore, a number of rules and restrictions apply to accredited clinical biology and/or veterinary clinical analysis laboratories pursuant to applicable regulations, including:

- certain requirements related to the organizational structure, management, internal and external quality systems and criteria, facilities, infrastructure, equipment and (laboratory) staff must be met;
- applicable ethical rules must be met (including the interdiction to grant any (in)direct benefits to prescribing doctors);
- the authorizations to operate a laboratory are delivered for a period of five years and are renewable;
- the authorizations can be (partially) refused, revoked, suspended or not renewed if the laboratory refuses to submit itself to the imposed (quality) controls or has committed serious faults;
- prescribing doctors are expressly banned from being a member of or holding a stake in companies operating clinical laboratories and from acting as managers or agents of these companies;
- the operation of clinical laboratories must be the company's sole corporate or statutory purpose;
- the company must send a list of its shareholders or members annually to the relevant authorities;
- prior administrative authorization is required to establish, regroup, splits or geographically relocate the laboratories;
- compliance with certain specific accounting standards and requirements in relation to the maintenance of the company's accounting records;
- the company is required to ensure via a written agreement with the persons performing tests on its behalf, that said people are, amongst others, free to carry out these services as they wish and will have access to all necessary means in order to guarantee the quality of the services rendered. Such

written agreement should also include certain financial provisions in relation to the laboratory activities.

Prices and reimbursement levels in the clinical field are set after consultation between the INAMI, and professionals. Said prices and reimbursement levels are set out in a nomenclature, and depend on budget constraints. As a result, should a risk or significant overshooting of budget objectives be recorded, "claw-back" mechanisms kick in. The INAMI nomenclature is regularly updated.

Switzerland

In Switzerland, issues regarding medical laboratories are governed by federal law as well as the laws of the various Swiss cantons. In particular, the Swiss Federal Law on Health Insurance (KVG, SR 832.10), which regulates compulsory basic health insurance in Switzerland, identifies which laboratories are permitted to render services covered by compulsory basic health insurance (art. 35 KVG). Medical laboratories are more specifically regulated in arts. 53 et seq. of the Swiss Federal Ordinance on Health Insurance (KVV, SR 832.102).

The Swiss Federal Ordinance on Health Insurance differentiates between: (i) private practice laboratories (i.e., a laboratory of a general practitioner connected to his medical practice, which only covers tests relating to primary care; see art. 54 sec. 1 KVV); (ii) hospital laboratories (i.e., laboratory of a clinic supervised by a qualified medical doctor, pharmacist or accredited natural scientist; see art. 54 sec. 2 KVV); and (iii) private or external laboratories (see art. 54 sec. 3 KVV).

Private or external laboratories which provide services for other accredited medical professionals beyond primary care (i.e., classic professional laboratories) must generally comply with the following requirements: (i) they must be under the supervision of a qualified medical doctor, pharmacist or accredited natural scientist; and (ii) such supervising professional also needs to have undergone advanced training in laboratory analyses the content of which is defined by the Swiss Federal Department of Home Affairs (art. 54 sec. 3 KVV). In addition, the Swiss Federal Department of Home Affairs is authorized to provide for additional requirements in connection with required equipment and additional training for laboratory management and personnel (art. 54 sec. 4 KVV).

In order to manage a laboratory, the company must provide local authorities with a complete list of the tests that will be offered as well as the names and diplomas of all the managers (the laboratory manager, the technical managers and the quality managers). Authorizations to operate a laboratory are delivered for five years for microbiology, serology and genetics laboratories. For other disciplines, authorizations require renewal only if there is a change in managers. Controls and inspections are carried out by cantonal authorities. For microbiology, serology and genetics laboratories, cantons transfer responsibility to federal authorities and inspections are carried out by SwissMedic.

Additional requirements apply for laboratories running tests in the microbiological and serological fields under the Swiss Ordinance on Microbiological and Serological Laboratories, SR. 818.123.1. In particular: (i) the educational requirements applicable to the person(s) leading the laboratory are higher; (ii) at least half of the staff working in the laboratory must have undergone certain professional training and have at least one year of relevant experience; and (iii) the laboratory premises and equipment must be suitable for the nature of the tests conducted (arts. 2-5 Swiss Ordinance on Microbiological and Serological Laboratories). Furthermore, the laboratory is required to undergo external quality controls, save test data for a certain amount of time and communicate the results of certain analyses to the authorities (arts. 6 Swiss Ordinance on Microbiological and Serological Laboratories). Finally, the laboratory must apply for a permit which is valid for five years and specifies the nature of medical testing in which the laboratory may engage (arts. 6 et seq. Swiss Ordinance on Microbiological and Serological Laboratories).

In addition to the above requirements under Swiss Federal Law, each of Switzerland's 26 cantons has its own health care laws and is permitted to set statutory requirements for healthcare professionals. For example, in the canton of Zurich, a permit is required for the operation of an independent external laboratory (§ 2 Ordinance on Non-Academic Medical Professions); however, such permit will be granted if the requirements of the Swiss federal laws are met (§ 21 Ordinance on Non-Academic Medical Professions).

There are no statutory requirements as to the legal form of a medical laboratory company. A medical laboratory can operate as a commercial enterprise. In addition, there are no applicable ownership restrictions. Rather, Swiss laws and regulations governing medical laboratories focus on the professional qualifications of the person(s) running the medical laboratory and the standards of the facilities.

Swiss Accreditation Service ("SAS") operates under the State Secretariat for Economic Affairs and examines and accredits, inter alia, medical laboratories according to international standards. Accreditation by SAS provides formal recognition of the technical and organizational competence of a medical laboratory to provide specified services which can be recognized internationally. SAS operates within the ISO International Standards accreditation framework.

In addition, the Swiss Federal Ordinance on Health Insurance stipulates that medical laboratories are required to participate in internal and external quality assurance measures (see art. 53 and 77 KVV). As such, medical laboratories must also submit to quality controls conducted by the Swiss Commission for Quality Assurance in the Medical Laboratory ("QUALAB"), which is the organization mandated to implement the required quality control measures in medical laboratories. In certain circumstances, non-compliance with QUALAB's assessments or failure to meet certain standards could result in the medical laboratory being not entitled to receive health insurance reimbursement for a period of one year, and ongoing non-compliance could result in the medical laboratory being permanently barred from receiving such reimbursements.

In addition to the regulatory and accreditation framework described above, certain medical laboratories in Switzerland are members of self-regulated professional organizations which seek to maintain the operational and quality standards of the industry, such as the Swiss Federation of Analytical Medical Laboratories ("FAMH").

Since Switzerland has compulsory basic health insurance, the prices for medical laboratory services are regulated and further detailed in a binding tariff list (*Analyseliste*) issued by the Federal Department of Home Affairs and its Ordinance on Services in the Compulsory Health Insurance (KLV, SR 832.112.31). This list includes tariffs for numerous different medical laboratory services. This list is a 'positive list', and only analyses on this list can be reimbursed. It defines the number of tariff-points for any specific test type and additional surcharges nationwide and is regularly updated. It also contains the amounts of, and rules for, charging additional surcharges. Further it sets the geographic framework for reimbursement. The Swiss system requires analyses to be performed within Switzerland. The territoriality principle (*Territorialitätsprinzip*) prevents outsourcing of analyses outside of Switzerland. The *Analyseliste* is currently under revision. Changes are usually communicated well in advance, which creates a high level of predictability. Significant revisions to the *Analyseliste* were made in 2009. Since then continuous smaller changes have been implemented, in particular amendments focused on improving reimbursement for general practitioners. On January 1, 2015, the special analysis *(Schnelle Analyse*) was introduced, preferentially to be completed at a general practitioner's office. This special analysis (*Schnelle Analyse*) includes special/higher reimbursement for 33 analyses if conducted at a general practitioner's office and is meant to ensure profitability of general practitioners for routine analyses.

A second major revision, including revision of in-office testing and overall reimbursement levels, is expected to take place between 2015 and 2017. The expected cornerstones of the reimbursement reform are the following: the *Analyseliste* is to remain a positive list; the territoriality principle (*Territorialitätsprinzip*) will remain intact; physician in-office testing will be further regulated, which means that standard panel of tests will be reimbursed at relatively high rates if performed in a general practitioner's office to ensure profitability of these analyses for general practitioners; overall reimbursement levels will most likely be lowered—tests impacted could be specialized tests that received higher reimbursement in 2009 as well as tests conducted at the physician but not included in the special reimbursement list.

Spain

In Spain, the rules covering the authorization and operation of healthcare centers, establishments and services—including clinical laboratories—are defined at a national level by the Law No. 14/1986, of 25 April, on General Health (*Ley 14/1986, de 25 de abril, General de Sanidad*) and by Royal Decree No. 1277/2003, of 10 October establishing the general basis for the authorization of healthcare centers, services and health facilities (*Real Decreto 1277/2003, de 10 de octubre, que establece las bases generals sobre autorización de centros, servicios y establecimientos sanitarios*).

This national legislation sets out the general principles that govern the operation of laboratories and the minimum requirements to be met to obtain administrative authorizations, but each autonomous region (*comunidad autónoma*) is in charge of implementing this overall model and accordingly defines the manner in which it is adapted. By consequence, the specific requirements to be met to obtain an administrative authorization and operate a clinical laboratory can vary by region.

Generally speaking:

- prior administrative authorization is required to establish, modify, enlarge, relocate or close clinical laboratories. Each authorization (and the clinical laboratory to which it refers) is registered in the General Registry of Medical Centres, Services and Establishment, run by the Ministry of Health (*Ministerio de Sanidad*);
- administrative health authorizations are generally divided as follows: (i) facility authorization (*autorización de instalación*) which is required to create or locate a healthcare center, service or health facilities that implies new construction or substantial modifications of its structure or facilities; (ii) operating authorization (*autorización sanitaria de funcionamiento*) which enables to carry out the activity for which the healthcare center, service or health facility is duly authorized. Such operating authorization would be granted by the competent health authorities from the autonomous regions for each healthcare center, health facility and for each service to be provided; (iii) amendment health authorization (*autorización sanitaria de modificación*) which is required to healthcare centers, services, and health facilities to operate changes within its structure, ownership or offer; and (iv) closing authorization (*autorización sanitaria de cierre*) for definitively cease to operate;
- to obtain the relevant authorizations, certain requirements related to the organizational structure, business, facilities, infrastructure and personnel of the laboratory must be met;
- there are no ownership restrictions regarding clinical laboratories. Nonetheless, administrative authorization and registration of clinical laboratories is granted to the applicant for a specific clinical laboratory, so it indirectly refers to the applicant (and specific capacity and/or solvency requirements of the applicant could be established by the relevant regional legislation), so that if an indirect change of ownership may eventually affect the applicant's suitability for clinical diagnostics, administrative authorization may have to be obtained.

Also, certain staffing requirements apply. The laboratory must be operated under the responsibility of a qualified laboratory specialist (*especialista en analisis clinicos*). In addition, certain other categories of laboratory personnel must hold minimum professional qualifications.

Additionally, healthcare centers and health facilities—including clinical laboratories—are generally subject to a municipal control by means of a prior notice scheme or a license scheme depending on the environmental impacts generated in the territory of each of the municipalities whereby a healthcare center or a health facility is located. In any case, municipal licenses are subject to the prior granting of the facility and operating authorization.

Laboratory doctors must hold a relevant university degree in fields such as biology, pharmacy, chemistry or medicine, and they must have completed further specialization to qualify as laboratory specialists (*especialista en análisis clíinicos*). In addition, laboratory doctors must be registered with the relevant regional *Colegio Oficial* (Spanish equivalents to the French "*Ordres*") in order to be permitted to practice. Advertising and all kinds of promotion are governed by ethical rules.

Each *Colegio Oficial* (there are *Colegios Oficiales* for each medical profession; doctors, nurses, pharmacists, biologists, etc.) is, generally speaking, in charge of defending the interests of its members and those of the profession as a whole, and for protecting the rights of consumers of services provided by said profession. The *Colegios Oficiales* are given by law the right to participate in the drafting of laws and regulations pertaining to their respective professions. In addition, the *Colegios Oficiales* must approve the rules of professional conduct applicable to their profession, which regulate relations among professionals, interactions with patients and advertising and promotion by professionals of their services to the general public. These *Colegios Oficiales* may take disciplinary actions to sanction breaches of the relevant professional conduct. These sanctions range from warnings to temporary or permanent removal from the relevant professional registry. Unfair competitive practices or a criminal conviction are also grounds for removal from the *Colegios Oficiales*' professional registries. Disciplinary sanctions are not exclusive of other proceedings, in particular by governmental institutions, if the incriminating behavior also constitutes a violation of governmental laws or regulations.

Clinical laboratories must also comply with other specific rules such as health and safety, bio-waste disposal and data protection. Should they carry out clinical tests and trials with medicines, they also have to comply with regulations on this field set forth in Law No. 29/2006, of 26 July on the guarantees and rational use of medicines and healthcare products (*Ley 29/2006, de 26 de Julio, de garantías y uso racional* *de los medicamentos y productos sanitarios*) and in Royal Decree 223/2004, of 6 February, on Clinical Test with Medicines (*Real Decreto 223/2004, de 6 de febrero, que regula los ensayos clínicos con medicamentos*). In addition, in case they offer radio-diagnostic services, compliance with regulations on X-ray medical facilities must be ensured as established in Law No. 15/1980, of 22 April, on Nuclear Safety (*Ley 15/1980, de 22 de abril, por la que se crea el Consejo de Seguridad Nuclear*), in Royal Decree, of 3 December which approves the Regulation on Nuclear and Radioactive Facilities (*Real Decreto 1836/1999, de 3 de diciembre, por que el que se aprueba el Reglamento sobre instalaciones nucleares y radiactivas*), as amended. and in Royal Decree No. 1085/2009, of 3 July on X-ray facilities for medical diagnostics (*Real Decreto 1085/2009, de 3 de Julio, por el que se aprueba el Reglamento sobre instalación y utilización de aparatos de rayos X con fines de diagnóstico médico*).

Furthermore, but not limited to, such facilities are subject to further environmental regulations, as amended, such as Law No. 16/2002 of 1 July 2002 on the Integrated Prevention and Control of Pollution (*Ley 16/2002, de 1 de julio, de prevención y control integrados de la contaminación*) and Law 22/2011 of 28 July 2011 On Waste and Contaminated Soils (*Ley 22/2011, de 28 de julio, de Residuos y Suelos Contaminados*) concerning both contaminated soils and management of hazardous waste. The infringement or the failure to comply with the obligations stated in the abovementioned regulations may trigger administrative sanctions, including fines, the disqualification to carry out certain activities, and the obligation to compensate damages and restore the environment to the status it had before the relevant infringement. In addition to any penalties imposed by the referred regulations, Law 26/2007 of 23 October 2007 on Environmental Liability (*Ley 26/2007, de 23 de octubre, de Responsabilidad Medioambiental*), establishes a number of preventive and reparative administrative obligations and applies generally to operators whose activities cause environmental damage or an imminent threat of environmental damage. Law 26/2007 is aimed at preventing and remedying environmental damages under the principles of "prevention" and "polluter pays." Prices for clinical laboratory services in Spain are not regulated by law. In the private health insurance sector, prices for laboratory tests are set by an agreement between insurers (both public and private), complementary health insurance providers, hospitals and clinical laboratories. Private laboratories receive a fixed fee based on either the number of patients in their geographical region (a model based on the number of inhabitants), or on the number of tests performed (a model based on the number of tests). Public hospitals are required to launch public tender offers to select services providers, and the resulting outsourcing contract must set out the terms of the contractual relationship between the two parties, including the prices for testing services performed.

Portugal

The clinical laboratory services market sector in Portugal is supervised by the Portuguese national health authority (*Entidade Reguladora da Saúde*, or "ERS"), as well as by the regional health authorities. The ERS is a public body administratively and financially independent from the Portuguese government, in charge of enforcing fair competition rules in the healthcare market, monitoring the quality of healthcare services and the protection of end-users rights. The ERS also ensures that the right to equitable and universal access to public healthcare is complied with. The regional health authorities are in charge of delivering authorizations to private healthcare service providers and applying the regulations currently in force.

Private clinical laboratories are currently primarily regulated by the Law on clinical laboratories (*Portaria n° 166/2014 de 21 de Agosto*) (as amended). It sets out the standards required to open and operate clinical laboratories.

Decree-law no. 279/2009 dated as of 6 October 2009, as amended by Decree-law no. 164/2013 dated as of 6 December 2013, established a legal regime for the operation of healthcare units. The Decree reinstates an authorization obligation and defines new criteria for the granting of authorizations to clinical laboratories. This new set of regulations became effective for clinical laboratories by ministerial decree no. 287/2012 of 20 September 2012 as amended by the ministerial decree no. 136-B/2014 of 3 July 2014.

The ministerial application decree published on August 21, 2014, which was the result of discussions between the National Association of Clinical Laboratories (*Associação Nacional dos Laboratorios Clinicos*), other entities and the government, brought little change compared with previous regulations on opening and operating a laboratory. Laboratories in the process of obtaining accreditation will have a period of two years to comply with the decree (*Portaria n° 166/2014 de 21 de Agosto*).

Clinical laboratories must be managed by either a medical doctor registered with the Portuguese *Ordre des médecins* (*Ordem dos Médicos)*, or a pharmacist registered with the Portuguese *Ordre des* *pharmaciens* (*Ordem dos Farmacêuticos*). In both cases, they must be specialized in clinical pathology or in clinical analysis. Clinical pathology laboratories may be managed only by a medical doctor who is specialized in clinical pathology and registered with the Portuguese *Ordre des médecins*. The law requires that this doctor or professional pharmacist (*Director Técnico*) be personally and verifiably available to oversee the operation of the laboratory.

The Portuguese *Ordre des médecins* and *Ordre des pharmaciens* are professional associations that are in charge of the regulation of their respective professions. They have the power to control and oversee access to and the exercise of these professions. In addition, each *Ordre* is in charge of awarding the title of specialist in clinical pathology or clinical testing, necessary for the practice of the profession of laboratory doctor.

Portuguese law does not set any restrictions on the ownership of laboratory companies, except that employees of the national healthcare system are prohibited from holding more than 10% of the share capital of these companies, or serving on the board of a company that provides services to the Portuguese national health service (*Serviço Nacional de Saúde*, or "SNS") (source: *Decreto Lei 97/98 de 18 de Abril*).

Healthcare services are mainly provided by an SNS intermediary, and private laboratories have to enter into reimbursement agreements with this intermediary. Such agreements are not concluded with new market entrants, forcing international groups such as us to penetrate the Portuguese market by way of making acquisitions.

For patients covered by the public insurance system, prices and reimbursement levels are set at the national level by the SNS, with some specific prices applicable to certain categories of employees, such as civil servants. For privately insured patients, prices and reimbursement levels are established as a result of negotiations between insurance companies and laboratories.

As of the date of this offering memorandum, the Portuguese government is analyzing a possible restructuring of the National Healthcare System. This could lead to reforms of the healthcare sector, in particular with respect to the outsourcing of services to national health system patients.

Italy

The Italian healthcare system is decentralized. Decisions in the public sector are enacted on both a national and regional basis level (*competenza concorrente*). National laws and regulations provide a general framework for healthcare policy and regional healthcare budgets. They also set indicative prices for diagnostic services tests. Each region must implement the national legal framework. Each region is responsible for its own annual healthcare budget and for allocating funds to regional health authorities. In turn, regional health authorities allocate funds to both public healthcare facilities and the private facilities meeting the requirements described below.

To operate in the public healthcare system (*Servizio Sanitario Nazionale/Servizio Sanitario Regionale*) and receive reimbursements from public authorities, both public and private healthcare facilities must: (i) obtain accreditation from the competent authority for each facility (which, depending on the regional legislation, may be either the region or the regional health authority), and (ii) enter into agreements with the regional health authorities for the number and type of services that each facility can provide. Maintaining the agreements with the public authorities is likely to become more difficult in the future since it could be requested that the health structure carry out a minimum number of tests per year.

In certain regions, such as Lombardy, there are few accreditations and new accreditations are in limited number for the time being. As a result, new providers currently cannot enter into agreements with regional healthcare authorities and new facilities cannot be opened (for instance, Sampling Centers may only be relocated and new centers cannot be opened). However, non-accredited laboratories can be freely opened. In Liguria, it is no longer possible to obtain accreditations or enter into agreements for new laboratories but new Sampling Centers can be opened. In Campania, accreditations are subject to a temporary regime but a final regime is expected to be defined within the next two years. So far, new facilities cannot be opened under agreements with regional healthcare authorities but the regulation is still under review by the local authorities. In principle, their objective should be to facilitate consolidation and higher quality levels.

Italian laws and regulations provide specifically for data protection requirements in connection with genetic testing, including requirements for security measures (e.g., certified e-mails and coding), detailed information about the scope and purposes of the genetic tests, and genetic counseling.

In Lombardy, Campania and Liguria, where we operate clinical laboratories, public and private healthcare facilities, including clinical laboratories, are generally subject to the following requirements: (i) managers and certain other staff members must hold specific professional qualifications (e.g., the chief medical officer (*direttore sanitario*) must be a qualified doctor and a member of the relevant professional association of doctors); (ii) technical, structural and operational conditions must be met; and (iii) legal entities or natural persons operating the facilities must receive authorization from the relevant regional health authority.

In Lombardy, non-accredited private clinical laboratory operators can self-certify that all requirements are met by filing a declaration of commencement of activity (*Segnalazione di Inizio Attivita*) with the competent regional health authority before a laboratory begins operations. The regional health authority subsequently verifies the accuracy of the information provided in the declaration of commencement of activity. In addition, as a further requirement, clinical laboratories that intend to operate in the public healthcare system must obtain accreditation by enrolling in the register of accredited facilities and entering into agreements with the regional health authorities. Neither Lombardy, Campania nor Liguria restrict or limit the ownership of laboratories. However, the Lombardy Region suspended the implementation of new accreditations with local health authorities for the extension of ambulatory care services (including clinical laboratory tests and sample collection activities) that can be provided under the coverage of the public healthcare system (*Servizio Sanitario Nazionale*).

With respect to Campania, a detailed consolidation plan exists. Key announcements were published in decree 109 (Nov. 2013) and decree 45 (July 2014). By November 30, 2014, all laboratories performing less than 70,000 tests per year will be required to declare whether they intend to participate in a network (or cease analytical activities under the accreditation regime). By 2016, this limit will be increased to 200,000 tests per year. However, due to the recent political election, this project is currently on hold. Lazio also announced consolidation rules for public laboratories in decree U00219 (July 2014). A hub-and-spoke system is to be implemented among public laboratories—eight networks have been defined, each of which having one hub laboratory and several spoke laboratories (27 spoke laboratories in total). Additionally, the types and target numbers of tests per laboratory have been defined. Decrees nos. 274/2014, 127/2015 and 270/2015 have been issued by Lazio in relation to the reorganization of the private accredited laboratories. Such reorganization is based, *inter alia*, on the introduction of a minimum test volume threshold to be performed by private accredited laboratories or by aggregations of private accredited laboratories. The abovementioned decrees have been challenged and a hearing for the discussion of the merits of such proceedings is expected to be held on December 1, 2015.

The national healthcare system sets prices and reimbursement levels for patients. Prices applicable to both public and private healthcare facilities operating within the public healthcare system (*Servizio Sanitario Nazionale*) are set at a regional level. Accordingly, different prices are applied by the various regions. Some regional health authorities, however, are required to apply a discount to reimbursements due to private clinical laboratories. Regional health authorities are in charge of reimbursing healthcare facilities and are bound by the framework implemented by their region. Moreover, with respect to patients covered by private insurance, prices are set by an agreement between private insurance companies and laboratories.

Health services advertising has been liberalized with regard to the operations of sole practitioners, professional associations of doctors and medical service providers established in the form of companies (including clinical laboratories).

Czech Republic

The regulation of medical facilities in the Czech Republic, including clinical laboratories, and the provision of medical care is primarily set out in Act No. 372/2011 Coll., on Healthcare Services (the "Healthcare Services Act"), which entered into force on April 1, 2012 and replaced Act No. 160/1992 Coll., on Healthcare in Non-State Medical Facilities (the "Non-State Medical Facilities Act"). Medical care can only be provided on the basis of (i) a registration issued under the former Non-State Medical Facilities Act, or (ii) an authorization for provision of medical care/services issued under the Healthcare Services Act.

A clinical laboratory may be operated by either an individual or a legal entity regardless of its legal form. However, it must have the personnel, material and technical equipment necessary for the type and extent of medical care/services provided (§§ 11 and 16 of the Healthcare Services Act), and it must fulfil all requirements prescribed for its operation. The details regarding requirements for personnel, material and technical equipment are set out in the relevant Decrees of the Ministry of Health of the Czech Republic

(Decree No. 99/2012 Coll., on Minimum Personnel Requirements and Decree No. 92/2012 Coll., on Minimum Technical and Material Requirements for the Equipment of a Medical Facility).

The application for an authorization must be submitted together with certain additional attachments listed in § 18 of Healthcare Services Act, in particular operational rules approved by the hygienic station (further details and requirements are stated in Act No. 258/2000 Coll.), a list of medical personnel and a declaration of compliance with technical and material requirements.

If the operator of a clinical laboratory is a legal entity, it is further required to appoint and employ a professional representative, who is an individual with the relevant professional capacity and skills and who is a member of the respective professional chamber (further details and requirements are set out in the Act. No. 95/2004 Coll.). In addition, medical personnel who are employed in the clinical laboratory must have all applicable qualifications (further details and requirements are stated in Act No. 96/2004 Coll.).

An authorization is issued on the basis of an application submitted to the regional authority according to the intended place of operation. The clinical laboratory can only provide the type and extent of medical care/services stated in the authorization, and only at the listed place(s) of operation. Several places of operation may be listed within a single authorization in a given region.

Pursuant to Act No. 48/1997 Coll., on Public Health Insurance, all individuals who have permanent residence in the territory of the Czech Republic, or whose employer has permanent residence or a registered office in the Czech Republic, must have medical insurance. The amount of insurance premium is set forth in Act No. 592/1992 Coll., on Insurance Premiums on Public Health Insurance. The insured person has the right to choose a health insurance company. There are currently seven health insurance companies active in the Czech Republic, of which VZP (*Všeobecná zdravotní pojišťovna*) is the largest one on the national level. Clinical laboratory service providers enter into long-term contracts on the provision of and payment for medical care/services directly with the health insurance companies, and, in principle, they are subject to renewal every 5 to 7 years.

The system of payment for medical care or clinical laboratory services in the Czech Republic is based on a "point system": each medical treatment or service corresponds to a certain number of points that have been allocated to it and that have a defined value in CZK. Such points are reimbursable to the provider. The value of points differs according to the particular field of specialization. The Czech Ministry of Healthcare annually reviews and issues a list of medical procedures with point values in the form of decrees. Also, the accreditation certificates of the medical facilities (such as ISO or NASKL) may influence the value of points for some medical procedures or services. The overall amount of reimbursement is, in principle, calculated by multiplying the number of points by a point value.

MANAGEMENT

The Issuers

The Senior Secured Notes Issuer is a public limited company formed on March 23, 2015 as a private limited company under the laws of England and Wales with registered number 9503922. The Senior Secured Notes Issuer re-registered as a public limited company on June 8, 2015. The Senior Notes Issuer is a public limited company formed on June 4, 2015 as a private limited company under the laws of England and Wales with registered number 9624069. The Senior Notes Issuer re-registered as a public limited company on July 17, 2015. The Issuers' principal business address is 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE. The Issuers are indirectly owned by the Cinven Funds.

The current members of the board of directors of the Issuers are as follows:

Name	Age	Title
Stuart McAlpine	48	Director
Alex Leslie	35	Director

Stuart McApline, 48, has served as a director of the Senior Secured Notes Issuer since April 24, 2015 and of the Senior Notes Issuer since June 4, 2015. Mr. McAlpine is a member of the Executive Committee and Investment Committee as well as a Partner at Cinven Partners LLP. He joined Cinven Partners LLP in 1996 and leads the Business Services and Industrials sector teams. He is also a member of the Healthcare sector team and the UK and Ireland regional team. Mr. McAlpine has worked on several transactions made by funds advised by Cinven, including AMCo, a firm selling niche specialty pharmaceuticals, Medpace, a clinical research organization of which he is also a board member, and Phadia, a firm which manufactures and markets immunodiagnostic blood test systems, and which was successfully exited in 2011. Since, 2012, Mr. McAlpine has also seated on the board of CPA Global, a patent renewal and IP services firm, and has served as an non-executive director for Amadeus IT, a technology and distribution solution firm for the travel and tourism industry, since 2005. Mr. McAlpine obtained a B.Acc Accountancy from University of Glasgow and qualified as a chartered accountant.

Alex Leslie, 35, has served as a director of the Senior Secured Notes Issuer since April 24, 2015 and of the Senior Notes Issuer since June 4, 2015. Mr. Leslie is a senior principal at Cinven Partners LLP. Mr. Leslie joined Cinven in 2006 and is a member of the Healthcare sector team and the UK and Ireland regional team. He worked on several transactions made by funds advised by Cinven, including Spire Healthcare, a private hospitals business which was successfully listed in the United Kingdom in 2014, AMCo, a firm selling niche specialty pharmaceuticals, and Medpace, a clinical research organization. Mr. Leslie also serves as member of the board of directors of AMCo and Medpace. Mr. Leslie obtained an M.A. in History from University of Edinburgh.

Executive Board of the Combined Business

Upon completion of the Acquisitions, Dr. med. Bartl Wimmer and Mr. Philippe Charrier, will join the board of directors of each Issuer. In addition, Cinven intends to establish an executive board at the level of each Issuer, the combined business or one of the combined business's holding companies or subsidiaries (the "Executive Board"). The Executive Board is expected to be responsible for certain key operational decisions of the combined business in accordance with the constitutional documents and resolutions of the shareholders' meeting of the relevant entity. The Executive Board is also expected to be entrusted with the ultimate direction of the combined business, as well as the supervision and control of the management. The principal functions of the Executive Board will be to debate and authorize the strategic orientation of the combined business.

The Executive Board will include a majority of members appointed by Cinven, although the composition of the Executive Board after the Acquisitions has not yet been determined.

Synlab

synlab Holding GmbH is a limited liability company organized under the laws of Germany. synlab Holding GmbH was incorporated on May 18, 2009 and is registered with the commercial register of the local court of Augsburg under number HRB 24668.

As of the Issue Date, synlab Holding GmbH has an advisory board (the "Advisory Board") in place that advises and oversees the managing directors. The Advisory Board may consist of up to seven members, four of whom may be appointed by SL Lux Investment S.C.A. The current Advisory Board consists of seven members, all of whom are expected to be replaced following the Completion Date.

The current managing directors of synlab Holding GmbH are as follows.

Name	Age	Title
Dr. med. Bartl Wimmer	54	Chief Executive Officer
Markus Stötter	48	Chief Financial Officer

The business address of synlab Holding GmbH's managing directors is Gubener Straße 39, 86156 Augsburg, Germany.

Dr. med. Bartl Wimmer, 54, has served as Chief Executive Officer of synlab Holding GmbH since January 1, 2010. He co-founded Synlab in 1998 and has acted as Managing Director of the company since its founding. Since 2014, he also served as a member of the board of directors of the Sparkasse Berchtesgadener Land, and, until 2011, he served as a member of the board of directors of Kliniken Südostbayern AG. He is also a director of Wimmer Beteiligungs- und Vermögensverwaltungs GmbH (formerly Synlab GmbH). In 1993, Dr. Wimmer qualified as a specialist for laboratory medicine and established a practice in Augsburg. Dr. Wimmer received a degree in medicine (Dr. med.) from the medical faculty of the Technical University of Munich.

Markus Stötter, 48, has served as Chief Financial Officer of synlab Holding GmbH since January 2013. Prior to joining synlab Holding GmbH, he worked for an international accounting firm for five years and founded the AWI Treuhand in Augsburg in 1998. He also served as a member of the board of directors of AWI Treuhand until 2013. Under his responsibility, this company has provided support in tax consultancy matters to the Synlab Group. As of March 2011, this assignment was extended to also include the areas of financial management, controlling, accounting and invoicing as well as the preparation of financial structures for the capital market. Mr. Stötter is a certified public accountant (*Wirtschaftsprüfer*) and tax consultant (*Steuerberater*). Mr. Stötter received a degree in business administration (*Diplom-Kaufmann (Univ.)*) from the University of Augsburg.

Labco

Labco S.A. is a private limited liability company (*société anonyme*) organized under the laws of France. Labco was incorporated in France on 5 June 2003 and is registered with the *registre du commerce et des sociétés de Paris* under registration number 448 650 085.

The current members of Labco's executive committee are as follows.

Name	Age	Title
Philippe Charrier	60	Chief Executive Officer
Vincent Marcel	53	Chief Financial Officer
Etienne Couëlle	49	Chief Executive France
Albert Sumarroca	49	Chief Executive Iberia
Luis Miguel da Palma Vieira	44	Head of Business Development—Chief Executive Italy
Santiago Valor-Garcia	55	Chief Medical Officer
Philippe Cailly	56	Head of Group Information Systems
Stuart Quin	40	Chief Executive UK
Ginette Leclerc	60	General Counsel

The business address of the members of Labco's executive committee is 60-62, rue d'Hauteville, 75010 Paris, France.

Philippe Charrier, 60, is the current Chief Executive Officer of Labco. His appointment became effective on January 1, 2011. Prior to joining Labco, Mr. Charrier acted as chief executive officer of Laboratoire Oenobiol, the French leader in nutritional, health and beauty supplements, from 2006 to 2009. Mr. Charrier joined Procter & Gamble in 1978 and held various financial positions before serving as chief executive officer of Procter & Gamble France from 1999 to 2006. Mr. Charrier is currently a member of the board of directors of Lafarge, Rallye Dental Emco and Alphident and is the founder and President of Clubhouse France. In 1978 Mr. Charrier obtained an M.B.A. from HEC Business School and qualified as a chartered accountant.

Vincent Marcel, 53, has been Labco's Chief Financial Officer since January 2012. Before joining Labco in 2011, Mr. Marcel occupied various positions at Valeo from 1998 to 2011, where he served as CFO from 2001 to 2011. From 1995 to 1998, he served as Director of Telecom and Media at Banexi at BNP Paribas. Mr. Marcel graduated with a master's degree in business administration from Insead in June 1991, from Ecole Polytechnique (Corps des Mines) in September 1985 with a degree in engineering and from Ecole Nationale Supérieure des Télécommunications in 1977 with a degree in engineering.

Etienne Couëlle, 49, is the Chief Executive Officer of France and head of Procurement and Information Technology at the Group level. Mr. Couëlle was appointed Chief Executive Officer of France for Labco in 2009. Before joining Labco, from 2006 to 2011, he had worked at 3i as an Investment Director. Between 1988 and 1995, he was a management consultant with KPMG Peat Marwick Consultants and between 1995 and 2005, he held divisional COO/CEO positions at various Oberthur Group entities. Mr. Couëlle graduated in applied mathematics from Esiea in 1988 and in industrial engineering from Centrale Paris in 1989.

Albert Sumarroca Claverol, 49, is the Executive Vice President of Labco Iberia. Prior to joining Labco in 2007, Mr. Sumarroca served as a commercial director for General Lab S.A., Laboratorios de Análisis (Barcelona) from 1995 to 1999 and as a commercial director for Selfoods S.A. from 1989 to 1991, where he focused on food product distribution. Mr. Sumarroca holds a degree in biology from the University of Barcelona.

Luis Miguel da Palma Vieira, 44, is the Executive Vice President Corporate Development. He is also a member of the board of directors of certain of our Portuguese, Spanish, French, Italian and English subsidiaries. Mr. Vieira was appointed Executive Vice-President Corporate Development of Labco in 2009. Mr. Vieira graduated with a degree in accounting and financial audit from the Instituto Superior de Contabilidade e de Administração de Lisboa in 1992.

Santiago Valor-Garcia, 55, is the Chief Medical Officer for Labco since 2009. Before joining Labco in 2008, Mr. Valor was Director of the Department of Laboratory Medicine and Pathology at Fundación Hospital Alcorcón between 2002 and 2009, vice chairman of the Institute of Laboratory Medicine at the University Hospital "San Carlos" in Madrid from 2000 to 2002, director of the University Hospital Fundacion Alcorcon from 1998 to 2000 and a specialist of laboratory medicine at the University Hospital "San Carlos" in Madrid from 1987 to 1998. Mr. Valor earned his M.D. from the University Complutense Madrid in 1983 and a Health Care—MBA from the University of Alcala in Madrid in 2008.

Philippe Cailly, 56, is the Group CIO and Vice-President Organization & Information Technology of Labco since 2012. Before joining Labco, Mr. Cailly served as VP Information System Product Delivery at the Carlson Wagonlit Group from 2006 to 2011. Mr. Cailly graduated with a Ph.D. in Informatics and Electronics from the Ecole Nationale d'Ingénieurs de Brest in 1981.

Stuart Quin, 40, is Chief Executive of iPP and is Managing Director of Labco UK. Dr. Quin joined iPP in 2014 having previously worked with Labco during his time as an investment manager with 3i where he led 3i's investments in healthcare in the United Kingdom. Dr. Quin was part of the 3i team that led the investment into Labco in 2008. Prior to joining iPP, he was an Investment Director at August Equity where he led the investment into Anglia Care. Before entering private equity, he was a manager at Accenture where he was part of the international healthcare strategy team. During his time at Accenture, Dr. Quin spent time in the United States and Japan advising leading pharmaceutical companies on research and development strategy. He graduated from the University of Edinburgh with a BSc (Hons) in Immunology and has a PhD (DIC) in molecular immunology from Imperial College, London, where he was a Wellcome Trust prize student. He also has an MBA from INSEAD, the international business school based in France and Singapore, and is a fellow of the Royal Society of Medicine.

Ginette Leclerc, 60, is the General Counsel of Labco. Her appointment became effective on September 2014. Prior to joining Labco, Ms. Leclerc was an equity partner in the law firm Fasken Martineau in Paris. Ms. Leclerc was previously a partner of the law firm Gravel, Leclerc & Associés from 2000 to 2009 and an associate and partner at the law firm Norton Rose (formerly Ogilvy Renault, Canada) from 1981 to 1997. From 1998, she was in-house counsel at Valeo, a multinational automotive spare parts and systems manufacturer and supplier and held the office of deputy General Counsel when she left in 2000. Ms. Leclerc obtained a LL.L. in Law and a LL.M. in Business Law from Montreal University in 1979 and 1984 and qualified as a lawyer with the Quebec Bar in 1981 and the Paris Bar in 1991.

Compensation

The total remuneration paid to the managing directors of synlab Holding GmbH for the year ended December 31, 2014 was €372 thousand, compared to €616 thousand for the year ended December 31, 2013. This included share-based payments in the amount of €53 thousand for the year ended December 31, 2014, compared to €103 thousand for the year ended December 31, 2013. Members of the Advisory Board of Synlab received no compensation in 2013 or 2014.

Labco's executive management team and the members of its board of directors received total remuneration of €9.7 million in the year ended December 31, 2014, €5.6 million in the year ended December 31, 2013 and €5.5 million in the year ended December 31, 2012. Remuneration consisted of short-term compensation, post-employment and termination benefits and share-based payments.

PRINCIPAL SHAREHOLDERS

The Issuers are indirectly owned by the Cinven Funds and the Senior Secured Notes Issuer is a direct, wholly owned subsidiary of the Senior Notes Issuer. Following the Acquisitions, Labco will be a direct, wholly owned subsidiary of French BidCo, a wholly owned subsidiary of the Senior Secured Notes Issuer, Synlab will be a direct, wholly owned subsidiary of German BidCo, a wholly owned subsidiary of the Senior Secured Notes Issuer, and the Cinven Funds (together with certain preexisting minority shareholders of Labco, including certain managers of Labco and certain laboratory doctors who are not employees of Labco and may, in the aggregate, own up to 20% of the equity of UK TopCo) will indirectly (through wholly or majority-owned intermediate holding companies) own, following completion of the Labco Squeeze-Out, the entire share capital of Synlab/Labco. See "*Summary—Summary Corporate and Financing Structure*."

Management Equity Participation Program

We plan to implement a management equity participation program prior to the Completion Date pursuant to which certain managers who are employees of Synlab or Labco may hold, through a management pooling vehicle or other entities, up to approximately 2% of the share capital of UK TopCo. The terms of the program are expected to be included in a shareholders' agreement and in put and call option agreements.

Labco Performance Share Plans

Labco implemented a performance share plan in the United Kingdom in April 2014, benefiting two of iPP's managers through a "UK Employee Shareholders Scheme." Seven percent of iPP's shares have been awarded to those managers under the share plan. The economic rights to those shares are subject to a five-year vesting period (20% per year) and the managers have been granted a put option that can be exercised when all the economic rights to the shares have vested. Labco has a call option that can be exercised one year after the end of the vesting period and at any time in the event of a change in control of Labco or iPP. The valuation of the shares is based on a price formula specified in the contract relating to that option. The estimated charge corresponding to the share award plan is subject to regular measurement in the preparation of financial statements.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Consulting Services

Labco entered into an executive administrator agreement with Acand, a company controlled by Andreas Gaddum, who will remain chairman of the Board of Directors of Labco until the Completion Date, pursuant to which Mr. Gaddum provides consulting services to Labco. Pursuant to this agreement, Labco paid Acand €425,495 between 2012 and 2014, €232,360 of which was for specific services.

Real Estate Lease Agreements

Certain of Labco's French entities (SELs) have entered into real estate lease agreements with Société Immobilière de Laboratoires, a real estate company, of which Philippe Dauchy, a member of the board of Labco SA, is the managing director. Société Immobilière de Laboratoires' business is to build or refurbish commercial or industrial premises in order to lease them to certain SELs. The lease agreements contain conditions that are considered to be standard commercial conditions. However, the durations of these leases exceed the usual length of commercial leases in France. Furthermore, and, in compliance with Articles L. 145-18, L. 145-21 and L. 145-24 of the French commercial law (*Code de Commerce*), the duration of these leases is fixed, meaning that the lessee is not entitled to exit the lease at the end of each three-year period.

As of December 31, 2014, 12 lease agreements had been entered into between Société Immobilière de Laboratoires and certain of Labco's French SELs. The aggregate amount of rent paid pursuant to these lease agreements was €1.1 million in 2014.

Settlement Agreements

In January 2013, January 2015 and May 2015, Labco entered into three settlement agreements with a number of its shareholders or warrant-holders, settling existing litigation and preventing future litigation, with regards to the exercise and amendment mechanisms of certain of its warrants.

DESCRIPTION OF OTHER INDEBTEDNESS

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

Revolving Credit Facility Agreement

In connection with the Transactions, the Senior Secured Notes Issuer will enter into an amendment and restatement of the Revolving Credit Facility Agreement on or about the Issue Date of the Notes.

Borrowings

Once amended and restated, the Revolving Credit Facility Agreement will provide for total revolving credit facility borrowings of €250 million.

Borrowings under the Revolving Credit Facility may be used to finance or refinance:

(a) the Labco Acquisition, acquisitions, investments in joint ventures or capital expenditure;

(b) the servicing of any indebtedness; and

(c) the working capital requirements and/or general corporate purposes of the combined business.

The Revolving Credit Facility may be utilized in the form of multi currency advances for terms of 1, 2, 3, or 6 months (or any other term agreed with the Agent acting on the instructions of (i) the majority lenders for periods of less than six months, or (ii) all lenders for periods greater than six months) or letters of credit or ancillary facilities.

Additional Facility

The Senior Secured Notes Issuer may elect to request, subject to certain terms and conditions, the commitment of additional facilities, either as a new facility or as additional sub tranches of the Revolving Credit Facility Agreement (the "Additional Facility Commitments"). The Senior Secured Notes Issuer may agree with the relevant lenders certain terms in relation to the Additional Facility Commitments, including the termination date (subject to parameters as set forth in the Revolving Credit Facility Agreement) and the availability period. The margin on any cash advances under the Additional Facility Commitments will be agreed between the Senior Secured Notes Issuer and the relevant lenders providing the relevant Additional Facility Commitments (subject to parameters as set forth in the Revolving Credit Facility Agreement). Unless otherwise agreed between the Senior Secured Notes Issuer and the relevant lenders providing the relevant Additional Facility Commitments, borrowings under an additional facility may be used for the same purposes as under the Revolving Credit Facility Agreement.

Maturity Date

Subject to the absence of a default, the Revolving Credit Facility will be available for drawing from and including the date of the Revolving Credit Facility Agreement until the date falling one month prior to the "termination date" of the Revolving Credit Facility Agreement (which is the earlier of (a) the date falling 72 months after the date of the Revolving Credit Facility Agreement and (b) the date falling one year prior to the maturity date of the Senior Secured Notes, if earlier).

Conditions Precedent

Utilizations (in an amount of up to €140 million) under the existing Revolving Credit Facility are subject to customary conditions precedent, including, without limitation, relating to the Labco Acquisition. Furthermore, the amendment and restatement of the Revolving Credit Facility Agreement which will, amongst other things, increase the available commitments under the Revolving Credit Facility Agreement by €110 million is subject to further customary conditions precedent relating to the Synlab Acquisition.

Interest and Fees

The Revolving Credit Facility bears interest at a rate per annum equal to LIBOR or, for borrowings in euro, EURIBOR, plus a margin of 3.00% per annum, subject, in each case, to a floor of zero. Going forward the margin may be reduced to 2.00% per annum by reference to a senior secured net leverage test.

We are also required to pay a commitment fee, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility at a rate of 35% of the applicable margin.

Security and Guarantees

The Revolving Credit Facility is guaranteed on a joint and several basis by the Guarantors. The Revolving Credit Facility Agreement also requires that, subject to agreed security principles, the EBITDA of the guarantors represents not less than 50% of consolidated EBITDA of the group on the date falling 90 days after the Labco Completion Date (ignoring, for these purpose, the Synlab Group) and not less than 50% on the date falling 90 days after delivery of the annual financial statements of the group for each fiscal year unless the Completion Date has taken place during that fiscal year in which case such date shall be the later of (a) 90 days after delivery of the annual financial statements of the group in respect of that fiscal year and (b) the date on which the Senior Secured Notes Issuer is required to accede all Synlab Guarantors following the Completion Date.

The Revolving Credit Facility is secured by the same security interests as for the Notes as set forth under "*Description of the Senior Secured Notes—Security*."

Under the terms of the Intercreditor Agreement, in the event of acceleration of the Revolving Credit Facility or the Notes, amounts recovered in respect of the Notes, including from the enforcement of guarantees and the Collateral, are required to be turned over to the Security Agent and, subject to the payment of fees and expenses of, amongst others, the agent under the Revolving Credit Facility, the Trustee and Security Agent, paid by the Security Agent to the Credit Facility Lenders (including the lenders under the Revolving Credit Facility) and counterparties to certain hedging obligations in priority to the holders of the Notes.

The provision and the terms of the security set forth above will in all cases be subject to certain limitations and are at all times and in all cases subject to the requirements of applicable law and the other matters set forth in the Revolving Credit Facility Agreement. See "*Risks Related to the Senior Secured Notes and the Senior Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

Covenants

Certain of the covenants contained in the Revolving Credit Facility Agreement are based upon the covenants contained in the Senior Secured Notes Indenture. See "*Description of the Senior Secured Notes—Certain Covenants*." The Revolving Credit Facility Agreement also requires the Senior Secured Notes Issuer and certain of its restricted subsidiaries to observe certain customary covenants, subject to certain exceptions, including covenants relating to obtaining required authorizations; at least *pari passu* ranking with certain unsecured payment obligations; guarantor coverage (as described above); further assurance with respect to security interests granted; no intentional change of COMI; compliance with laws and compliance with the senior notes purchase condition (as described below).

The Revolving Credit Facility Agreement also requires the Senior Secured Notes Issuer to ensure that the senior secured net leverage ratio (calculated as the ratio of total senior secured net debt at each quarter end to consolidated EBITDA for the twelve months ending on that quarter end), does not exceed 7.50:1. The senior secured net leverage covenant is tested quarterly on a rolling basis, subject to (i) the first test date falling at least 12 months after the Labco Completion Date; and (ii) the Revolving Credit Facility being at least 35% drawn on the relevant test date. The senior secured net leverage covenant only acts as a drawstop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or event of default under the Revolving Credit Facility Agreement.

The Senior Secured Notes Issuer is permitted to prevent or cure breaches of the senior secured net leverage covenant by applying a "cure" amount (generally, amounts received by the Company in cash pursuant to any new equity or permitted subordinated debt) as if consolidated indebtedness had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than four different cure amounts may be taken into account prior to the termination date of the Revolving Credit Facility Agreement and cure amounts in consecutive financial quarters are not permitted.

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended upon (a) a listing of any member of the Restricted Group or any holding company of any member of the Restricted

Group where the senior secured net leverage ratio is equal to or less than 3.50:1 (*pro forma* for any prepayment of certain indebtedness from the proceeds of such listing) or (b) the Notes achieving a rating equal to or better than Baa3 or BBB− (as applicable) according to both Moody's Investor Services, Inc. and Standard & Poor's Investors Ratings Services, respectively.

Repayment

Loans made under the Revolving Credit Facility must be, subject to any rollover in accordance with the Revolving Credit Facility, repaid in full on the last day of the relevant interest period. All outstanding amounts under the Revolving Credit Facility must be repaid on the "termination date." Amounts repaid by the Senior Secured Notes Issuer in respect of loans made under the Revolving Credit Facility may be reborrowed, subject to certain conditions.

Prepayment

The Revolving Credit Facility permits each lender to require the mandatory prepayment of all amounts due to that lender upon the occurrence of a Change of Control. See "*Description of the Senior Secured Notes—Certain Definitions*" and "*Description of the Senior Notes—Certain Definitions*."

Restrictions on Redemption or Repurchase and Cancellation of the Senior Secured Notes

The Revolving Credit Facility Agreement also contains a "notes purchase condition" covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Senior Secured Notes Issuer may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Senior Secured Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time but, for the avoidance of doubt, excluding any amount outstanding under any "finance document" entered into in respect of the Revolving Credit Facility) ("Relevant Notes") prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Restricted Group to a person which is not a member of the Restricted Group. The exceptions to such covenant include, *inter alia*, generally, payments that do not result in the aggregate principal amount of the Relevant Notes falling below 50% of the original principal amount of the Senior Secured Notes in existence as of the Completion Date, as adjusted to exclude, *inter alia*, payments funded from new equity.

Events of Default

Certain of the events of default contained in the Revolving Credit Facility Agreement are based upon the events of default contained in the Senior Secured Notes Indenture. See "*Description of the Senior Secured Notes—Events of Default and Remedies*."

The Revolving Credit Facility Agreement also contains other events of default the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments, any letters of credit and ancillary facilities, or declare that cash cover in respect of any letters of credit and ancillary facilities is immediately due and payable, subject in certain cases to agreed grace periods, thresholds and other qualifications.

The customary events of default, subject to certain agreed exceptions, include:

- inaccuracy of a representation or statement when made; and
- unlawfulness, invalidity, rescission and repudiation or unenforceability of the "finance documents" entered into in connection with the Revolving Credit Facility Agreement.

Governing Law

The Revolving Credit Facility Agreement is governed by English law, but certain covenants and events of default which reflect, *mutatis mutandis*, the provisions of the Senior Secured Notes, are construed in accordance with the laws of the State of New York.

Bilateral Bank Loans

Certain subsidiaries of Labco have entered into 17 bilateral bank loans for an aggregate principal outstanding amount as of December 31, 2014 of €2.9 million. As of December 31, 2014, these loans have a maturity ranging from 2015 to 2022 and applicable interest rates ranging from 2.50% to 5.16% for fixed rates and 0.30% to 1.50% for floating rates.

Certain subsidiaries of Synlab have overdraft agreements for their current bank accounts that are used flexible, with an aggregate outstanding amount as of December 31, 2014 €593,041.25. Furthermore, Synlab's Austrian subsidiary synlab Holding Austria GmbH has a revolving credit facility with Raiffeisenlandesbank Niederösterreich in an amount of €1 million under which €203,936.82 was drawn as of December 31, 2014.

Factoring Agreements

Certain of Labco's subsidiaries incorporated in Portugal are party to non-recourse and recourse factoring agreements with several banks and factoring companies. They have incurred factoring fees and factoring-related interest charges in an aggregate amount of €0.3 million during the year ended December 31, 2013 and €0.2 million for the year ended December 31, 2014.

The aggregate outstanding factoring cap is approximately €4.4 million under our non-recourse factoring agreements. The annual general factoring fee payable is comprised between 4.15% and 4.8% of the factoring cap. The disbursement fee is based on EURIBOR plus a margin. These agreements are subject to customary terms and conditions.

Finance Leases

Certain subsidiaries of Labco have entered into various finance leases for an aggregate principal outstanding amount as of December 31, 2014 of €19.4 million. As of December 31, 2014, these finance leases have a maturity ranging from 2 to 25, most of them from four to seven years, and are mostly used to finance technical equipment for our laboratories.

Certain of Synlab's subsidiaries have entered into various finance leases with a total carrying amount as of December 31, 2014 of €20.4 million. The maturities of these finance leases generally have maturities ranging from four to seven years, and are mostly used to finance technical equipment.

Intercreditor Agreement

In connection with the entry into the Revolving Credit Facility and the Indentures, each new lender that is not already party to the Intercreditor Agreement, the Guarantors and certain other subsidiaries of the Senior Notes Issuer will accede to the Intercreditor Agreement to govern the relationships and relative priorities between, among others: (i) the Credit Facility Lenders; (ii) any persons who accede to or are already party to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "Hedging Agreement"; the liabilities under such Hedging Agreements, the "Hedging Liabilities"; and any persons that accede to or are already party to the Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the "Hedge Counterparties"); (iii) the trustee, on its own behalf and on behalf of the holders of the Senior Secured Notes (the "Senior Secured Noteholders") (the "Senior Secured Notes Trustee"); (iv) the trustee, on its own behalf and on behalf of the holders of the Senior Notes (the "Senior Noteholders") (the "Senior Notes Trustee"); (v) the intragroup creditors and debtors; and (vi) certain direct or indirect shareholders and subsidiaries of the Senior Secured Notes Issuer in respect of certain structural debt that the Senior Secured Notes Issuer or another member of the Group has incurred or may incur in the future (including any subordinated shareholder loans).

- In this description, "Group" refers to the Senior Secured Notes Issuer and each of its subsidiaries.
- Each member of the Group that incurs any liability or provides any guarantee under the Revolving Credit Facility, in respect of the Notes or under any other Debt Document (as defined in "*—Further Security and Incremental Borrowings*") is referred to as a "Debtor" and are collectively referred to as the "Debtors."

The Intercreditor Agreement sets forth:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by 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;
- 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 (i) a sale of any assets subject to transaction security (such assets, the "Collateral"; such security, the "Transaction Security"; and the documents constituting such Transaction Security, the "Transaction Security Documents"); and (ii) other activities or transactions (including, without limitation, reorganizations and the incurrence of incremental facilities) permitted by the Debt Documents (as defined below).

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by members of the Group and which is permitted or not prohibited under the Credit Facility Documents (as defined below), the Senior Secured Notes Documents (as defined below), any *Pari Passu* Debt Document (as defined below) and any Senior Debt Document (as defined below) to rank *pari passu* in right of payment with the liabilities under the Revolving Credit Facility Agreement, the liabilities under the Senior Secured Indenture (for the purposes of this section, the "Notes Indenture") and any *Pari Passu* Liabilities (as defined below), or, in each case, with the consent of the relevant Creditor Representatives (as defined below) under such documents (acting on the instructions of the requisite level of creditors under such documents) and to be secured on the Collateral, subject to the terms of the Intercreditor Agreement (such indebtedness being the "*Pari Passu* Debt"; the creditors in respect of such indebtedness being the "*Pari Passu* Creditors"; the liabilities of the Debtors in respect of such indebtedness being the "*Pari Passu* Liabilities"; and the documents creating or evidencing the *Pari Passu* Liabilities, the "*Pari Passu* Debt Documents").

The Intercreditor Agreement also includes provisions relating to future indebtedness in the form of loans, credit or guarantee facilities or notes (such indebtedness being "Senior Debt," the liabilities of the Debtors in respect of such indebtedness being "Senior Debt Liabilities" and documents creating or evidencing the Senior Debt Liabilities (which includes for the avoidance or doubt the Senior Notes), the "Senior Debt Documents") that is to be incurred by the Senior Notes Issuer, or a limited liability company which is a holding company of the Senior Notes Issuer, or a direct wholly owned subsidiary of the Senior Notes Issuer or a holding company of the Senior Notes Issuer which, in each case, is not a member of the Group or a not a borrower or issuer (or co-borrower or co-issuer) of any Super Senior Liabilities or Senior Secured Liabilities (such entity, the "Senior Debt Issuer") and provisions relating to the liabilities in respect of guarantees granted by each guarantor of the Senior Debt (the "Senior Debt Guarantee Liabilities"), that is permitted or not prohibited under the Credit Facility Documents, the Senior Secured Notes Documents, any *Pari Passu* Debt Document and any Senior Debt Document to rank equally with any Senior Debt Liabilities, subject to the terms of the Intercreditor Agreement (the creditors in respect of such indebtedness being the "Senior Debt Creditors").

The Intercreditor Agreement also provides for any credit facility constituting a "Credit Facility" the creditors of which are entitled under the terms of the Senior Secured Notes Documents, any *Pari Passu* Debt Document and any Senior Debt Document to receive priority in respect of the proceeds of the enforcement against the Collateral (each such facility being a "Credit Facility" and, together with the Revolving Credit Facility, the "Credit Facilities" and each finance document relating thereto (but excluding any Hedging Agreement), a "Credit Facility Document"). Each lender under a Credit Facility is a "Credit Facility Lender" and excluding any Hedging Liabilities, the liabilities of the Debtors to the Credit Facility Lenders are referred to as the "Credit Facility Lender Liabilities."

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of a Debt Document and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Any reference in this "*Description of Certain Financing Arrangements*" (and in the Intercreditor Agreement) to any matter being "permitted" under one or more Debt Document shall include reference to such matters not being prohibited under such Debt Documents.

By purchasing a Senior Secured Note, Senior Secured Noteholders shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Senior Secured Notes Trustee to enter into the Intercreditor Agreement on their behalf.

By purchasing a Senior Note, Senior Noteholders shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Senior Notes Trustee to enter into the Intercreditor Agreement on their behalf.

The following description is a summary of certain provisions in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety.

Ranking and Priority

The Intercreditor Agreement provides, subject to the provisions in respect of permitted payments described below, that (i) the Credit Facility Lender Liabilities; (ii) the liabilities of the Debtors with respect to the Debt Related Hedging Liabilities and the Capped Super Senior Hedging Liabilities (each as defined below) (the "Super Senior Hedging Liabilities" and the creditors of the Super Senior Hedging Liabilities, the "Super Senior Hedge Counterparties," the Super Senior Hedging Liabilities, together with the Credit Facility Lender Liabilities and the Creditor Representative Liabilities owed to the Credit Facility Agent, the "Super Senior Liabilities" and the creditors of the Super Senior Liabilities, the "Super Senior Creditors"); (iii) the liabilities of the Debtors with respect to any Hedging Agreements that do not constitute Super Senior Hedging Liabilities (the "Non-Super Senior Hedging Liabilities" and the creditors of the Non-Super Senior Hedging Liabilities, the "Non-Super Senior Hedge Counterparties"); (iv) the liabilities of the Senior Secured Notes Issuer and the Debtors in respect of the Senior Secured Notes (the "Senior Secured Notes Liabilities"); (v) the *Pari Passu* Liabilities (together with the Senior Secured Notes Liabilities and the Non-Super Senior Hedging Liabilities, the "Senior Secured Liabilities," and the creditors of the Senior Secured Liabilities, the "Senior Secured Creditors"); (vi) the liabilities of the Senior Debt Issuer and the Debtors in respect of the Senior Debt (the "Senior Debt Liabilities") and (vii) certain other unsecured liabilities, will rank in right and priority of payment in the following order:

- *first*, the Super Senior Liabilities, the liabilities of any Debtor to an arranger under the Credit Facilities (the "Arranger Liabilities"), the Senior Secured Liabilities, the Senior Debt Trustee Amounts and the liabilities of the Security Agent (the "Security Agent Liabilities") *pari passu* and without any preference between them; and
- *second*, the Senior Debt Guarantee Liabilities *pari passu* and without any preference between them.

The intercompany obligations (the "Intra Group Liabilities" and the documents creating or evidencing such Intra Group Liabilities being "Intra Group Debt Documents") of any member of the Group to any other member of the Group (each an "Intra Group Lender" and collectively the "Intra Group Lenders") are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors (as defined below). The liabilities owed by any Debtor to any shareholder, direct or indirect, of the Senior Secured Notes Issuer (or any holding company or subsidiary of the Senior Secured Notes Issuer or any other subsidiary of any such holding company that is not a member of the Group) and any of their respective transferees or successors (the "Shareholder Liabilities" and the documents creating or evidencing such Shareholder Liabilities being "Shareholder Debt Documents") are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors.

In this section the Shareholder Liabilities and the Intra Group Liabilities are together referred to as the "Subordinated Liabilities."

The parties to the Intercreditor Agreement have agreed in the Intercreditor Agreement that the Transaction Security ranks and secures the following liabilities in the following order:

- *first*, the Super Senior Liabilities, the Creditor Representatives, the Arranger Liabilities, the Senior Secured Liabilities, the Senior Debt Trustee Amounts and Security Agent Liabilities, *pari passu* and without any preference between them; and
- *second* (to the extent only of any Shared Security (as defined below)), the Senior Debt Liabilities.

The Senior Debt Liabilities and the Subordinated Liabilities will not be secured by any of the Transaction Security unless permitted by the Credit Facility Documents, the Senior Secured Notes Documents and any *Pari Passu* Debt Documents. Notwithstanding the foregoing, the Senior Debt Liabilities may, to the extent provided for under the relevant Senior Debt Document, be secured by the Shared Security if any (being (a) in the case of Senior Debt which is not secured by any assets of the Group, the security (if any) granted in favor of the Security Agent under the Transaction Security Documents over investment instruments issued by the Senior Secured Notes Issuer to the Senior Notes Issuer and over any Senior Debt Issuer Liabilities owed by the Senior Secured Notes Issuer to the Senior

Debt Issuer including, without limitation, any proceeds loan agreement; or (b) in the case of Senior Debt which is secured, the Security granted in favor of the Security Agent under the Transaction Security Documents on a second-ranking basis in accordance with the Intercreditor Agreement). The Senior Debt Liabilities are senior obligations of the Senior Debt Issuer. Until the Senior Secured Debt Discharge Date, the Senior Debt Creditors may not take any steps to appropriate the assets of the Senior Debt Issuer in connection with any enforcement action other than as expressly permitted by the Intercreditor Agreement.

Under the Intercreditor Agreement, all proceeds from enforcement of the Collateral and certain other recoveries will be applied as provided under "*—Application of Proceeds from Enforcement of Transaction Security*."

Hedging Liabilities

The Intercreditor Agreement provides for Super Senior Hedging Liabilities, which consists of Debt Related Hedging Liabilities (being any Hedging Liabilities to the extent hedging any floating interest rate exposures or foreign exchange exposures in respect of any Credit Facilities, Senior Secured Notes, *Pari Passu* Debt or Senior Debt) and Capped Super Senior Hedging Liabilities, and Non-Super Senior Hedging Liabilities.

Capped Super Senior Hedging Liabilities

Any Debtor and a Hedge Counterparty may enter into hedging agreements for the purposes of hedging any interest rate, foreign exchange or other exposures. An agreed amount of Hedging Liabilities incurred under or in connection with the actual or projected exposures arising in the ordinary course of a member of the Group's funding and commercial activities and not for speculative purposes may be designated as capped super senior hedging liabilities ("Capped Super Senior Hedging Liabilities") by the relevant Debtor and the Hedge Counterparty delivering to the Security Agent a notice detailing the maximum amount of Hedging Liabilities under or in connection with any Hedging Agreement (the "Designated Super Senior Amount") up to which the relevant Hedge Counterparty shall at any time be entitled to share in the proceeds of enforcement of any security created by any Transaction Security Document and receive recoveries as provided under "*—Application of Proceeds from Enforcement of Transaction Security*" as Super Senior Hedging Liabilities. The Debtor and relevant Hedge Counterparty together may increase or decrease the Designated Super Senior Amount in respect of such Hedge Counterparty's Super Senior Hedging Liabilities by delivering a notice to this effect to the Security Agent.

The aggregate of all Designated Super Senior Amounts (taking into account any increase or decrease referred to above, as may be increased or decreased) in relation to the Super Senior Hedge Counterparties, may not at any time exceed €50 million (the "Capped Amount") and, in any such case, only the amounts so advised to the Security Agent which, taken in order of being so advised, add up to but do not exceed the Capped Amount shall be treated as Designated Super Senior Amounts. Any Designated Super Senior Amount Notice which would cause the Capped Amount to be exceeded shall be deemed revoked and of no further effect.

Further Security and Incremental Borrowings

The creditors in respect of the Super Senior Liabilities and the Senior Secured Liabilities (the Super Senior Liabilities, the liabilities owed to Creditor Representatives (as defined herein, other than in paragraph (f) of that definition), the Senior Secured Liabilities and the Arranger Liabilities, together, the "Secured Liabilities," and the creditors thereof, the "Secured Parties" and the documents evidencing the Secured Liabilities, the "Secured Debt Documents") may take, accept or receive the benefit of additional security and additional guarantees, indemnities or other assurance against loss from any member of the Group in respect of the Secured Liabilities, *provided that*, if and to the extent legally possible, such security, guarantee, indemnity or other assurance against loss is also granted to the Security Agent as agent and trustee of the other Secured Parties. Any such additional security, guarantee, indemnity or other assurance against loss will rank in the same order of priority as referred to above and the proceeds of the enforcement of any such security will be applied as provided under "*—Application of Proceeds from Enforcement of Transaction Security*."

The Intercreditor Agreement contemplates the Debtors (or any of them): (i) incurring incremental borrowing liabilities and/or guarantee liabilities under; or (ii) refinancing the borrowing liabilities incurred under the documents creating or evidencing indebtedness under or in respect of any Credit Facility, the Senior Secured Notes, the Senior Debt, the Hedging Liabilities, the *Pari Passu* Debt or the Subordinated

Liabilities (such documents or instruments together with Transaction Security Documents, the Shareholder Debt Documents and the Intra Group Debt Documents being referred to collectively as the "Debt Documents") and/or incurring guarantee liabilities in respect of any indebtedness incurred in connection with any such refinancing (such incremental borrowing liabilities, refinancing liabilities and/or guarantee liabilities being referred to as "Additional Indebtedness") which in any such case are intended to rank *pari passu* with and/or share *pari passu* in any Transaction Security with any existing liabilities and/or to rank behind any existing liabilities and/or to share in the Transaction Security behind such existing liabilities. The Secured Parties and the creditors in respect of the Subordinated Liabilities (the "Subordinated Creditors" and, collectively with the Secured Parties and the Senior Debt Creditors, the "Creditors" and each a "Creditor") confirm in the Intercreditor Agreement that, provided such financing or refinancing and such ranking and such security is permitted or not prohibited under the terms of the Debt Documents, they will (at the Debtors' cost) enter into such documentation as may be necessary (including entering into a new intercreditor agreement on substantially the same terms as the Intercreditor Agreement, and, if applicable, entering into any lower ranking security (being Transaction Security which, in accordance with the applicable law of such Transaction Security, is expressed to be lower ranking) to ensure that the Additional Indebtedness (and the liabilities and obligations of the Debtors in respect of such Additional Indebtedness) will have the ranking permitted to be conferred upon it in accordance with the terms of the Debt Documents, *provided that* such documentation does not in any significant respect have a significant adverse effect on the interests of any of the Secured Parties.

Security: Pari Passu Creditors

The *Pari Passu* Creditors may take, accept or receive the benefit of:

(a) security in respect of the *Pari Passu* Liabilities in addition to the Transaction Security if, at the same time, it is also granted either:

  (i) to the Security Agent as trustee for the other Secured Parties in respect of their secured obligations;

  (ii) in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as trustee for the Secured Parties:

    (A) to the other Secured Parties in respect of their secured obligations; or

    (B) to the Security Agent under a parallel debt structure for the benefit of the other Secured Parties; or

  (iii) in the case of any security granted after the date of the Intercreditor Agreement, to some of the Secured Parties *provided that* such security is incremental to the Transaction Security that has already been granted in favor of all other Secured Parties and any proceeds derived from the enforcement of such security will be shared with the Secured Parties in accordance with the payment waterfalls set forth in "*—Application of Proceeds from Enforcement of Transaction Security*"

  and ranks in the same order of priority as that contemplated in "*—Ranking and Priority*"; and

(b) any guarantee, indemnity or other assurance against loss in respect of the *Pari Passu* Liabilities in addition to those in:

  (i) the original form of the *Pari Passu* Debt Documents;

  (ii) the Intercreditor Agreement; or

  (iii) any guarantee, indemnity or other assurance against loss given for the benefit of all the Secured Parties in respect of their Secured Liabilities;

only if, in each case (1) the grant of such security or the giving of such guarantee, indemnity or other assurance against loss is permitted by the documents or instruments creating or evidencing the Senior Secured Notes Liabilities (the "Senior Secured Notes Documents") and the Credit Facility Documents and (2) at the same time, it is also granted to the Credit Facility Lenders and granted to the other Secured Parties in respect of their respective Secured Liabilities and ranks in the same order of priority as that contemplated in "*—Ranking and Priority*."

Permitted Payments

The Intercreditor Agreement permits, prior to the occurrence of an acceleration event in respect of a Credit Facility, the *Pari Passu* Liabilities or the Senior Secured Notes Liabilities (a "Secured Debt Acceleration Event"), payments to be made by the Debtors under a Credit Facility (including the Revolving Credit Facility), the Senior Secured Notes Documents and the *Pari Passu* Debt Documents, in each case in accordance with the terms of the relevant Credit Facility Agreement, Senior Secured Notes Documents and the *Pari Passu* Debt Documents, but subject to: (i) in the case of payments in respect of the Senior Secured Notes, compliance with the Senior Secured Notes Purchase conditions described under "*—Revolving Credit Facility Agreement—Restrictions on Redemption or Repurchase and Cancellation of the Senior Secured Notes*" or any equivalent provision in any other Credit Facility; and (ii) in the case of payments in respect of the *Pari Passu* Liabilities, any restrictions under the Credit Facilities, the Senior Secured Notes Documents, the Senior Debt Documents and any *Pari Passu* Debt Documents then outstanding. Following the occurrence of a Secured Debt Acceleration Event, subject to certain exceptions, payments can only be made by the Debtors applying the amounts received by the relevant Debtor under the process described under "*—Application of Proceeds from Enforcement of Transaction Security*." The restriction in the foregoing sentence shall not apply (i) where, *provided that* the Majority Super Senior Creditors constitute the Instructing Group in accordance with "*—Enforcement Decision*," a payment block suspension notice has been delivered by the Credit Facility Agent to the Security Agent in accordance with the terms of the Intercreditor Agreement or (ii) to the extent that such Secured Debt Acceleration Event has subsequently been cancelled and/or irrevocably revoked in writing by each relevant Creditor Representative.

The Intercreditor Agreement also permits payments in respect of Senior Debt Guarantee Liabilities prior to the Secured Debt Discharge Date (as defined below) to be made by the Debtors under the Senior Debt Documents including if (a) (i) the payment is of any principal amount or capitalized interest of the Senior Debt Liabilities or the Senior Debt Issuer Liabilities which is either not prohibited from being paid by the Credit Facility, the Senior Secured Notes Document and any *Pari Passu* Debt Document or is paid on or after the final maturity date of the Senior Debt Liabilities (*provided that* such maturity date is a date not earlier than one year after the originally scheduled maturity date of the Senior Secured Notes and Termination Date (as defined in the Credit Facility Documents)) at the time of issuance of such Senior Debt or is a payment of any amount in respect of the Senior Debt Liabilities which is not an amount of principal or capitalized interest or a corresponding amount under the relevant proceeds loans for the Senior Debt (such amount including all scheduled interest payments, including if applicable, special interest or liquidated damages) and default interest on the Senior Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant Debt Document, additional amounts payable as a result of the tax gross up provisions relating to the Senior Debt Liabilities and amounts in respect of currency indemnities in the relevant indenture for the Senior Debt and/or applicable proceeds loan, (ii) no notice of a Secured Debt Event of Default has been delivered by the Credit Facility Agent, the Senior Secured Notes Trustee or the *Pari Passu* Debt Representative (as the case may be); and (iii) no payment default under any Credit Facility, the Senior Secured Notes Indenture (above an agreed threshold) and the *Pari Passu* Debt Documents (above an agreed threshold) has occurred and is continuing; (b) the Majority Super Senior Creditors (as defined below) and the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative give prior consent to that payment being made; (c) the payment is of amounts owing to the Senior Debt Representative in respect of any Senior Debt issued in the form of notes (the "Senior Debt Representative Amounts"); (d) the payment is of administrative and maintenance costs, fees, expenses and taxes of the Senior Debt Issuer including any reporting or listing requirements, in each case in respect of the Senior Debt Issuer, and as permitted under the terms of the Credit Facilities; (e) the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Debt Documents in compliance with the Intercreditor Agreement, the Credit Facilities, the Senior Secured Notes Documents and the *Pari Passu* Debt Documents; or (f) the payment is by the Senior Debt Issuer of the Senior Debt Liabilities and such payment is not financed directly or indirectly by a payment to the Senior Debt Issuer from a member of the Group which was prohibited (at the time it was made to the Senior Debt Issuer) by any Credit Facility Document, the Senior Secured Notes Documents, the *Pari Passu* Debt Documents or the Senior Debt Documents.

The Intercreditor Agreement also permits payments to be made from time to time when due to lenders owed any Intra Group Liabilities ("Intra Group Liabilities Payments") if at the time of payment no Secured Debt Acceleration Event or an acceleration event in respect of the Senior Debt Liabilities has occurred and is continuing (an "Acceleration Event"). The Intercreditor Agreement permits Intra Group

Liabilities Payments if (i) an Acceleration Event has occurred prior to the date on which the Super Senior Liabilities are discharged in full (the "Super Senior Discharge Date"), with the consent of the Instructing Group (as defined, and further described, in "*—Enforcement Decision*"); (ii) an Acceleration Event has occurred after the Super Senior Discharge Date but prior to the date on which the Senior Secured Liabilities are discharged in full (the "Senior Secured Discharge Date"), with the consent of the Senior Secured Notes/*Pari Passu* Required Holders (as defined below) (acting through their Creditor Representatives); (iii) an Acceleration Event has occurred after the Senior Secured Discharge Date but prior to the later of the date on which the Senior Debt Liabilities are discharged (the "Senior Debt Discharge Date"), with the consent of the Senior Debt Required Holders (as defined herein) (acting through their Creditor Representatives); (iv) that payment is made to facilitate payment of the Super Senior Liabilities or Senior Secured Liabilities; or (v) to the extent a Secured Debt Acceleration Event has subsequently been cancelled and/or irrevocably revoked in writing by each relevant Creditor Representative, the payment is made to facilitate payments of the Senior Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement and, if such payment is made pursuant to Senior Debt Guarantees, it would be permitted at such time.

The Intercreditor Agreement also permits payments to be made from time to time when due to lenders owed any Senior Secured Notes Structural Intra Group Liabilities (being the intragroup loan from the Senior Secured Notes Issuer to Labco S.A. of a principal amount of up to €800 million, and any other loans or credit or financial arrangements having similar effect which are made available by the Senior Secured Notes Issuer to Ephios France or Labco S.A. and/or by Ephios France to Labco S.A. for the purpose of, directly or indirectly, downstreaming all or part of the proceeds of Senior Secured Notes Liabilities which may be issued and/or incurred by the Senior Secured Notes Issuer in accordance with the Debt Documents) if such payment is made (i) to facilitate the making of a payment by the Senior Secured Notes Issuer under any Senior Secured Notes Document, which was downstreamed to such Debtor under such Senior Secured Notes Structural Intra-Group Liabilities; or (ii) such prepayment is made to facilitate the making of a payment by the Senior Secured Notes Issuer which is stated not to be prohibited by the covenant described under "*Description of the Senior Secured Notes—Certain Covenants—Restricted Payments*" or of a payment of the administrative and maintenance costs, fees, expenses and taxes of the Senior Secured Notes Issuer including any reporting or listing requirements, in each case in respect of the Senior Secured Notes Issuer permitted under the terms of the Credit Facility Documents, the Senior Secured Notes Documents and the *Pari Passu* Debt Documents.

At any time prior to an Acceleration Event, each Debtor may convert its Intra-Group Liabilities (other than the Senior Secured Notes Structural Intra-Group Liabilities) into equity, *provided that* such Debtor may convert prior to an Acceleration Event its Senior Secured Notes Structural Intra-Group Liabilities into equity under the circumstances set forth in, and only up to the amount required to ensure compliance with, Article L. 225-248 of the French Commercial Code, subject to such conversion being implemented in a manner which does not result in a loss of French tax consolidation and, if the existing shares of the relevant Debtor are subject to Transaction Security, subject to any new shares issued as a result thereof automatically falling within the scope of the existing Transaction Security or equivalent Transaction Security is granted in accordance with the terms of the Debt Documents over any such new shares.

Payments may be made on Shareholder Liabilities from time to time when due if: (i) the payment is not prohibited by a Credit Facility, the Senior Secured Notes Documents, the *Pari Passu* Debt Documents or the Senior Debt Documents; (ii) the payment is to be made by the Senior Secured Notes Issuer to the Senior Debt Issuer in respect of any Senior Debt Issuer Liabilities made in order to make a corresponding payment of Senior Debt Liabilities which is then due and payable by the Senior Debt Issuer pursuant to the Senior Debt Documents (or in the case of a payment in respect of scheduled interest, such payment will become due and payable within three business days) to be made at the time such payment of Shareholder Liabilities is made by the Senior Secured Notes Issuer to the Senior Debt Issuer; (iii) prior to the Super Senior Discharge Date, the Instructing Group (as defined below) gives written consent to such payment being made; (iv) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Senior Secured Notes/*Pari Passu* Required Holders (acting through their Creditor Representative (as defined below)) give written consent to such payment being made; or (v) after the Secured Debt Discharge Date but prior to the Senior Debt Discharge Date, the Senior Debt Required Holders (acting through their Creditor Representative (as defined below)) give written consent to such payment being made. At any time prior to an Acceleration Event, Shareholder Liabilities may be converted into equity.

Creditor Representative

To the extent they are not already party to the Intercreditor Agreement, various creditor representatives of the parties will have to accede to the Intercreditor Agreement. "Creditor Representative" means:

(a) in relation to the lenders under the Revolving Credit Facility, the facility agent under the Revolving Credit Facility Agreement;

(b) in relation to the Credit Facility Lenders under any other Credit Facility, the facility agent in respect of that Credit Facility (an "Additional Credit Facility Agent," and, together with the facility agent under the Revolving Credit Facility Agreement, a "Credit Facility Agent");

(c) in relation to the Senior Secured Noteholders, the Senior Secured Notes Trustee;

(d) in relation to the Senior Debt Creditors, the creditor representative for those Senior Debt Creditors (the "Senior Debt Representative");

(e) in relation to any *Pari Passu* Creditors, the creditor representative for those *Pari Passu* Creditors (the "*Pari Passu* Debt Representative"); and

(f) in relation to any Hedge Counterparty, such Hedge Counterparty (which shall be its own Creditor Representative).

Issue of Senior Debt Payment Stop Notice

(a) Until the later of the Super Senior Discharge Date and the Senior Secured Discharge Date (the "Secured Debt Discharge Date"), except with the prior consent of the Credit Facility Agent, the consent of the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s), and subject to the provisions of the Intercreditor Agreement which deals with the effects of an insolvency event, the Senior Secured Notes Issuer shall ensure that no member of the Group shall make, and no Senior Creditor may receive from any member of the Group, any payment in respect of the Senior Debt which would otherwise be permitted as referred to above (other than certain payments, including the Senior Debt Representative Amount and certain amounts relating to the administrative and maintenance costs of the Senior Debt Issuer) if:

   (i) a payment default under the Secured Debt Documents (a "Secured Debt Payment Default") has occurred and is continuing; or

   (ii) an event of default (subject to certain thresholds) under a Credit Facility Document, the Senior Secured Notes Documents or the *Pari Passu* Debt Documents (other than a Secured Debt Payment Default) (a "Secured Debt Event of Default") has occurred and is continuing, from the date on which the Credit Facility Agent or the Senior Secured Notes Trustee or the *Pari Passu* Debt Representative (as the case may be) (the "Relevant Representative") delivers a notice (a "Senior Debt Payment Stop Notice") specifying the event or circumstance in relation to that Secured Debt Event of Default to the Senior Debt Issuer, the Security Agent and the Senior Debt Representative, until the earliest of:

      (A) the date falling 179 days after delivery of that Senior Debt Payment Stop Notice;

      (B) the date on which a Senior Debt Default occurs for failure to pay principal at the original scheduled maturity of the Senior Debt;

      (C) in relation to payments of Senior Debt Liabilities, if a Senior Debt Standstill Period (as defined below) is in effect at any time after delivery of that Senior Debt Payment Stop Notice, the date on which that Senior Debt Standstill Period expires;

      (D) the date on which the relevant Secured Debt Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;

      (E) the date on which the Relevant Representative delivers a notice to the Senior Debt Issuer, the Security Agent and the Senior Debt Representative cancelling the Senior Debt Payment Stop Notice;

      (F) the Secured Debt Discharge Date; and

(G) the date on which the relevant Senior Debt Representative takes any enforcement action that it is permitted to take under the Intercreditor Agreement.

(b) Unless the relevant Senior Debt Representative waives this requirement:

(i) a new Senior Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Debt Payment Stop Notice; and

(ii) no Senior Debt Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 60 days after the date the Credit Facility Agent, the Senior Secured Notes Trustee or the *Pari Passu* Debt Representative (as applicable) received notice of that Secured Debt Event of Default.

(c) The Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) may serve only one Senior Debt Payment Stop Notice with respect to the same event or set of circumstances.

(d) The Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) may not serve a Senior Debt Payment Stop Notice with respect to a Secured Debt Event of Default which had been notified to each of them at the time at which an earlier Senior Debt Payment Stop Notice was issued.

Cure of Payment Stop: Senior Debt Creditors

If at any time following the issuance of a Senior Debt Payment Stop Notice or the occurrence of a Secured Debt Payment Default:

(a) the Senior Debt Payment Stop Notice ceases to be outstanding and/or the Secured Debt Payment Default ceases to be continuing, as the case may be; and

(b) the relevant Debtor then promptly pays to the Senior Debt Creditors an amount equal to any payments which had accrued under the Senior Debt Documents and which would have been permitted payments but for that Senior Debt Payment Stop Notice or Secured Debt Payment Default, then any Event of Default which may have occurred as a result of that suspension of payments shall be waived and any Senior Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Debt Creditors.

Restrictions on Enforcement/certain Challenges by Senior Debt Creditors

Until the later of the Secured Debt Discharge Date, except with the prior consent of or as required by the Instructing Group, no Senior Creditor shall take or require the taking of any enforcement action in relation to the Senior Debt Guarantee Liabilities except as permitted under the Intercreditor Agreement (see "—*Permitted Senior Debt Guarantee Enforcement*").

Permitted Senior Debt Guarantee Enforcement

(a) The above restrictions on enforcement will not apply in respect of the Senior Debt Guarantee Liabilities or any Shared Security which secures the Senior Debt Liabilities if:

(i) an event of default (or event or circumstance which would, with the expiration of a grace period, the giving of notice, the making of any determination provided for in the relevant definition of "Event of Default" in the Senior Debt Document or any combination of the foregoing, be an event of default) under any Senior Debt Document (a "Senior Debt Default") (such default being a "Relevant Senior Debt Default") is continuing;

(ii) the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) have received a notice of the Relevant Senior Debt Default specifying the event or circumstance in relation to the Relevant Senior Debt Default from the Senior Debt Representative;

(iii) a Senior Debt Standstill Period (as defined below) has elapsed; and

(iv) the Relevant Senior Debt Default is continuing at the end of the relevant Senior Debt Standstill Period.

(b) Promptly upon becoming aware of a Senior Debt Default, the Senior Debt Representative may, by notice (a "Senior Debt Enforcement Notice") in writing notify the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) of the existence of such Senior Debt Default.

Senior Debt Standstill Period

In relation to a Relevant Senior Debt Default, a Senior Debt Standstill Period shall mean the period beginning on the date (the "Senior Debt Standstill Start Date") the Senior Debt Representative serves a Senior Debt Enforcement Notice on the Credit Facility Agent, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative(s) in respect of such Relevant Senior Debt Default and ending on the earliest to occur of:

(a) the date falling 179 days after the Senior Debt Standstill Start Date (the "Senior Debt Standstill Period");

(b) the date the Secured Parties take any enforcement action (excluding any action taken to preserve or perfect any Collateral as opposed to realize it) in relation to a Guarantor, *provided that* the Senior Debt Creditors may then only take the same enforcement action in relation to the Guarantor as the enforcement action taken by the Secured Parties against such Guarantor and not against any other member of the Group;

(c) the date of an insolvency event in relation to a Senior Debt Guarantor against whom enforcement action is to be taken;

(d) the date on which a Senior Debt Default occurs for failure to pay principal at the original scheduled maturity of the Senior Debt; and

(e) the expiration of any other Senior Debt Standstill Period outstanding at the date such first Senior Debt Standstill Period commenced (unless that expiration occurs as a result of a cure, waiver or other permitted remedy).

The Senior Debt Creditors may take enforcement action as described above in relation to a Relevant Senior Debt Default even if, at the end of any relevant Senior Debt Standstill Period or at any later time, a further Senior Debt Standstill Period has begun as a result of any other Relevant Senior Debt Default.

If the Security Agent has notified the Senior Debt Representative that it is enforcing Transaction Security created over (directly or indirectly) shares of a Senior Debt Guarantor, no Senior Creditor may take any action referred to in "*—Issue of Senior Debt Payment Stop Notice—Permitted Senior Debt Guarantee Enforcement*," against that Senior Debt Guarantor while the Security Agent is, in accordance with the instructions of the Instructing Group, taking steps to enforce that Collateral where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Enforcement Instructions

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by the relevant Instructing Group (as further described in "*—Enforcement Decision*").

Subject to the Transaction Security having become enforceable in accordance with its terms and subject to the terms of the Intercreditor Agreement, (i) the Instructing Group may give instructions to the Security Agent as to the enforcement of the Transaction Security as they see fit *provided that* the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below) or (ii) to the extent permitted to enforce the Shared Security prior to the Senior Debt Discharge Date (as further described in "*—Permitted Senior Debt Guarantee Enforcement*") and subject to the following paragraph, the Senior Debt Representative(s) (acting on the instruction of the Senior Debt Required Holders) may give instructions to the Security Agent as to the enforcement of the Shared Security as they see fit within the parameters set out below.

Prior to the Secured Debt Discharge Date:

(a) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(b) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Senior Debt Representative(s) (acting on the instructions of the Senior Debt Required Holders) are then entitled to give to the Security Agent in accordance with the terms of the Intercreditor Agreement (as further described in "*—Permitted Senior Debt Guarantee Enforcement*").

Notwithstanding the previous two paragraphs, if at any time the Senior Debt Representative(s) are then entitled to give the Security Agent instructions to enforce the Shared Security pursuant to the paragraph above and the Senior Debt Representative(s) either gives such instruction or indicates any intention to give such instruction, then:

(a) the Instructing Group may give instructions to the Security Agent to enforce the Shared Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Debt Representative(s); and

(b) if the Instructing Group gives any instructions to enforce any Transaction Security over shares in a holding company of any member of the Group whose shares are subject to Transaction Security with respect to which any such enforcement instructions by a Senior Debt Representative have been given, the Security Agent may not act on such enforcement instructions from any Senior Debt Representative(s) unless instructed to do so by the Instructing Group.

Enforcement Decision

If either the Majority Super Senior Creditors or the Senior Secured Notes/*Pari Passu* Required Holders (acting through their Creditor Representatives) (the "Instructing Group") wish to instruct the Security Agent to commence enforcement of any Transaction Security, such group of creditors must deliver a copy of the proposed instructions as to enforcement (the "Proposed Enforcement Instructions") to the Security Agent and the Creditor Representative for each of the Super Senior Creditors and the Senior Secured Creditors (as appropriate). The Security Agent shall promptly notify each Creditor Representative of the Super Senior Creditors, the Senior Secured Notes Trustee and each of the *Pari Passu* Debt Representatives upon receipt of such Proposed Enforcement Instructions.

Prior to the Super Senior Discharge Date, if the Security Agent has received any Proposed Enforcement Instructions, then the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Senior Secured Notes/*Pari Passu* Required Holders (and the Senior Secured Notes/*Pari Passu* Required Holders shall be the Instructing Group for the purpose of "*—Enforcement Instructions*," in each case, acting through their respective Creditor Representative) *provided that* such instructions are consistent with certain Security Enforcement Principles (as referred to below) and failure to give instructions will be deemed to be an instruction not to take Enforcement steps.

In the event that:

(a) from the date that is three months after the date upon which the first Proposed Enforcement Instructions (including such instructions not to take Enforcement steps) are delivered, the Senior Secured Notes/*Pari Passu* Required Holders have not taken any Enforcement Action of the Transaction Security; or

(b) the Super Senior Liabilities have not been fully discharged in cash within six months of the date upon which the first such Proposed Enforcement Instructions (including any such instructions not to take Enforcement steps) are delivered,

then (with effect from the date of the earlier to occur of such events), the Majority Super Senior Creditors shall become the Instructing Group for the purposes of "*—Enforcement Instructions*."

If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, a Creditor Representative acting on behalf of the Majority Super Senior Creditors or the Senior Secured Notes/*Pari Passu* Required Holders, as the case may be, may at any time provide immediate instructions as to Enforcement to the Security Agent, notwithstanding any instructions delivered in accordance with the above, if the Majority Super Senior Creditors or the Senior Secured Notes/*Pari Passu* Required Holders determine in good faith (and notify the Creditor Representatives of the other Super Senior Creditors and the Senior Secured Notes Creditors and the *Pari Passu* Creditors and the Security Agent) the delay in taking Enforcement Action of the Transaction Security could reasonably be expected to have a material adverse effect on:

(i) the Security Agent's ability to enforce the Transaction Security; or

(ii) the realization proceeds of any enforcement of the Transaction Security,

and the Security Agent shall act with respect to the relevant asset or Debtor that is the subject of the determination pursuant to (i) or (ii) above, in accordance with the first such notice of determination and instructions as to Enforcement received by the Security Agent (provided in each case that such instructions are consistent with certain Security Enforcement Principles (referred to below)).

If at any time an insolvency event has occurred with respect to any Debtor or any person (which is not a Debtor) which grants any Transaction Security in favor of the Secured Parties in respect of the obligations of the Debtors) (a "Security Provider") (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Senior Secured Notes/*Pari Passu* Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from such Majority Super Senior Creditors, *provided that* in the event the Security Agent has received Proposed Enforcement Instructions from the Creditor Representative for the Senior Secured Notes/*Pari Passu* Required Holders and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the Creditor Representative for the Senior Secured Notes/*Pari Passu* Required Holders until such time as the Creditor Representative for the Majority Super Senior Creditors issues enforcement instructions to the Security Agent and such instructions shall override and supercede any such prior instructions given by the Creditor Representative for the Senior Secured Notes/*Pari Passu* Required Holders.

Other than where the preceding two paragraphs apply, if, prior to the Super Senior Discharge Date, the Majority Super Senior Creditors or the Senior Secured Notes/*Pari Passu* Required Holders (in each case, acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with certain Security Enforcement Principles (as referred to below), the Creditor Representatives for the relevant Super Senior Creditors or Senior Secured Creditors shall give notice to the Creditor Representatives for the other Super Senior Creditors and Senior Secured Creditors (as appropriate), after which the Creditor Representatives for the other Super Senior Creditors, the Senior Secured Notes Trustee and each *Pari Passu* Debt Representative shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant Creditor Representatives may agree) with a view to agreeing the manner of enforcement provided that such Creditors' Representatives shall not be obligated to consult in the manner referred to in this paragraph more than once in relation to each enforcement action.

After the Super Senior Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Secured Notes/*Pari Passu* Required Holders.

The "Soulte"

In relation to any enforcement of Transaction Security governed by French Law occurring by way of contractual or judicial foreclosure or appropriation (including pursuant to a *pacte commissoire* or any similar enforcement mechanism), the amount by which (a) the value of the assets (which are the subject of Transaction Security) that are appropriated or foreclosed pursuant to that enforcement exceeds (b) the amount of Liabilities secured by that Transaction Security Document which is discharged as a result of that enforcement being carried out, shall constitute a "Soulte."

The "Soulte" shall constitute an amount payable by the Creditors having participated in the relevant enforcement (*pro rata* to the amount of Liabilities which have been discharged as a result of such enforcement), which liability shall be payable only on the earlier of:

(a) the Final Discharge Date (as defined below); and

(b) the date falling twelve months after the date of such enforcement (in which case, the Soulte shall be paid to, and held by, the Security Agent in accordance with the provisions of the Intercreditor Agreement relating to the payment and holding of the "Soulte").

"*Super Senior Liabilities*," "*Senior Secured Notes Liabilities*," "*Hedging Liabilities*," "*Pari Passu Debt*" and "*Senior Debt*" shall include the amount of any Soulte paid or owed but not yet paid by the relevant Primary Creditors who are obliged to pay such amounts, as described in this section.

Limitation on Enforcement of Shareholder Liabilities

Creditors in respect of the Shareholder Liabilities will not be permitted to take any enforcement action in respect of such liabilities prior to the last to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date and the Senior Debt Discharge Date (the "Final Discharge Date") save that, prior to the Final Discharge Date and after the occurrence of an insolvency event in relation to any Debtor or member of the Group or grantor of Transaction Security, each such Creditor may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Creditor in accordance with the terms of the Intercreditor Agreement), and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that member of the Group's Shareholder Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Shareholder Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Shareholder Liabilities of that member of the Group; or

(d) claim and prove in the liquidation of that member of the Group for the Shareholder Liabilities owing to it,

but shall not take any other enforcement action.

Limitation on Enforcement of Intra Group Liabilities

Creditors in respect of the Intra Group Liabilities will not be permitted to take any enforcement action (other than rights of set-off to enable permitted intragroup payments) in respect of such liabilities prior to the Final Discharge Date except that, prior to the Final Discharge Date and after the occurrence of an insolvency event in relation to any member of the Group or grantor of Transaction Security, each Intra Group Lender may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra Group Lender in accordance with the Intercreditor Agreement) and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that Group member's Intra Group Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra Group Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Intra Group Liabilities of that member of the Group; or

(d) file claims, or claim and prove in the liquidation of that member of the Group for the Intra Group Liabilities owing to it,

but shall not take any other enforcement action.

Security Enforcement Principles

A Creditor Representative may only give enforcement instructions that are consistent with the following security enforcement principles (the "Security Enforcement Principles"):

(a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective, such objective being to maximize the recovery by the Super Senior Creditors and the Senior Secured Creditors so far as such recovery is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security and the other terms of the Intercreditor Agreement (the "Security Enforcement Objective");

(b) without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced and other enforcement action will be taken such that either:

(i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the terms of the Intercreditor Agreement (as further described in "*—Application of Proceeds from Enforcement of Transaction Security*"); or

(ii) in the case of enforcement by the Senior Secured Notes/*Pari Passu* Required Holders sufficient Proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see "*—Application of Proceeds from Enforcement of Transaction Security*"), the Super Senior Liabilities are repaid and discharged in full in cash (unless the Majority Super Senior Creditors agree otherwise);

(c) to the extent that the Transaction Security that is the subject of the proposed enforcement action is:

(i) securing assets other than shares in a member of the Group where the aggregate book value of such assets exceeds €5 million (or its equivalent); or

(ii) over some or all of the shares in a member of the Group,

then the Security Agent shall, if requested by the Instructing Group, and at the expense of the Senior Secured Notes Issuer, (to the extent that financial advisors have not adopted a general policy of not providing such opinion) appoint an internationally recognized investment bank or accountancy firm or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third-party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets (in each case not being the firm appointed as the relevant Debtor's administrator or other relevant officer holder) selected by the Security Agent (a "Financial Advisor") to opine as expert that the consideration received from any disposal is fair from a financial point of view after taking into account all relevant circumstances (a "Financial Advisor's Opinion");

(d) the Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement. Prior to making any appointment of a Financial Advisor, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;

(e) the Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;

(f) where the Instructing Group is the Senior Secured Notes/*Pari Passu* Required Holders, the Senior Secured Notes/*Pari Passu* Required Holders may waive the requirement for a Financial Advisor's Opinion where sufficient Proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see "*—Application of Proceeds from Enforcement of Transaction Security*"), the Super Senior Liabilities are repaid and discharged in full; and

(g) in the event that an enforcement of the Transaction Security is conducted by way of Public Auction (as defined below), no Financial Advisor shall be required to be appointed, and no Financial Advisor's Opinion shall be required, in relation to such enforcement, *provided that* the Security Agent shall be entitled (but not obligated) to appoint a Financial Advisor to provide such advice as the Security Agent deems appropriate in relation to such enforcement by way of Public Auction.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the *Pari Passu* Debt Required Holders, the Security Agent and the Senior Secured Notes Issuer.

"Public Auction" means an auction or other competitive sale process of assets, by or on behalf of the Security Agent pursuant to an enforcement of Transaction Security (or by a member of the Group in circumstances that are a Distressed Disposal (as defined below)), the process of such sale or disposal having been conducted as follows:

(a) prior to the sale or other disposal, the Security Agent shall, in respect of such auction or other competitive sale process, consult with an internationally recognized investment bank or accounting firm selected by the Security Agent (acting reasonably) with respect to the procedures which may reasonably be expected to be used to obtain a fair market price in the then prevailing market conditions (taking into account all relevant circumstances and in order to facilitate a prompt and expeditious sale at a fair market price in the prevailing market conditions although there shall be no obligation to postpone any such sale in order to achieve a higher price);

(b) the Security Agent shall have implemented (to the extent permitted by law) in all material respects the procedures recommended by such bank or firm in relation to such auction or process;

(c) the Secured Parties shall have a right to participate; and

(d) UK Holdco shall not have the right to participate without the consent of the Majority Super Senior Creditors (excluding the Hedge Counterparties), the Senior Secured Notes Required Holders and the *Pari Passu* Debt Required Holders of each tranche of *Pari Passu* Debt if such auction or competitive sale process is in respect of Shared Security or assets which were secured by such Shared Security before foreclosure thereof.

For the purposes of paragraphs (a), (b), (c) and (d) above:

(i) the Security Agent shall be entitled to retain any such internationally recognized investment bank or accounting firm as its and/or any of the other Secured Parties' financial advisor to advise and assist in the proposed sale or disposition for such remuneration as the Security Agent in good faith determines is appropriate for the circumstances;

(ii) except as required by applicable law, the Security Agent shall not have any obligation to any person to engage in or to use reasonable efforts to engage in a listing of any or all of any equity interests the subject of such auction or other competitive sale process, including, without limitation, if recommended by such investment bank or accounting firm;

(iii) by reason of certain prohibitions, or exemptive or safe-harbor provisions from such prohibitions, contained in law or regulations of any applicable governmental authority, the Security Agent may, with respect to any sale of all or any part of such equity interests or assets:

(A) limit purchasers to those who meet the requirements of such governmental authority or exemptive or safe-harbor provision (as applicable) and/or make representations and undertakings satisfactory to the Security Agent relating to compliance with such requirements and/or provisions; and/or

(B) limit purchasers to persons who will agree, among other things to acquire such shares for their own account, for investment and not with a view to the distribution or resale thereof;

(iv) the Security Agent and other Secured Parties shall not under any circumstances be required to make representations, warranties or undertakings to any actual or proposed purchaser (other than customary representations in a security enforcement as to power to transfer the relevant equity interests pursuant to the Transaction Security Documents) or to indemnify any actual or proposed purchaser against any costs, liabilities or similar expenses or losses;

(v) without limitation to the other circumstances of the sale or other disposition that the Security Agent and such investment bank or accounting firm may take into consideration, the Security Agent may (but is not required to) in all circumstances specify that no offer to purchase equity interest or other assets will be entertained unless such offer:

(A) is for all (and not some only) of the equity interests being sold or otherwise disposed;

(B) is for cash consideration payable at closing (and therefore not including, for the avoidance of doubt, any element of deferred compensation) and is not subject to any financing conditions; and/or

(C) contemplates a closing of the sale of the equity interests or other assets in not more than three (3) months (or such longer period as the Security Agent may specify) from the time of initiation of the sale or disposition process; and

(vi) a "right to participate":

(A) means any offer, or indication of a potential offer, that a Secured Party makes shall be considered by the Security Agent or such investment bank or accounting firm against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder. For the avoidance of doubt, if after having applied that same criteria, the offer or indication of a potential offer made by a Secured Party is not considered by the Security Agent or such investment bank or accounting firm to be sufficient to continue in the sale or disposal process, such consideration being against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder (such continuation may include being invited to review additional information or being invited to have an opportunity to make a subsequent or revised offer, whether in another round of bidding or otherwise) then the right to participate of that Secured Party under this Agreement shall be deemed to be satisfied; and

(B) shall not apply if the Security Agent believes in good faith that it may (or there is a risk that it may) result in a violation of any applicable laws or that it may (or there is a risk that it may) result in a requirement for registration under any applicable securities laws.

For the purposes of paragraph (a), such investment bank or accounting firm may be instructed by the Security Agent to take the limitations set out in subparagraphs (i) to (vi) (inclusive) above into account and to formulate recommendations that are consistent with them.

Exercise of Voting Rights

Each Creditor (other than the Credit Facility Lenders, the Revolving Credit Facility Agent, the Senior Secured Notes Trustee, the *Pari Passu* Debt Representative and the Senior Debt Representative) will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent and the Security Agent shall give instructions for these purposes as directed by the Instructing Group, *provided that* such instructions have been given in accordance with the terms of the Intercreditor Agreement.

Turnover

Turnover by Primary Creditors

The Intercreditor Agreement provides that if any creditor in respect of the Super Senior Liabilities, the Senior Secured Liabilities or the Senior Debt Liabilities (the "Primary Creditors") receives or recovers the proceeds of any enforcement of any Transaction Security (whether before or after an insolvency event) other than in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*," that Primary Creditor will, subject to certain exceptions:

(a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover by Senior Debt Creditors and Subordinated Creditors

The Intercreditor Agreement provides that if any Senior Debt Creditor or any creditor of any Subordinated Liabilities receives or recovers:

(a) any payment or distribution of, or on account of, or in relation to any such liabilities which is not otherwise permitted under the Intercreditor Agreement or made in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*";

(b) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any such liabilities which is not otherwise permitted under the Intercreditor Agreement or which does not give effect to a payment or enforcement action which is otherwise permitted to be made, received or taken by the relevant creditor under the Intercreditor Agreement;

(c) other than by way of set-off permitted under the Intercreditor Agreement, any amount on account of, or in relation to, any of such liabilities after the occurrence of an Secured Debt Acceleration Event or the enforcement of any Transaction Security (a "Distress Event") or as a result of any other litigation or proceedings against a Debtor or a member of the Group (other than after the occurrence of an insolvency event in respect of that Debtor or that member of the Group), other than, in each case, any amount received or recovered in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*";

(d) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any of such liabilities after the occurrence of a Distress Event; or

(e) other than by way of set-off permitted under the Intercreditor Agreement, any distribution in cash or in kind or payment of, or on account of or in relation to, any of such liabilities which is not made in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that Debtor,

the relevant Senior Debt Creditor or Subordinated Creditor (as applicable) will, subject to certain exceptions:

(i) in relation to receipts or recoveries not received or recovered by way of set-off, hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds from Enforcement of Transaction Security

The Intercreditor Agreement provides that amounts received from the realization or enforcement of all or any part of the Transaction Security will be applied in the following order of priority:

(a) *first*, *pari passu* and *pro rata* in or towards payment of: (A) any sums owing to the Security Agent or any delegate appointed by the Security Agent or any receiver, any *Pari Passu* Debt Representative in respect of any *Pari Passu* Debt issued in the form of notes, any amounts owing to the Senior Secured Notes Trustee, any Senior Debt Representative Amounts payable to the Senior Debt Representative and (B) the liabilities owed to the Revolving Credit Facility Agent and each Creditor Representative (to the extent not included in the foregoing and excluding any Hedge Counterparty in its capacity as its own Creditor Representative) of any unpaid fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Transaction Security Document or the Intercreditor Agreement (to the extent that such Transaction Security has been given in favor of such obligations);

(b) *second*, *pari passu* and *pro rata* in or toward payment of all costs and expenses incurred by the holders of Super Senior Liabilities and the holders of Senior Secured Liabilities (and their respective Creditor Representatives) in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

(c) *third*, *pari passu* and *pro rata* in or toward payment to: (i) the Revolving Credit Facility Agent on behalf of the Revolving Credit Facility finance parties and on behalf of the arrangers under the Revolving Credit Facility and each Creditor Representative in respect of a Credit Facility on behalf of the arrangers and lenders under and in respect of that Credit Facility; and (ii) the Hedge Counterparties in respect of the Super Senior Hedging Liabilities, for application towards the discharge of (A) the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under the Revolving Credit Facility and the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under such Credit Facility in accordance with the terms of the Credit Facility Documents and (B) the Super Senior Hedging Liabilities on a *pari passu* and *pro rata* basis as between (A) and (B);

(d) *fourth*, *pari passu* and *pro rata* to the Senior Secured Notes Trustee on behalf of the Senior Secured Noteholders for application towards the discharge of the Senior Secured Notes Liabilities and to the relevant *Pari Passu* Debt Representative on behalf of the *Pari Passu* Creditors for application towards the discharge of the *Pari Passu* Liabilities and to the Non-Super Senior Hedge Counterparties for application towards the discharge of the Non-Super Senior Hedging Liabilities; and

(e) *fifth*, to the extent paid out of enforcement proceeds resulting from the enforcement of Shared Security, the Senior Debt Guarantee or proceeds from a Distressed Disposal in relation to assets which were previously secured by such Shared Security, in payment or distribution to each Senior Debt Representative on behalf of the Senior Debt Creditors or, if there is no Senior Debt Representative acting on behalf of any relevant Senior Debt Creditors, such Senior Debt Creditors for application towards the discharge of the Senior Debt Liabilities owed to the Senior Debt Creditors (in accordance with the terms of the Senior Debt Documents);

(f) *sixth*, *pro rata* and *pari passu* among themselves to any Security Provider or Debtor to which a Soulte has been paid or remains payable, in payment or distribution in an amount equal to such Soulte and to the extent such Soulte has been already paid by any Secured Parties to such Security Provider or Debtor, only to the extent that such Security Provider or Debtor has turned such Soulte over to the Security Agent in accordance with the provisions of the Intercreditor Agreement; and

(g) the balance, if any, in payment or distribution to the Security Providers, any member of the Group or any other party entitled to receive it.

Release of the Guarantees and the Security

Non-Distressed Disposal

In circumstances where:

(a) a disposal of an asset of the Group (or, to the extent subject to Transaction Security, UK Holdco), or any other release of an asset of the Group which is subject to the Transaction Security; or

(b) any other release of a Debtor or Security Provider from its guarantee liabilities and Transaction Security in a manner contemplated by the Debt Documents,

is not being effected (a) by enforcement of the Transaction Security; (b) at the request of the Instructing Group, after the Transaction Security has become enforceable; or (c) in the case of a disposal to a person or persons outside the Group, after a Secured Debt Acceleration Event or a Distress Event has occurred (each a "Distressed Disposal") and is otherwise permitted by the Credit Facility Documents, the Senior Secured Notes Documents, the *Pari Passu* Debt Documents and the Senior Debt Documents (together the "Senior Debt Documents," and such disposal, a "Non-Distressed Disposal"), the Intercreditor Agreement provides that the Security Agent is authorized (i) to release the Transaction Security or any other claim relating to a Debt Document over the relevant asset; and (ii) if the relevant asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim relating to a Debt Document over the assets of that Debtor and the shares in and assets of any of its subsidiaries, *provided that* if an asset which is the subject of a Non-Distressed Disposal is transferred to another member of the Group the release of the Transaction Security must be permitted under the terms of the Credit Facilities, the Senior Secured Notes Documents and any *Pari Passu* Debt Documents and, to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security will (subject to any other requirements relating to the release, retaking, amendment or extension of the Transaction Security under the Debt Documents) be granted at the same time as (or before) the relevant disposals are effected.

If any proceeds from a Non-Distressed Disposal are required to be applied in mandatory prepayment of any of the Secured Liabilities or to be offered to any Secured Party pursuant to the terms of the Secured Debt Documents, then such proceeds will be applied in or towards payment of such Secured Liabilities or shall be offered to the relevant Secured Parties in accordance with the terms of the relevant Secured Debt Documents and the consent of any other party will not be required for that application.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement provides that the Security Agent is authorized: (a) if the asset being disposed of consists of shares in the capital of a Debtor, to release: (i) the Transaction Security over the assets of that Debtor or any subsidiary of that Debtor; (ii) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities in respect of the Debt Documents (other than borrowing liabilities owed by the Senior Secured Notes Issuer to the Primary Creditors), its liabilities as guarantor in respect of the Debt Documents and any trading or other liabilities it may have to an Intra Group Lender or another Debtor ("Other Liabilities"); and (iii) any other claim of a Subordinated Creditor or another Debtor over the relevant assets; and (b) if the asset being disposed of consists of shares in the capital of a holding company of a Debtor, to release: (i) the Transaction Security over the assets of that holding company and any subsidiary of that holding company; (ii) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities in respect of the Debt Documents (other than borrowing liabilities owed by the Senior Secured Notes Issuer to the Primary Creditors), its liabilities as guarantor in respect of the Debt Documents and any Other Liabilities; and (iii) any other claim of a Subordinated Creditor or another Debtor over the relevant assets.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

(a) if the asset being disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) decides to dispose of all or any part of the liabilities of that Debtor or holding company or any subsidiary of that Debtor or holding company under the Debt Documents (other than borrowing liabilities owed by the Senior Secured Notes Issuer to a Primary Creditor) or any liabilities owed by such Debtor, holding company or subsidiary to another Debtor ("Debtor Liabilities"):

   (i) if the Security Agent does not intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor or all (but not part) of such Debtor Liabilities; or

   (ii) if the Security Agent does intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor and all or any part of such Debtor Liabilities and any other liabilities under the Debt Documents,

on behalf of the relevant creditors and Debtors.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement also provides that the Security Agent is authorized, if the asset being disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor (the "Disposed Entity") and the Security Agent decides to transfer to another Debtor all or any part of that Disposed Entity's obligations (or any obligations of any subsidiary of that Disposed Entity) in respect of Intra Group Liabilities or Debtor Liabilities, to enter into any agreement to agree the transfer and acceptance of all or part of the obligations in respect of those

Intra Group Liabilities or Debtor Liabilities on behalf of the Debtors which owe such liabilities and the Debtors to which such liabilities are to be transferred.

In the case of a Distressed Disposal, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have an obligation to postpone any Distressed Disposal in order to achieve a higher price).

If on or after the first date on which Senior Debt are issued but before the Senior Debt Discharge Date, a Distressed Disposal is being effected such that the Senior Debt Guarantees will be released, it is a further condition to the release that either:

(a) the Senior Debt Representative has approved the release on the instructions of the Senior Debt Required Holders; or

(b) where shares or assets of a Senior Debt Guarantor are sold:

(i) the proceeds of such sale or disposal are in cash (or substantially in cash);

(ii) all present and future obligations owed to the Secured Parties under the Credit Facility Documents, Hedging Agreements, the Senior Secured Notes Documents and the *Pari Passu* Debt Documents by a member of the Group, all of whose shares are pledged or charged in favor of the Secured Parties are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all or part security under the Transaction Security Documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(A) the Credit Facility Agent, Senior Secured Notes Trustee and *Pari Passu* Debt Representative determine acting reasonably and in good faith that the finance parties under the Revolving Credit Facility, the Senior Secured Note Creditors and the *Pari Passu* Creditors (respectively) will recover more than if such claim was released or discharged; and

(B) the Credit Facility Agent, Senior Secured Notes Trustee and *Pari Passu* Debt Representative serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(iii) such sale or disposal (including any sale or disposal of any claim) is made:

(A) pursuant to a Public Auction; or

(B) where a Financial Advisor confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities owed to a Primary Creditor or disposal of Debtor Liabilities) shall be paid to the Security Agent for application in accordance with the payment waterfall described in "*—Application of Proceeds from Enforcement of Transaction Security*," as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities owed to a Primary Creditor or disposal of Debtor Liabilities has occurred, as if that disposal of liabilities or Debtor Liabilities had not occurred.

In this section:

"Majority Super Senior Creditors" means those Super Senior Creditors whose super senior credit participations at that time aggregate more than 66⅔% of the total super senior credit participations at that time;

"*Pari Passu* Debt Required Holders" means in respect of any direction, approval, consent or waiver to be granted by a tranche of the *Pari Passu* Debt, the *Pari Passu* Creditors of the principal amount of the relevant tranche of *Pari Passu* Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant *Pari Passu* Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding relevant tranche of *Pari Passu* Debt, in accordance with the relevant *Pari Passu* Debt Documents. For the avoidance of doubt, in determining whether the *Pari Passu* Creditors of the required principal amount of relevant tranche of *Pari Passu* Debt have concurred in any direction, waiver or consent, relevant *Pari Passu* Debt owned by any Debtor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor (other than an independent fund established for the purpose of making, purchasing or investing in loans or debt securities and which has not been set up solely to make purchases of any of the commitments or amounts outstanding under the Debt Documents, and which is managed or controlled by Cinven Capital Management (V) General Partner Limited or its affiliates which have an ownership interest in the Group (an "Independent Debt Fund")), will be considered as though not outstanding;

"Relevant Enforcement Action" means either (a) the determination by the Instructing Group of the method of enforcement of Transaction Security or (b) the appointment of a Financial Advisor by the Instructing Group to assist in such determination;

"Senior Secured Notes/*Pari Passu* Required Holders" means, at any time, those Senior Secured Notes Required Holders, *Pari Passu* Debt Required Holders and Non- Super Senior Hedging Counterparties whose Senior Secured Credit participations at that time aggregate more than 50% of the total Senior Secured Credit Participations (as defined herein) at that time;

"Senior Secured Notes Required Holders" means in respect of any direction, approval, consent or waiver, the Senior Secured Notes Trustee acting on behalf of the relevant Senior Secured Noteholders of the principal amount of the then outstanding Senior Secured Notes required or permitted under the terms of the Senior Secured Notes Indenture to vote in favor of such direction, approval, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the aggregate principal amount of the then outstanding Senior Secured Notes, in accordance with the Senior Secured Notes Indenture. For the avoidance of doubt, in determining whether the Senior Secured Noteholders of the required principal amount of Senior Secured Notes have concurred in any direction, approval, consent or waiver, Senior Secured Notes owned by any Debtor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor other than an Independent Debt Fund, will be considered as though not outstanding, except that for the purpose of determining whether the Senior Secured Notes Trustee will be protected in relying on any such direction, approval, waiver or consent, only Senior Secured Notes that the Senior Secured Notes Trustee knows are so owned will be disregarded;

"Senior Debt Guarantees" means each senior subordinated guarantee by a Senior Debt Guarantor of the obligations of the Senior Debt Issuer under the Senior Debt Documents which shall be made expressly subject to the provisions of the Intercreditor Agreement in a legally binding manner; and

"Senior Debt Required Holders" means, in respect of any direction, approval, consent or waiver to be granted by a tranche or class of Senior Debt Creditors, the Senior Debt Creditors of the principal amount of the relevant tranche or class of Senior Debt required to vote in favor of such direction, approval, consent or waiver under the terms of the relevant Senior Debt Documents (which includes for the avoidance of doubt the Senior Notes), or, if the required amount is not specified, the holders holding at least a majority of the principal amount of the then outstanding relevant tranche or class of Senior Debt, in accordance with the relevant Senior Debt Documents. For the avoidance of doubt, in determining whether the Senior Debt Creditors of the required principal amount of relevant tranche or class of Senior Debt have concurred in any direction, waiver or consent, relevant Senior Debt owned by any Debtor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor other than an Independent Debt Fund, will be considered as though not outstanding.

Amendment

In addition to customary minor, technical or administrative matter amendments by the Security Agent, the Intercreditor Agreement provides that it may be amended with only the consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the *Pari Passu* Debt Required Holders, the Senior Debt Required Holders, the Senior Secured Notes Issuer (on behalf of itself and on behalf of the Guarantors) and the Security Agent (insofar as the amendment or waiver might adversely affect the rights, ranking, immunities or protections of the Security Agent), unless it is an amendment, waiver or consent that has the effect of changing or which relates to: (a) any amendment to the order of priority or subordination set forth in the Intercreditor Agreement; (b) any amendment to the payment waterfall, turnover provisions or enforcement provisions set forth in the Intercreditor Agreement; (c) certain provisions relating to the giving of instructions to the Security Agent or the exercise of discretion by the Security Agent; or (d) the amendment of such provision in the Intercreditor Agreement, which shall not be made without consent of:

(i) the Credit Facility Lenders;

(ii) the Senior Secured Notes Trustee (acting in accordance with the terms of the Senior Secured Notes Indenture);

(iii) in the case of any Senior Debt constituting an issuance of debt securities, the Senior Debt Representative (acting in accordance with the terms of the relevant Senior Debt Document), insofar as the amendment or waiver might adversely affect the rights, ranking, immunities or protections of the Senior Debt Representative or the Senior Debt Creditors;

(iv) in the case of any Senior Debt constituting a credit facility, the Senior Debt Creditors in that tranche of Senior Debt;

(v) in the case of any *Pari Passu* Debt constituting an issuance of debt securities, the *Pari Passu* Debt Representative (acting in accordance with the terms of the relevant *Pari Passu* Debt Documents);

(vi) in the case of any *Pari Passu* Debt constituting a credit facility, the *Pari Passu* Creditors in that tranche of *Pari Passu* Debt;

(vii) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty);

(viii)the Senior Secured Notes Issuer; and

(ix) the Security Agent (insofar as the amendment or waiver might adversely affect the rights, ranking, immunities or protections of the Security Agent).

If, however, an amendment, waiver or consent affects only one class of Secured Party and could not reasonably be expected to materially and adversely affect the interests of the other classes of Secured Party, only agreement from the required portion of the relevant affected class is required.

Subject to the paragraphs above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent of the affected party.

Option to Purchase: Senior Secured Notes Creditors and Pari Passu Creditors

After a Distress Event, by giving not less than ten days' prior written notice to the Revolving Credit Facility Agent and, if applicable, the Hedge Counterparties, the Senior Secured Notes Trustee and the *Pari Passu* Debt Representative, at the direction and expense of and having obtained all necessary approvals from the Senior Secured Noteholders and *Pari Passu* Creditors (as applicable) (the "Purchasing Senior Secured Creditors"), will have the right to acquire or procure that a nominee acquires by way of transfer all (but not part only) of the rights and obligations of the Credit Facility Lenders and the Super Senior Hedge Counterparties in respect of Super Senior Liabilities and the Super Senior Hedging Liabilities (the "Super Senior Acquisition Debt"). If more than one Purchasing Senior Secured Creditor wishes to exercise the option to purchase the Super Senior Acquisition Debt, each such Purchasing Senior Secured Creditor shall acquire the Super Senior Acquisition Debt *pro rata*, in the proportion that its principal amount outstanding under the Senior Secured Notes and its principal amount outstanding under the *Pari Passu* Debt Documents ("Senior Secured Credit Participations") bears to the aggregate Senior Secured Credit Participations of all the Purchasing Senior Secured Creditors.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Credit Facility Lender Liabilities then outstanding and relevant hedging purchase amount (as determined in accordance with the Intercreditor Agreement), including in respect of any broken funding costs, as well as certain costs and expenses of the Super Senior Creditors and Super Senior Hedge Counterparties; after the transfer, no Super Senior Creditor or Super Senior Hedge Counterparty will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document or any Hedging Agreement (in relation to Super Senior Hedging Liabilities only) for which it is not holding cash collateral in an amount and on terms satisfactory to it; the Purchasing Senior Secured Creditors (other than the Senior Secured Notes Trustee and the *Pari*

Passu Debt Representative) indemnify each Super Senior Creditor and Super Senior Hedge Counterparty for any actual or alleged obligation to repay or claw back any amount received by such Super Senior Creditor or Super Senior Hedge Counterparty; and the relevant transfer shall be without recourse to, or warranty from, any Super Senior Creditor or Super Senior Hedge Counterparty, save that each Credit Facility Lender and Super Senior Hedge Counterparty will be deemed to have given the following representations and warranties on the date of the transfer:

(a) in the case of a Credit Facility Lender, it is the sole owner, free from all security and third-party interests (other than any arising under the relevant finance documents or by operation of law), of all rights and interests under the Revolving Credit Facility finance documents or the Credit Facility Documents purporting to be transferred by it by that transfer;

(b) in the case of a Super Senior Hedge Counterparty, it is the sole owner, free from all Security and third-party interests (other than any arising under the relevant Hedging Agreements or by operation of law) of all rights and interests under the relevant Hedging Agreements purporting to be transferred by it by that transfer;

(c) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer;

(d) the Credit Facility Lenders and Super Senior Hedge Counterparties are satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they are required by law to carry out in relation to such a transfer; and

(e) the Senior Debt Creditors have not exercised the purchase rights described in "*—Option to Purchase: Senior Debt Creditors*" or, having exercised such rights, have failed to complete the acquisition of the Credit Facility Lender Liabilities, the Hedging Liabilities under the Hedging Agreements, the Senior Secured Notes Liabilities and the *Pari Passu* Liabilities.

Option to Purchase: Senior Debt Creditors

The Senior Debt Creditors (the "Purchasing Senior Debt Creditors") may, after a Distress Event, by giving not less than ten days' notice to the Credit Facility Agent, the Senior Secured Notes Trustee, the Hedge Counterparties and the *Pari Passu* Debt Representative (together, the "Relevant Representatives"), require the transfer to them (or to a nominee or nominees) of all (but not part only) of the rights, benefits and obligations in respect of the Super Senior Liabilities and the Senior Secured Liabilities (the "Senior Secured Acquisition Debt"). If more than one Purchasing Senior Debt Creditor wishes to exercise the option to purchase the Senior Secured Acquisition Debt, each such Purchasing Senior Debt Creditor shall acquire the Senior Secured Acquisition Debt *pro rata*, in the proportion that its principal amount outstanding under the Senior Debt and its principal amount outstanding under the Senior Debt Documents ("Senior Debt Credit Participations") bears to the aggregate Senior Debt Credit Participations of all the Purchasing Senior Debt Creditors.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Secured Liabilities then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the creditors in respect of the relevant Secured Liabilities; after the transfer, no Credit Facility Lender, Hedge Counterparty, Senior Secured Notes Creditor or *Pari Passu* Creditor will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document, any Hedging Agreement, any Senior Secured Notes Finance Document or any *Pari Passu* Debt Document for which it is not holding cash collateral in an amount and on terms satisfactory to it; the Purchasing Senior Debt Creditors, other than the Senior Debt Representative (or if required by the Credit Facility Lenders, Hedge Counterparties, Senior Secured Noteholders or *Pari Passu* Creditors, a third party acceptable to the Credit Facility Lenders, Hedge Counterparties, Senior Secured Notes Creditors or *Pari Passu* Creditors), shall provide on the date of the transfer an indemnity to each Credit Facility Lender and each other finance party under such Credit Facility Document, Hedge Counterparty, Senior Secured Notes Creditor or *Pari Passu* Creditor (each, an "Indemnified Party") for any actual or alleged obligation to repay or claw back any amount received by such Indemnified Party; and the relevant transfer shall be without recourse to, or warranty from, any Primary Creditor, save that each such Primary Creditor will be deemed to have given the following representations and warranties on the date of the transfer:

(a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third-party interests (other than any arising under the Credit Facility Documents or by operation of law), of all rights and interests under the Credit Facility Documents purporting to be transferred by it by that transfer;

(b) in the case of a Hedge Counterparty, it is the sole owner, free from all Security and third-party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;

(c) in the case of a Senior Secured Notes Creditor, it is the sole owner, free from all Security and third-party interests (other than any arising under the Senior Secured Notes Documents or by operation of law), of all rights and interests under the Senior Secured Notes Documents purporting to be transferred by it by that transfer;

(d) in the case of a *Pari Passu* Creditor, it is the sole owner, free from all Security and third-party interests (other than any arising under the relevant *Pari Passu* Debt Documents or by operation of law), of all rights and interests under the relevant *Pari Passu* Debt Documents purporting to be transferred by it by that transfer;

(e) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer; and

(f) the transferring Primary Creditors and Hedge Counterparties are satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they or any representative are required by law to carry out in relation to such a transfer.

Governing Law

The Intercreditor Agreement is governed by and construed in accordance with English law.

DESCRIPTION OF THE TEMPORARY SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used, but not defined, in this "Description of the Temporary Senior Secured Notes" in the "Description of the Senior Secured Notes" section of this offering memorandum. Certain capitalized terms used in this Description of the Temporary Senior Secured Notes may have different definitions than the same term used in other sections of this offering memorandum. For purposes of this "Description of the Temporary Senior Secured Notes", references to (i) the "Issuer" refers only to Ephios Bondco PLC, and any successor obligor to Ephios Bondco PLC under the Temporary Senior Secured Notes Indenture, and not to any of its Subsidiaries or to its parent, Ephios Holdco II plc and (ii) "Holder" means each Person in whose name the Temporary Senior Secured Notes are registered on the relevant Registrar's books, which shall initially be the respective nominee of the common depositary of Clearstream and Euroclear.

On August 6, 2015 (the "*Temporary Senior Secured Notes Issue Date*"), the Issuer will issue €685.0 million aggregate principal amount of Temporary Senior Secured Notes, consisting of €400.0 million aggregate principal amount of 6.25% Temporary Senior Secured Fixed Rate Notes due 2022 (the "*Temporary Senior Secured Fixed Rate Notes*") and €285.0 million aggregate principal amount of Temporary Senior Secured Floating Rate Notes (the "*Temporary Senior Secured Floating Rate Notes*" and, together with the Temporary Senior Secured Fixed Rate Notes, the "*Temporary Senior Secured Notes*") under an indenture (the "*Temporary Senior Secured Notes Indenture*") among, *inter alios,* the Issuer and U.S. Bank Trustees Limited, as the trustee (in such capacity, the "*Trustee*") and the security agent (in such capacity, the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended. The Issuer will issue the Temporary Senior Secured Notes in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof. The issue price of (i) the Temporary Senior Secured Fixed Rate Notes is 99.00% of the principal amount thereof plus an amount equal to the accrued interest on the Additional Senior Secured Fixed Rate Notes from June 17, 2015 to, but not including, the Temporary Senior Secured Notes Issue Date and (ii) the Temporary Senior Secured Floating Rate Notes is 99.00% of the principal amount thereof, plus an amount equal to the accrued interest on the Additional Senior Secured Floating Rate Notes from June 17, 2015 to, but not including, the Temporary Senior Secured Notes Issue Date. Interest on the Temporary Senior Secured Fixed Rate Notes will accrue at 6.25% per annum. Interest on the Temporary Senior Secured Floating Rate Notes will accrue at a rate per annum, reset quarterly, equal to the sum of (i) three month EURIBOR (with 0% floor) plus (ii) 5.00%, as determined by the Calculation Agent.

The terms and conditions of the Temporary Senior Secured Notes include those stated in the Temporary Senior Secured Notes Indenture and, (i) in the case of the Temporary Senior Secured Fixed Rate Notes are the same as the terms and conditions of the Senior Secured Fixed Rate Notes under the Senior Secured Notes Indenture and (ii) in the case of the Temporary Senior Secured Floating Rate Notes are the same as the terms and conditions of the Senior Secured Floating Rate Notes under the Senior Secured Notes Indenture, except for the changes related to the terms described below:

- on or about the date of completion (the "*German Completion Date*") of the acquisition (the "*German Acquisition*") of Synlab Holding GmbH (the "*German Target*") by Ephios Acquisition GmbH ("*German BidCo*") pursuant to the sale and purchase agreement dated 27 June, 2015 by and among certain sellers identified therein and German Bidco with respect to no less than 72.15% of the share capital of German Target (the "*German Acquisition Agreement*"), (i) the Temporary Senior Secured Fixed Rate Notes will automatically be exchanged for an equal aggregate principal amount of Additional Senior Secured Fixed Rate Notes issued under the Senior Secured Notes Indenture and (ii) the Temporary Senior Secured Floating Rate Notes will automatically be exchanged for an equal aggregate principal amount of Additional Senior Secured Floating Rate Notes issued under the Senior Secured Notes Indenture;
- upon the issuance of the Additional Senior Secured Notes, the Temporary Senior Secured Notes will be cancelled;
- for purposes of the covenant described under "*Description of the Senior Secured Notes—Reports*", the Issuer may use financial statements of (i) the Issuer or (ii) the Target and the German Target, with respect to periods commencing prior to the German Completion Date;
- The Trustee under the Temporary Senior Secured Notes Indenture will not accede to the Intercreditor Agreement and the holders of the Temporary Senior Secured Notes will not benefit from the Intercreditor Agreement;
- the Temporary Senior Secured Notes will be not be guaranteed;

- notwithstanding anything to the contrary under "*Description of the Senior Secured Notes—Limitation on Issuances of Guarantees of Indebtedness*", the Issuer may cause or permit (x) the Completion Date Guarantors and (y) if the German Completion Date occurs after the Post-Completion Date, the Post-Completion Guarantors, directly or indirectly, to guarantee the Existing Senior Secured Notes and the Revolving Credit Facility on the Completion Date and the Post-Completion Date, as applicable, without the Completion Date Guarantors and the Post-Completion Guarantors, as applicable, simultaneously executing and delivering a supplemental indenture providing for the guarantee of the payment of the Temporary Senior Secured Notes by such Completion Date Guarantors and Post-Completion Date Guarantors, as applicable;
- the Temporary Senior Secured Notes will not be entitled to the Collateral referred to under "*Description of the Senior Secured Notes—Security*";
- the Temporary Senior Secured Notes will be secured on a first-ranking basis by a charge over the Temporary Senior Secured Notes Escrow Account; and
- failure by the Issuer to consummate a Temporary Senior Secured Notes Special Mandatory Redemption (as defined below) as described under the caption "*—Escrow of Proceeds; Special Mandatory Redemption*" will constitute an "Event of Default" under the Temporary Senior Secured Notes Indenture.

Upon completion of the automatic exchange on or about the later of the Completion Date and the German Completion Date, (i) Holders of Temporary Senior Secured Fixed Rate Notes will receive an equal aggregate principal amount of Additional Senior Secured Fixed Rate Notes on which interest will be deemed to have accrued from June 17, 2015 and (ii) Holders of Temporary Senior Secured Floating Rate Notes will receive Additional Senior Secured Floating Rate Notes on which interest will be deemed to have accrued from June 17, 2015. Upon such automatic exchange on or about the later of the Completion Date and the German Completion Date, interest shall cease to accrue on the Temporary Senior Secured Notes.

The proceeds of the offering of the Temporary Senior Secured Notes sold on the Temporary Senior Secured Notes Issue Date will be used by the Issuer as set forth in this offering memorandum under the caption "*Use of Proceeds*." For a further description of the German Acquisition, see "*Summary—The Transactions—The Synlab Acquisition*". For a summary of the material provisions of the Senior Secured Notes Indenture and the Senior Secured Notes, see "*Description of the Senior Secured Notes.*"

Disbursement of Funds; Temporary Senior Secured Notes Escrow Account; Special Mandatory Redemption

Concurrently with the closing of the offering of the Temporary Senior Secured Notes, the initial purchasers of the Temporary Senior Secured Notes will deposit the gross proceeds from the sale of Temporary Senior Secured Notes in the offering of the Temporary Senior Secured Notes (the "*Temporary Senior Secured Notes Escrowed Funds*") into an escrow account (the "*Temporary Senior Secured Notes Escrow Account*") pursuant to the terms of an escrow deed (the "*Temporary Senior Secured Notes Escrow Agreement*") dated as of the Temporary Senior Secured Notes Issue Date among the Issuer, the Trustee and Elavon Financial Services Limited, UK Branch, as escrow agent (the "*Escrow Agent*"). Pursuant to a charge over the Temporary Senior Secured Notes Escrow Account dated as of the Temporary Senior Secured Notes Issue Date (the "*Temporary Senior Secured Notes Escrow Charge*"), the Issuer will grant a first priority security interest in the Temporary Senior Secured Notes Escrowed Funds to the Trustee for the benefit of the Holders of the Temporary Senior Secured Notes. Receipt by the Trustee of either an Offer Conditions Certificate (as defined below) for the release of the Temporary Senior Secured Notes Escrowed Funds or a notice of Temporary Senior Secured Notes Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Temporary Senior Secured Notes Escrowed Funds from the Escrow Charge.

The Temporary Senior Secured Notes Escrow Agreement provides that the Temporary Senior Secured Notes Escrowed Funds will be released for purposes of closing the German Acquisition on the date (the "*Temporary Senior Secured Notes Escrow Release Date*") that the Issuer certifies to the Escrow Agent, prior to December 31, 2015 (the "*Temporary Senior Secured Notes Escrow Longstop Date*"), in accordance with the terms of the Temporary Senior Secured Notes Escrow Agreement (the "*Temporary Senior Secured Notes Offer Conditions Certificate*") that:

(i) the Equity Contribution has been made, and the Acquisition has been completed in accordance with the terms of the Acquisition Agreement prior to the open of business on the next Business Day following the date that the gross proceeds from the sale of the Existing

Senior Secured Notes (the "*Escrowed Funds*") were released from escrow pursuant to the terms of the escrow deed (the "*Escrow Agreement*"), dated as of June 17, 2015 among the Issuer, the Trustee and the Escrow Agent, without giving effect to any modifications, amendments, consents or express waivers thereto that were materially adverse to the noteholders and on substantially the same terms as described in the offering memorandum relating to the offering of the Existing Senior Secured Notes under the heading "*Summary—The Transactions—The Acquisition*";

(ii) the Escrowed Funds were applied, directly or through intercompany transfers, for their permitted uses in accordance with the terms of the Escrow Agreement and, following such application, the Acquisition was completed;

(iii) immediately after consummation of the Acquisition, the Issuer owned, directly or indirectly, 95% or more of the share capital of the Target (subject to notarization of the share transfer if required);

(iv) the Sponsor has made the equity contribution to the Issuer in connection with the transactions contemplated by the German Acquisition Agreement and as described in this offering memorandum under the heading "*Summary—The Transactions—The Synlab Acquisition*," and the German Acquisition shall be completed prior to the open of business on the next Business Day following the Temporary Senior Secured Notes Escrow Release Date in accordance with the terms of the German Acquisition Agreement, without giving effect to any modifications, amendments, consents or express waivers thereto that are materially adverse to the noteholders and on substantially the same terms as described in this offering memorandum under the heading "*Summary—The Transactions—The Synlab Acquisition*";

(v) the Temporary Senior Secured Notes Escrowed Funds will be applied, directly or through intercompany transfers, for their permitted uses in accordance with the terms of the Temporary Senior Secured Notes Escrow Agreement and, following such application, the German Acquisition will be completed;

(vi) immediately after consummation of the German Acquisition, the Issuer will own, directly or indirectly, 90% or more of the share capital of the German Target (subject to notarization of the share transfer if required);

(vii) the security documents, legal opinions, certificates and other documents substantially in the form as those attached as appendices to (i) the Escrow Agreement (or in the form as agreed between the Issuer and the initial purchasers of the Existing Senior Secured Notes following the date thereof) and (ii) the Temporary Senior Secured Notes Escrow Agreement (or in the form as agreed between the Issuer and the initial purchasers of the Temporary Senior Secured Notes following the date thereof) will be delivered in accordance with the terms of the Escrow Agreement and the Temporary Senior Secured Notes Escrow Agreement, respectively; and

(viii) as of the later of the Completion Date and the German Completion Date, there is no Default or Event of Default under clause (9) of the first paragraph under the heading titled "*Events of Default and Remedies*" in the section of this offering memorandum entitled "*Description of the Senior Secured Notes*";

In the event that (a) the Completion Date or the German Completion Date does not take place on or prior to the Temporary Senior Secured Notes Escrow Longstop Date or the Issuer certifies to the Trustee and the Escrow Agent that the Acquisition or the German Acquisition will not take place or that the Acquisition Agreement or the German Acquisition Agreement has been terminated (the "*Temporary Senior Secured Notes Special Mandatory Redemption Certificate*"), (b) in the reasonable judgment of the Issuer, the Acquisition or the German Acquisition will not be consummated by the Temporary Senior Secured Notes Escrow Longstop Date, (c) the Acquisition Agreement or the German Acquisition Agreement terminates at any time prior to the Temporary Senior Secured Notes Escrow Longstop Date, (d) the Sponsor ceases to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (9) of the first paragraph under the heading titled "*Events of Default and Remedies*" in the section of this offering memorandum entitled "*Description of the Senior Secured Notes*" on or prior to the Temporary Senior Secured Notes Escrow Longstop Date, the Issuer will redeem the Temporary Senior Secured Notes (a "*Temporary Senior Secured Notes Special Mandatory Redemption*") at (i) in the case of the Temporary Senior Secured Fixed Rate Notes, 100% of the issue price of the Temporary Senior Secured Fixed Rate Notes plus accrued and unpaid interest thereon through to but not including the redemption date (the "*Temporary Senior Secured Fixed Rate Notes Special Mandatory Redemption Price*") and (ii) in the case of the Temporary Senior Secured Floating Rate Notes, 100% of the issue price of the Temporary Senior Secured Floating Rate Notes plus accrued and unpaid interest thereon through to but not including the redemption date (the "*Temporary Senior Secured Floating Rate Notes Special Mandatory Redemption Price*" and together with the Temporary Senior Secured Fixed Rate Notes Special Mandatory Redemption Price, the "*Temporary Senior Secured Notes Special Mandatory Redemption Price*"). The Issuer will instruct the Escrow Agent to release the Temporary Senior Secured Notes Escrowed Funds to the Paying Agent for purpose of paying the Temporary Senior Secured Notes Special Mandatory Redemption Price.

In the event that the Temporary Senior Secured Notes Special Mandatory Redemption Price payable upon such Temporary Senior Secured Notes Special Mandatory Redemption exceeds the amount of the Temporary Senior Secured Notes Escrowed Funds, the Sponsor will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Temporary Senior Secured Notes, pursuant to an equity contribution. See "*Risk Factors—Risks Related to the Transactions—If the conditions in the escrow agreements are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*".

For Temporary Senior Secured Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, Luxembourg, notice of any Temporary Senior Secured Notes Special Mandatory Redemption (any such notice a "*Temporary Senior Secured Notes Special Redemption Notice*") will be given by delivery of the notice to Euroclear or Clearstream, Luxembourg for communication to entitled account holders on the first Business Day following the date the Issuer becomes required to effect a Temporary Senior Secured Notes Special Mandatory Redemption. For Senior Secured Definitive Registered Notes, the Temporary Senior Secured Notes Special Redemption Notice will be mailed by first class mail to each holder of Notes at its registered address on the first Business Day following the date the Issuer becomes required to effect a Temporary Senior Secured Notes Special Mandatory Redemption. The Issuer will provide a copy of the Temporary Senior Secured Notes Special Redemption Notice to the Trustee and the Escrow Agent. So long as any Temporary Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the Holders of the relevant Temporary Senior Secured Notes shall also be published in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*). The redemption date will be up to five (5) Business Days after the delivery of the notice to Euroclear or Clearstream, Luxembourg or the mailing (as applicable) of the Temporary Senior Secured Notes Special Redemption Notice.

DESCRIPTION OF THE SENIOR SECURED NOTES

In a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"), Ephios Bondco PLC (the "*Issuer*") will issue €685.0 million aggregate principal amount of Additional Senior Secured Notes, consisting of €400.0 million aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 (the "*Additional Senior Secured Fixed Rate Notes*") and €285.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022 (the "*Additional Senior Secured Floating Rate Notes*" and, together with the Additional Senior Secured Fixed Rate Notes, the "*Additional Senior Secured Notes*") under an indenture dated June 17, 2015 (the "*Senior Secured Notes Indenture*") between, among others, the Issuer and U.S. Bank Trustees Limited, as the trustee (in such capacity, the "*Trustee*") and the security agent (in such capacity, the "*Security Agent*"), pursuant to which the Issuer initially issued €800.0 million aggregate principal amount of Senior Secured Notes, consisting of €500.0 million aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 (the "*Existing Senior Secured Fixed Rate Notes*") and €300.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022 (the "*Existing Senior Secured Floating Rate Notes*" and, together with the Existing Senior Secured Fixed Rate Notes, the "*Existing Senior Secured Notes*", and collectively with the Additional Senior Secured Notes, the "*Senior Secured Notes*"). Unless the context requires otherwise, references in this "*Description of the Senior Secured Notes*" to (i) *"Senior Secured Fixed Rate Notes*" refer, collectively, to the Existing Senior Secured Fixed Rate Notes, the Additional Senior Secured Fixed Rate Notes and any other additional Senior Secured Fixed Rate Notes that are issued, (ii) *"Senior Secured Floating Rate Notes*" refer, collectively, to the Existing Senior Secured Floating Rate Notes, the Additional Senior Secured Floating Rate Notes and any other additional Senior Secured Floating Rate Notes that are issued and (iii) the Senior Secured Notes include the Senior Secured Notes and any other additional Senior Secured Notes that are issued. The terms of the Senior Secured Notes include those set forth in the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will not be qualified under, incorporate by reference, include or otherwise be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. The Security Documents referred to below under the caption "*—Security*" define the terms of the security that will secure the Senior Secured Notes.

The €685.0 million aggregate principal amount of Additional Senior Secured Notes will be issued upon the exchange of the Temporary Senior Secured Notes as described in "*Description of the Temporary Senior Secured Notes*."

The proceeds of the offering of the Existing Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with the Equity Contribution, as set forth in the offering memorandum relating to the Existing Senior Secured Notes under the caption "*Use of Proceeds*." The proceeds of the offering of the Additional Senior Secured Notes sold on August 6, 2015 (the "*Temporary Senior Secured Notes Issue Date*") will be used by the Issuer as set forth in this offering memorandum under the caption "*Use of Proceeds*", including, together with the proceeds from the offering of Senior Notes by the Senior Notes Issuer and the equity contribution (the "*German Equity Contribution*") made by the Sponsor to the Issuer in connection with the transactions contemplated by the German Acquisition Agreement (as defined below) and as described in this offering memorandum under the heading "*The Transactions*," to finance the acquisition (the "*German Acquisition*") of Synlab Holding GmbH (the "*German Target*") by Ephios Acquisition GmbH ("*German BidCo*") pursuant to the sale and purchase agreement dated 27 June, 2015 by and among certain sellers identified therein and German Bidco with respect to no less than 72.15% of the share capital of German Target (the "*German Acquisition Agreement*").

Prior to the Completion Date, we will not control the Target or any of its Subsidiaries and neither the Target nor any of its Subsidiaries will be subject to the covenants described in this "*Description of the Senior Secured Notes*." Prior to the date of completion of the German Acquisition (the "*German Completion Date*"), we will not control the German Target or any of its Subsidiaries and neither the German Target nor any of its Subsidiaries will be subject to the covenants described in this "*Description of the Senior Secured Notes*." As such, we cannot assure you that the Target and its Subsidiaries, prior to the Completion Date, and the German Target and its Subsidiaries, prior to the German Completion Date, will not engage in activities that would otherwise have been prohibited by the Senior Secured Notes Indenture or the Senior Notes Indenture had those covenants been applicable to such entities after the Issue Date, with respect to the Target and its Subsidiaries, and after the Temporary Senior Secured Notes Issue Date, with respect to the German Target and its Subsidiaries, and prior to any such entity becoming party to the Senior Secured Notes Indenture or the Senior Notes Indenture.

The following description is a summary of the material provisions of the Senior Secured Notes Indenture, the Senior Secured Notes and the Security Documents and refers to the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Secured Notes Indenture, the Senior Secured Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, the form of Senior Secured Note, the Security Documents and the Intercreditor Agreement are available as set forth below under "*—Additional Information*".

Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the Senior Secured Notes Indenture. You can find the definitions of certain terms used in this description under the caption "*—Certain Definitions*". In this description, references to (i) the "*Issuer*" refer only to Ephios Bondco PLC and not to any of its Subsidiaries and (ii) "*we*", "*our*", "*us*" and the "*Group*" refer to the Issuer and its Restricted Subsidiaries.

The registered holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Senior Secured Notes Indenture.

Brief Description of the Senior Secured Notes and the Senior Secured Note Guarantees

The Senior Secured Notes

The Senior Secured Notes are and:

- will be general obligations of the Issuer;
- will be *pari passu* in right of payment to any future Indebtedness of the Issuer that is not subordinated in right of payment to the Senior Secured Notes, including the Revolving Credit Facility;
- will be senior to any future Indebtedness of the Issuer that is subordinated in right of payment to the Senior Secured Notes, including any Subordinated Shareholder Debt;
- will be guaranteed on a senior basis by the Guarantors;
- will mature on July 1, 2022;
- will be secured as set forth under "*—Security*"; and
- will be structurally subordinated to all obligations of the Issuer's subsidiaries that are not Guarantors.

The Senior Secured Note Guarantees

The Senior Secured Note Guarantee of each Guarantor are and:

- will be a general obligation of that Guarantor;
- will be *pari passu* in right of payment to all existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to the Senior Secured Note Guarantee of that Guarantor, including the Revolving Credit Facility;
- will be senior in right of payment to any future subordinated Indebtedness of that Guarantor; and
- will be secured by the Collateral owned by the relevant Guarantor as set forth under "*—Security*".

The obligations of the Guarantors are and will be contractually limited under the applicable Senior Secured Note Guarantees to reflect limitations under applicable law. Under the terms of the Intercreditor Agreement, in the event of acceleration of the Revolving Credit Facility or the Senior Secured Notes, amounts recovered in respect of the Senior Secured Notes, including from the enforcement of guarantees and the Collateral, are required to be turned over to the Security Agent and, subject to the payment of fees and expenses of the agent under the Revolving Credit Facility, the Trustee and Security Agent, paid by the Security Agent to the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations in priority to the holders of the Senior Secured Notes.

As of the Temporary Senior Secured Notes Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Senior Secured Notes Indenture. However, under the circumstances described below under the caption "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted

Subsidiaries." Most of the restrictive covenants in the Senior Secured Notes Indenture do not apply to Unrestricted Subsidiaries. The Issuer's Unrestricted Subsidiaries, if any, will not guarantee the Senior Secured Notes.

Principal, Maturity and Interest

The Issuer will issue €685.0 million in aggregate principal amount of Additional Senior Secured Notes in this offering, consisting of €400.0 million aggregate principal amount of Senior Secured Fixed Rate Notes and €285.0 million aggregate principal amount of Senior Secured Floating Rate Notes. The Issuer may issue an unlimited principal amount of additional Senior Secured Notes, having identical terms and conditions as the Senior Secured Fixed Rate Notes and Senior Secured Floating Rate Notes, respectively, under the Senior Secured Notes Indenture from time to time after this offering. Any further issuance of additional notes is subject to all of the covenants in the Senior Secured Notes Indenture, including the covenant described below under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

Each of the Existing Senior Secured Fixed Rate Notes (together with the Additional Senior Secured Fixed Rate Notes and any further additional Senior Secured Fixed Rate Notes) and Existing Senior Secured Floating Rate Notes (together with the Additional Senior Secured Floating Rate Notes and any further additional Senior Secured Floating Rate Notes) will constitute a separate series of Senior Secured Notes, but shall be treated as a single class for all purposes under the Senior Secured Notes Indenture, including in respect of any amendment, waiver or other modification of the Senior Secured Notes Indenture or any other action by the holders of the Senior Secured Notes hereunder, except as otherwise provided in the Senior Secured Notes Indenture.

The Issuer will issue Additional Senior Secured Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Senior Secured Notes will mature on July 1, 2022.

Fixed Rate Notes

Interest on the Senior Secured Fixed Rate Notes will accrue at the rate of 6.25% per annum. Interest on the Senior Secured Fixed Rate Notes will be payable semiannually in arrears on January 1 and July 1, commencing on January 1, 2016. The Issuer will make each interest payment to the holders of record on the December 15 and June 15 immediately preceding the related interest payment date.

Interest on the Senior Secured Fixed Rate Notes will accrue from June 17, 2015, 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 and the actual number of days elapsed.

Floating Rate Notes

Interest on the Senior Secured Floating Rate Notes will accrue at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to the sum of (i) three month EURIBOR (with 0% floor) plus (ii) 5.00%, as determined by the Calculation Agent. Interest on the Senior Secured Floating Rate Notes will be payable in cash quarterly in arrears on January 1, April 1, July 1 and October 1 commencing on January 1, 2016. The Issuer will make each interest payment to the holders of record on December 15, March 15, June 15 and September 15 immediately preceding the related interest payment date.

Interest on the Senior Secured Floating Rate Notes will accrue from June 17, 2015, 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.

Set forth below is a summary of certain of the provisions from the Senior Secured Notes Indenture relating to the calculation of interest on the Senior Secured Floating Rate Notes.

"Calculation Agent" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Senior Secured Floating Rate Notes in respect of each interest period, which shall initially be Elavon Financial Services Limited, UK Branch.

"Determination Date" with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"EURIBOR" with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three month period beginning on the day that is two TARGET

Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the euro zone inter- bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro zone inter-bank market for deposits in a Representative Amount in euro for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"euro zone" means the region comprised of member states of the European Union that adopt the euro.

"Interest Period" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include December 31, 2015.

"Representative Amount" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"Reuters Page 248" means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"TARGET Settlement Day" means any day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "Interest Amount"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Senior Secured Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Senior Secured Floating Rate Notes be higher than the maximum rate permitted by applicable law, provided, however, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Senior Secured Floating Rate Notes is permitted under any applicable law.

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC, as amended or supplemented from time to time, including through European Union Council Directive 2014/48/EU, or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent will be Elavon Financial Services Limited, UK Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") and a transfer agent (the "*Transfer Agent*") in a member state of the European Union. The initial Registrar will be Elavon Financial Services Limited. The initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The

Registrar and the Transfer Agent will maintain a register reflecting ownership of Senior Secured Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Senior Secured Definitive Registered Notes on behalf of the Issuer.

Subject to the above restrictions, the Issuer may change the Paying Agent, the Registrar or the Transfer Agent without prior notice to the holders of Senior Secured Notes. For so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and Exchange

Additional Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global Senior Secured Notes in registered form without interest coupons attached (the "*Senior Secured Rule 144A Global Notes*"), and Senior Secured Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global Senior Secured Notes in registered form without interest coupons attached (the "*Senior Secured Regulation S Global Notes*" and, together with the Senior Secured Rule 144A Global Notes, the "*Senior Secured Global Notes*").

Ownership of interests in the Senior Secured Global Notes (the "*Senior Secured Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Ownership of interests in the Senior Secured Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Senior Secured Book-Entry Interests between participants in Euroclear or Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Senior Secured Book-Entry Interests in the Senior Secured Rule 144A Global Note, or the "*Senior Secured Rule 144A Book-Entry Interest*", may be transferred to a person who takes delivery in the form of Senior Secured Book-Entry Interests in the Senior Secured Note Regulation S Global Note, as applicable, or the "*Senior Secured Regulation S Book-Entry Interests*", only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Subject to the foregoing, Senior Secured Regulation S Book Entry Interests may be transferred to a person who takes delivery in the form of Senior Secured Rule 144A Book Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

No Book Entry Interest in any Senior Secured Global Note representing the Senior Secured Fixed Rate Notes (the "*Senior Secured Global Fixed Rate Notes*"), and no Senior Secured Definitive Registered Note issued in exchange for a Book Entry Interest in the Senior Secured Global Fixed Rate Notes (the "*Senior Secured Definitive Registered Fixed Rate Notes*"), may be transferred or exchanged for any Book Entry Interest in any Senior Secured Global Note representing the Senior Secured Floating Rate Notes (the "*Senior Secured Global Floating Rate Notes*") or any Senior Secured Definitive Registered Note issued in exchange for a Book Entry Interest in the Senior Secured Global Floating Rate Notes (the "*Senior Secured Definitive Registered Floating Rate Notes*"), and no Book Entry Interest in the Senior Secured Global Floating Rate Notes and no Senior Secured Definitive Registered Floating Rate Note may be transferred or exchanged for any Book Entry Interest in any Senior Secured Global Fixed Rate Note or any Senior Secured Definitive Registered Fixed Rate Note.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Senior Secured Global Note from which it was transferred and will become a Book-Entry Interest in the Senior Secured Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Senior Secured Book-Entry Interests in the Senior Secured Global Note to which it was transferred.

If Senior Secured Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant that owns the relevant Senior Secured Book-Entry Interests. Senior Secured Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Senior Secured Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Senior Secured Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, Luxembourg, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that, if the Issuer or any Guarantor is a party to the transfer or exchange, the holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Senior Secured Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Senior Secured Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Issuer, the Trustee and the Paying Agent will be entitled to treat the holder of a Senior Secured Note as the owner of it for all purposes.

Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Senior Secured Notes or any of the Guarantors with respect to any Senior Secured Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or otherwise considered to be resident for tax purposes, or any political subdivision thereof or therein having the power to tax or (2) any jurisdiction from or through which payment is made on any such Senior Secured Note or Senior Secured Note Guarantee by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent), or any political subdivision thereof or therein having the power to tax (each, a "*Tax Jurisdiction*") will at any time be required by law to be made from any payments made by or on behalf of the Issuer under or with respect to the Senior Secured Notes or any of the Guarantors with respect to any Senior Secured Note Guarantee, including payments of principal, redemption price, interest or premium, if any, the Issuer or the relevant Guarantor, as applicable, will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received by each holder in respect of such payments on any such Senior Secured Note or Senior

Secured Note Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable for or on account of:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder or the beneficial owner of the Senior Secured Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in or carrying on a trade or business therein or having or having had a permanent establishment therein), but excluding any connection arising solely from the holding of such Senior Secured Note, the enforcement of rights under such Senior Secured Note or under a Senior Secured Note Guarantee or the receipt of any payments in respect of such Senior Secured Note or a Senior Secured Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Senior Secured Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30-day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes, or excised taxes imposed on the transfer of the Senior Secured Notes;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Union Council Directive 2003/48/EC, as amended or supplemented from time to time, including through European Union Council Directive 2014/48/EU, 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;

(5) Taxes imposed on or with respect to a payment made to or for the benefit of a holder or beneficial owner of Senior Secured Notes who would have been able to avoid such withholding or deduction by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Senior Secured Notes or any Senior Secured Note Guarantee;

(7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Senior Secured Notes, following the Issuer's written request addressed to the holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any such withholding or deduction would be made), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation);

(8) any Taxes imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Senior Secured Note;

(9) where such withholding or deduction is required pursuant to an agreement entered into pursuant to section 1471(b) of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder (including any intergovernmental agreements), official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(10) any combination of items (1) through (9) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay the holder or beneficial owner for any present or future stamp, issue, registration, transfer, court or documentary Taxes, or any other property or similar Taxes or similar charges or levies (including penalties, or interest related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, registration or enforcement of. or the receipt of payments with respect to, any of the Senior Secured Notes, the Senior Secured Notes Indenture, any Senior Secured Note Guarantee or any other document referred to therein (other than a transfer of the Senior Secured Notes after the consummation of this offering) and limited, solely to the extent that such taxes, similar charges or levies arise from the receipt of any payments of principal or interest on the Senior Secured Notes, to any such taxes, similar charges or levies that are not excluded under clauses (1) through (5) and (7) through (9)).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Senior Secured Notes or any Senior Secured Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate, without further inquiry, as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will timely remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. If reasonably requested by the Trustee, the Issuer or the Guarantors will provide to the Trustee such information as may be in the possession of the Issuer or the Guarantors (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of withholding taxes attributable to any particular holder, *provided*, *however*, that in no event shall the Issuer or the Guarantors be required to disclose any information that they reasonably deem to be confidential.

Whenever in the Senior Secured Notes Indenture or in this "*Description of the Senior Secured Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount, interest or of any other amount payable under, or with respect to, any of the Senior Secured Notes or any Senior Secured 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.

The above obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, any transfer by a holder or beneficial owner of its Senior Secured Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Senior Secured Notes (or any Senior Secured Note Guarantee) and any department or political subdivision thereof or therein having power to Tax.

The Senior Secured Note Guarantees

The Senior Secured Note Guarantees will be joint and several obligations of the Guarantors. The Issuer's obligations under the Existing Senior Secured Notes, the Additional Senior Secured Notes, if issued on such date, and the Senior Secured Notes Indenture will be guaranteed on a senior basis on the Completion Date by:

- BidCo;
- the Target;
- Labco Corporate Assistance, the Target's cash pooling entity;
- Labco Diagnostics España S.A., the Target's holding company in Iberia; and
- Biopar, one of the Target's subsidiaries incorporated in France (together, the "*Completion Date Guarantors*");

The Issuer's obligations under the Existing Senior Secured Notes, the Additional Senior Secured Notes, if issued on or prior to such date, and the Senior Secured Notes Indenture will be guaranteed on the earlier of (i) the date on which any Post-Completion Guarantor accedes to the Revolving Credit Facility and (ii) the 90th day following the Completion Date (the "*Post-Completion Date*") by:

- Labco Italia S.r.l., Labco's holding company in Italy;
- the holding company that Labco intends to incorporate in England (such company to become a Guarantor on or prior to the later of (i) the 90th day following the Completion Date and (ii) the 30th day following its incorporation);
- the following eight subsidiaries of the Target incorporated in France: Bioalliance, Biofrance, Biopaj, Institut de Biologie Clinique, Laboratoire Bioliance, Novabio Diagnostics, Oxabio and Unibionor (which Labco intends to merge into or with Institut de Biologie Clinique) (such entities, the "*French Guarantors*");
- the following subsidiary of the Target incorporated in Belgium: Laboratoire d'Analyses Médicales Roman Païs SC SPRL;
- the following three subsidiaries of the Target incorporated in Italy: Istituto il Baluardo S.p.A, CAM Centro Analisi Monza S.p.A. and SDN S.p.A; and
- the following subsidiary of the Target incorporated in Spain: General Lab S.A. (together, the "*Post-Completion Guarantors*").

The Issuer's obligations under the Existing Senior Secured Notes, the Additional Senior Secured Notes and the Senior Secured Notes Indenture will be guaranteed on a senior basis on the German Completion Date by:

- BidCo;
- the Target;
- Labco Corporate Assistance, the Target's cash pooling entity;
- Labco Diagnostics España S.A., the Target's holding company in Iberia;
- Biopar, one of the Target's subsidiaries incorporated in France; and
- German BidCo (together, the "*German Completion Date Guarantors*").

The Issuer's obligations under the Existing Senior Secured Notes, the Additional Senior Secured Notes and the Senior Secured Notes Indenture will be guaranteed on the earlier of (i) the date on which any German Post-Completion Guarantor accedes to the Revolving Credit Facility and (ii) (x) if German Bidco has acquired 100% of the share capital of the German Target in the German Acquisition, the 90th day or (y) if German Bidco has acquired less than 100% of the share capital of German Target in the German Acquisition, the 270th day, in each case, following the Completion Date by:

- synlab Holding GmbH, synlab Services GmbH, Synlab Verwaltungs u. Beteiligungs GmbH; Steinlach-Klinik GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medzinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medzinisches Versorgungszentrum Augsburg GmbH, Medizinisches Versorgungszentrum synlab Leverkusen GmbH, synlab.vet GmbH; synlab Umweltinstitut GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, Synlab Italia S.r.l., synlab Holding Italy S.r.l., synlab Suisse SA, AMS analyses médicales services SA, synlab Holding Austria GmbH and Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H. (together, the "*German Post-Completion Guarantors*" and, together with the Completion Date Guarantors, the Post-Completion Guarantors and the German Completion Date Guarantors, the "*Guarantors*").

If one or more (but no more than three) of the French Guarantors are unable to accede to the Senior Secured Notes Indenture as Guarantors on or prior to the 90th day following the Completion Date due to the refusal by the Board of Director of any such French Guarantor to approve its Senior Secured Note Guarantee, or failure by such French Guarantor to execute all required documentation to this effect (any such French Guarantors being referred to as the "*Refusing French Guarantors*"), the Issuer will use its commercially reasonable efforts to replace such Refusing French Guarantors by one or more other Guarantors (incorporated in France or elsewhere) having, in the aggregate, an EBITDA contribution substantially similar to the Refusing French Guarantors.

Assuming we had completed the offering of Existing Senior Secured Notes and this offering of Additional Senior Secured Notes and applied the net proceeds therefrom, as of March 31, 2015, the Issuer and the Guarantors would have had *pro forma* combined net financial debt of approximately €1,896.2 million, €1,485.0 million of which would have been represented by the Senior Secured Notes, and excluding a drawing of €51.6 million by BidCo under the Revolving Credit Facility to fund a portion of the Acquisition and pay certain expenses relating thereto. BidCo intends to repay that facility shortly after the Completion Date. Other than for such loan, which depending on timing of the German Completion Date may still be outstanding, the Revolving Credit Facility is expected to remain undrawn on or about the German Completion Date. We expect that on the Completion Date, the amount of cash held by the Target or any of its subsidiaries (the "*Target Group*") and the amount of reserves at the Target Group which are capable of being distributed to BidCo, will be in excess of the amount of such loan.

Claims by the Trustee or the Security Agent against a Guarantor on behalf of the holders of the Senior Secured Notes will be direct claims on that Guarantor. The obligations of the Guarantors will be contractually limited under the applicable Senior Secured Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. By virtue of these limitations, a Guarantor's obligation under its Senior Secured Note Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Senior Secured Note Guarantee. In particular, the Senior Secured Note Guarantee of each Guarantor may be limited in value to an amount no greater than the amount of the proceeds of the Senior Secured Notes (i) directly or indirectly onlent to such Guarantor or its subsidiaries or (ii) used to refinance directly or indirectly any indebtedness previously incurred which was onlent to such Guarantor or its subsidiaries, in each case to the extent of the amount so onlent which is outstanding on the date a payment is to be made under the Senior Secured Note Guarantee of the relevant Guarantor. Due to restrictions under French, Italian, Austrian and Belgian law, the Senior Secured Note Guarantees of the Guarantors in France, Italy and Belgium will provide credit support to the full aggregate principal amount of the Senior Secured Notes but will have no greater monetary value than the aggregate principal amount of Existing Senior Secured Notes, and the Senior Secured Note Guarantees of the Guarantors in Austria will effectively have no monetary value, as none of them will be onlent any of the proceeds of the offering of the Additional Senior Secured Notes. The Senior Secured Note Guarantees will also be be subject to certain other limitations under applicable law, as described under "*Limitations on the Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations,*" "*Risk Factors—Risks Related to the Transactions—The Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco*" and "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—The insolvency laws of France, Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*."

The Senior Secured Note Guarantee of each Guarantor incorporated under the laws of Italy shall be limited to comply with Italian law rules on corporate benefit, corporate authorization and financial assistance and in any event, pursuant to article 1938 of the Italian Civil Code, shall include a maximum guarantee amount.

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 Senior Secured Notes. Not all of the Issuer's Subsidiaries will guarantee the Senior Secured Notes. The Senior Secured 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. Any right of the Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Senior Secured Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or such Guarantor. As of March 31, 2015, on a *pro forma* basis after the completion of the offering of the Existing Senior Secured Notes, this offering of Additional Senior Secured Notes and the offering of the Senior Notes and applying the net proceeds therefrom, the Issuer's non-guarantor Subsidiaries would have had approximately €5.9 million of financial Indebtedness. See "*Risk Factors—Risks Related to Our Capital Structure—The Additional Senior Secured Notes and the Senior Notes are structurally subordinated to the liabilities of non-guarantor subsidiaries*". For a description of such contractual limitations, see "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

Release of the Senior Secured Note Guarantees

The Senior Secured Note Guarantees will be released:

(1) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Senior Secured Notes Indenture;

(2) in connection with any sale, disposition, exchange or other transfer of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Senior Secured Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(5) upon the sale of all the Capital Stock of, or all or substantially all of the assets of, such Guarantor or its Parent Entity pursuant to a security enforcement sale in compliance with the Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or the Senior Secured Notes Indenture;

(6) upon the full and final payment and performance of all obligations of the Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes;

(7) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Senior Secured Notes pursuant to the covenant described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*", upon the release or discharge of the guarantee of Indebtedness by such Restricted Subsidiary which resulted in the obligation to guarantee such Senior Secured Notes;

(8) with respect to a Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, upon any transaction permitted by "*—Certain covenants—Merger, Consolidation or Sale of Assets*"; or

(9) as described under "*—Amendment, Supplement and Waiver*".

No release and discharge of the Guarantee will be effective against the Trustee, the Security Agent or the holders of Senior Secured Notes until the Issuer shall have delivered to the Trustee and the Security Agent an Officer's Certificate stating that all conditions precedent provided for in the Senior Secured Notes Indenture relating to such release and discharge have been satisfied and that such release and discharge is authorised and permitted under the Senior Secured Notes Indenture and the Trustee shall be entitled to rely on such Officer's Certificate absolutely and without further inquiry. At the request and expense of the Issuer, the Trustee, or the Security Agent, as applicable, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such guarantee. Neither the Issuer, the Trustee, the Security Agent nor any Guarantor will be required to make a notation on the Senior Secured Notes to reflect any such release, termination or discharge.

Security

Pursuant to the Senior Secured Notes Indenture and the Security Document to be entered into on the Temporary Senior Secured Notes Issue Date, the Additional Senior Secured Notes will initially be secured by a first priority lien on the Temporary Senior Secured Notes Escrowed Funds deposited into the Temporary Senior Secured Notes Escrow Account (the "*Temporary Senior Secured Notes Issue Date Collateral*").

Pursuant to the Senior Secured Notes Indenture and various Security Documents to be entered into on or about the Completion Date, the Existing Senior Secured Notes, the Additional Senior Secured Notes, if issued on such date, and the Senior Secured Note Guarantees will be secured on the Completion Date by the following (collectively, the "*Completion Date Collateral*"):

- a first priority lien on the issued share capital of the Issuer and the receivables, if any, owed by the Issuer to Ephios Holdco II Limited, the direct parent company of the Issuer ("*UK Holdco II*");
- a first priority lien on the issued share capital of BidCo owned by the Issuer;
- a first priority lien on the issued share capital of the Target owned by BidCo;
- a first priority lien on each the receivables arising under the Proceeds Loan and the BidCo Loan; and
- a first priority lien over the rights of BidCo under the Acquisition Agreement.

The Issuer and the Guarantors will grant to U.S. Bank Trustees Limited, as Security Agent, within 90 days of the Completion Date (collectively, the "*Post-Completion Collateral*"):

- a first priority lien on the issued share capital owned by the Target or any other Guarantor in the following Post-Completion Guarantors: Biopar, Labco Corporate Assistance, Labco Diagnostics España S.A., Labco Italia S.r.l., Istituto il Baluardo S.p.A., and the holding company that we intend to incorporate in England (such company to become a Guarantor on or prior to the later of (i) the 90th day following the Completion Date and (ii) the 30th day following its incorporation); and
- present and future intercompany loan receivables arising under inter-company loans with a principal amount in excess of €5.0 million granted by the Target or any other Guarantor that is a subsidiary of the Target, other than such inter-company loans arising under the cash pooling arrangements to which the Issuer and its Restricted Subsidiaries may from time to time become a party;

provided, that to the extent that any Post-Completion Collateral has been provided prior to the German Completion Date, the Additional Senior Secured Notes shall be secured by that Post-Completion Collateral, on the basis set out above, by not later than the 30th day after the German Completion Date.

Pursuant to the Senior Secured Notes Indenture and various Security Documents to be entered into on or about the German Completion Date, the Existing Senior Secured Notes, the Additional Senior Secured Notes and the Senior Secured Note Guarantees will be secured on the German Completion Date by the following (collectively, the "*German Completion Date Collateral*"):

- a first priority lien on the issued share capital of German BidCo owned by the Issuer and the receivables, if any, owed by the German BidCo to the Issuer;
- a first priority lien on the issued share capital of the German Target owned by German BidCo;
- a first priority lien on the receivables arising under the German Proceeds Loan and the German Bidco Loan; and
- a first priority lien over the rights of German BidCo under the German Acquisition Agreement and the receivables, if any, owed to German BidCo by the German Target or any of its subsidiaries (the "*German Target Group*").

The Issuer and the Guarantors will grant to U.S. Bank Trustees Limited, as Security Agent, on the earlier of (i) the date on which any German Post-Completion Guarantor accedes to the Revolving Credit Facility and (ii) (x) if German Bidco has acquired 100% of the share capital of the German Target in the

German Acquisition, the 90th day or (y) if German Bidco has acquired less than 100% of the share capital of German Target in the German Acquisition, the 270th day, in each case, following the German Completion Date (the "*German Post-Completion Collateral*" and together with the Temporary Senior Secured Notes Issue Date Collateral, the Completion Date Collateral, the German Completion Date Collateral and the Post-Completion Collateral, the "*Collateral*"):

- a first priority lien on the issued share capital owned by the German Target or any other Guarantor in the following Guarantors: synlab Services GmbH, Synlab Verwaltungs u. Beteiligungs GmbH; Steinlach-Klinik GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medzinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medzinisches Versorgungszentrum Augsburg GmbH, Medizinisches Versorgungszentrum synlab Leverkusen GmbH, synlab.vet GmbH; synlab Umweltinstitut GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, Synlab Italia S.r.l., synlab Holding Italy S.r.l., synlab Suisse SA, AMS analyses médicales services SA, synlab Holding Austria GmbH and Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H.; and
- present and future intercompany loan receivables arising under inter-company loans with a principal amount in excess of €5.0 million granted by the German Target or any other Guarantor that is a subsidiary of the German Target, other than such inter-company loans arising under the cash pooling arrangements to which the Issuer and its Restricted Subsidiaries may from time to time become a party.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*", the Issuer is permitted to pledge the Collateral in connection with future issuances of its Indebtedness, including any further additional Senior Secured Notes, or Indebtedness of its Restricted Subsidiaries, in each case permitted under the Senior Secured Notes Indenture and on terms consistent with the relative priority of such Indebtedness.

No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Security Agent or the Trustee in connection with the issuance of the Senior Secured Notes and the Senior Secured Note Guarantees. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time or at all.

Security Documents

The Issuer, the Guarantors and the Security Agent will, as applicable, enter into the Security Documents, which define the terms of the security interests that secure the Senior Secured Notes and the Senior Secured Note Guarantees. The Security Documents will secure the payment and performance when due of all of the obligations of the Issuer and the Guarantors under the Senior Secured Notes, the Senior Secured Notes Indenture and the Senior Secured Note Guarantees and other obligations.

In certain jurisdictions, due to the laws and jurisprudence governing the creation and perfection of security interests, the relevant Security Documents will provide for the creation of "parallel debt" obligations in favor of the Security Agent, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Senior Secured Notes, the Senior Secured Note Guarantees and the other secured obligations). The parallel debt construct has not been tested under law in certain of these jurisdictions. See "*Risk Factors—Risks Relating to Our Capital Structure—In certain jurisdictions, Security over the Collateral will be granted to the Security Agent rather than directly to the holders of the Senior Secured Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law*" and "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency law Considerations*".

Subject to the terms of the Intercreditor Agreement, the Senior Secured Notes Indenture and the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes and the Senior Secured Note Guarantees, to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

The Security Documents will, as described under the caption "*Description of Other Indebtedness—Intercreditor Agreement*", permit the Trustee and the agent for the Revolving Credit Facility to instruct the Security Agent to take enforcement action under the Security Documents following the occurrence of an event of default under such Indebtedness, such Indebtedness being declared due and payable and the requisite approval or consent of the holders of such Indebtedness.

Intercreditor Agreement

On the Issue Date, the Trustee entered into an Intercreditor Agreement with, among others, the Issuer, the Security Agent and the agent for the Revolving Credit Facility as described under "*Description of Other Indebtedness—Intercreditor Agreement*".

Priority

The relative priority among (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations (c) the Trustee and the holders of Senior Secured Notes under the Senior Secured Notes Indenture and (d) certain other senior and super senior secured creditors with respect to the security interests in the Collateral created by the Security Documents which secure the obligations under the Revolving Credit Facility, certain Hedging Obligations, the Senior Secured Notes and certain other senior and super senior secured liabilities or the Senior Secured Note Guarantees and the Senior Secured Notes Indenture is established by the terms of the Intercreditor Agreement, the Senior Secured Notes Indenture, the Security Documents, the Revolving Credit Facility, such Hedging Obligations and the documentation relating to such other senior and super senior secured liabilities, which provide that all obligations under the Senior Secured Notes, the Revolving Credit Facility, certain Hedging Obligations and certain other senior and super senior secured liabilities are secured equally and ratably by a first-priority interest in the Collateral, but in the event of acceleration of the Revolving Credit Facility and the Senior Secured Notes and certain other senior and super senior secured liabilities, amounts recovered in respect of the Senior Secured Notes and certain other senior secured liabilities, including from the enforcement of the Collateral, are required to be turned over to the Security Agent and, subject to the payment of fees and expenses of the agent under the Revolving Credit Facility, the Trustee and Security Agent (and the agent of certain other senior and super senior secured liabilities), paid by the Security Agent to the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations and certain other super senior secured creditors in priority to the holders of the Senior Secured Notes and certain other senior secured creditors.

Security Release

The Security Agent will only be permitted to enforce the Security Documents in accordance with instructions permitted to be given under the Intercreditor Agreement or any Additional Intercreditor Agreement. The Intercreditor Agreement restricts the ability of the Trustee or the holders of the Senior Secured Notes or certain other creditors to instruct the Security Agent to take enforcement action. The Security Agent may refrain from enforcing the security unless instructed to do so by the representative in respect of the creditors under the Revolving Credit Facility, certain Hedging Obligations and certain other super senior liabilities or by the Trustee/representative in respect of the Senior Secured Notes and certain other senior secured liabilities, and provided that, while the Trustee/representative in respect of the Senior Secured Notes and certain other senior secured liabilities will ordinarily constitute the instructing group for the purposes of giving enforcement instructions to the Security Agent, in certain circumstances, the super senior creditors alone may be able to initiate enforcement action. For a description of security enforcement and other intercreditor provisions (*including provision as regards the impact of competing instructions, such as which set of instructions will prevail (and when), and who shall be able to instruct the Security Agent in which circumstances*), see "*Description of Other Indebtedness—Intercreditor Agreement*".

The Issuer and the Guarantors will be entitled to the release of property and other assets constituting Collateral from the Liens securing the Senior Secured Notes and the Senior Secured Note Guarantees under any one or more of the following circumstances:

(1) upon the full and final payment and performance of all obligations of the Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes;

(2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(3) as described under "—*Amendment, Supplement and Waiver*" and "*Liens*";

(4) if the Lien granted in favor of the Revolving Credit Facility, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released;

(5) as otherwise provided for under the Intercreditor Agreement, including in connection with an enforcement sale, or the Security Documents;

(6) in connection with any sale or other disposition of Collateral that does not violate the "Asset Sale" provisions of the Senior Secured Notes Indenture;

(7) in the case of a Guarantor that is released from its Senior Secured Note Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(8) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets of such Restricted Subsidiary;

(9) pursuant to certain Permitted Reorganizations subject to compliance with the conditions set forth in the Senior Secured Notes Indenture;

(10) upon the contribution of any claim of the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of its Restricted Subsidiaries (other than the Proceeds Loan), *provided* that such contribution is made in compliance with the Intercreditor Agreement;

(11) in accordance with the terms of the relevant Security Document; or

(12) in accordance with "—*Certain Covenants—Impairment of Security Interests*" or as otherwise not prohibited by the Senior Secured Notes Indenture.

The Senior Secured Notes Indenture will provide that any release of a Lien on Collateral shall be evidenced by the delivery by the Issuer to the Trustee of an Officer's Certificate of the Issuer, and that the Security Agent shall acknowledge and confirm such release upon delivery of such Officer's Certificate.

The Security Agent may need to evaluate the impact of the potential liabilities before determining to foreclose on certain Collateral. In this regard, the Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction from the holders of the Senior Secured Notes. In addition, the Security Agent's ability to foreclose on the Collateral on behalf of the holders of the Senior Secured Notes may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Collateral.

The Senior Secured Notes Indenture will provide that the Security Agent shall have no liability to any of the holders of the Senior Secured Notes as a consequence of its performance or non-performance under the Security Documents, except for its gross negligence or wilful misconduct.

The Proceeds Loan and the BidCo Loan

On the Completion Date:

- the Issuer will lend, pursuant to an intercompany loan (the "*Proceeds Loan*"), the proceeds of the issuance of the Existing Senior Secured Notes in an amount of €800.0 million to Target for the purpose of redeeming the Existing Senior Secured Notes, paying a redemption premium in respect of the Existing Senior Secured Notes, repaying certain existing debt of the Target Group and paying associated costs and expenses; and
- BidCo will use the amounts received under the Equity Contribution and drawings in an amount of approximately €51.6 million under the Revolving Credit Facility to fund the acquisition of the Target Securities and to make further intercompany loans in an amount of approximately €7.6 million (the "*BidCo Loan*").

The German Proceeds Loan and German Bidco Loan

On the German Completion Date:

- the Issuer will lend, pursuant to an intercompany loan (the "*German Proceeds Loan*"), a portion of the proceeds of the issuance of the Temporary Senior Secured Notes and a portion of the proceeds of the issuance of senior notes (the "*Senior Notes*") by Ephios Holdco II PLC (the "*Senior Notes Issuer*") pursuant to an indenture (the "*Senior Notes Indenture*") dated August 6, 2015 between, among others, Ephios Holdco II PLC and U.S. Bank Trustees Limited, as the trustee and the security agent in an aggregate amount of €475.6 million to German Target for the purpose of repaying certain existing debt of the German Target Group and for general corporate purposes; and
- the Issuer will lend, pursuant to an intercompany loan (the "*German Bidco Loan*"), the proceeds from the German Equity Contribution a portion of the proceeds of the issuance of the Additional Senior Secured Notes and a portion of the proceeds of the issuance of the Senior Notes in an aggregate amount of €1,328.0 million to German BidCo for the purpose of financing the German Acquisition and paying associated costs and expenses; and

Optional Redemption

At any time prior to July 1, 2018, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Senior Secured Fixed Rate Notes issued under the Senior Secured Notes Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 106.250% of the principal amount of the Senior Secured Fixed Rate Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of redemption (subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (i) the Issuer or (ii) any direct or indirect parent entity of the Issuer to the extent the proceeds from such Equity Offering are contributed (other than in the form of an Excluded Contribution or Parent Senior Debt Contribution) to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of ordinary shares of the Issuer; *provided* that:

(1) at least 60% of the aggregate principal amount of the Senior Secured Fixed Rate Notes (calculated after giving effect to any issuance of any further additional Senior Secured Notes but excluding Senior Secured Fixed Rate Notes held by the Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

At any time prior to July 1, 2018, the Issuer may on any one or more occasions redeem during each calendar year up to 10% of the original principal amount of the Senior Secured Fixed Rate Notes (including the original principal amount of any further additional Senior Secured Fixed Rate Notes), upon not less than 10 nor more than 60 days' notice, at a redemption price of 103.00% of the principal amount of the Senior Secured Fixed Rate Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of holders on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to July 1, 2018 for the Senior Secured Fixed Rate Notes and July 1, 2016 for the Senior Secured Floating Rate Notes, the Issuer may on any one or more occasions redeem all or a part of the Senior Secured Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Senior Secured Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of redemption, subject to the rights of holders of the Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding three paragraphs and except pursuant to "*—Redemption for Changes in Taxes*", the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes will not be redeemable at the Issuer's option prior to July 1, 2018 and July 1, 2016, respectively.

On or after July 1, 2018 for the Senior Secured Fixed Rate Notes and July 1, 2016 for the Senior Secured Floating Rate Notes, the Issuer may on any one or more occasions redeem all or a part of Senior Secured Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Secured Notes redeemed, to, but not including, the applicable date of redemption, if redeemed during the twelve-month period beginning on July 1 of the years indicated below, subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest on the relevant interest payment date:

Senior Secured Fixed Rate Notes

Year	Redemption Price
2018	103.1250%
2019	101.5625%
2020 and thereafter	100.0000%

Senior Secured Floating Rate Notes

Year	Redemption Price
2016	101.0000%
2017 and thereafter	100.0000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to holders of Senior Secured Notes whose Senior Secured Notes are subject to redemption by the Issuer.

Any redemption or notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however, that*, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for the Senior Secured Notes at a price of at least 100% of the principal amount of the Senior Secured Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if holders of Senior Secured Notes of not less than 90% in aggregate principal amount of the outstanding Senior Secured Notes validly tender and do not withdraw such Senior Secured Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchase all of the Senior Secured Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase date, to redeem all Senior Secured Notes that remain outstanding following such purchase at a price equal to the price offered to each other holder of Senior Secured Notes in such tender offer plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the Redemption Date.

The Issuer or its affiliates may at any time and from time to time purchase Senior Secured Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

Redemption for Changes in Taxes

The Issuer may redeem the Senior Secured Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Senior Secured Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if on the next date on which any amount would be payable in respect of the Senior Secured Notes or any Senior Secured Note Guarantee, the Issuer under or with respect to the Senior Secured Notes or any of the Guarantors under or with respect to any Senior Secured Note Guarantee, as the case may be, is or would be required to pay Additional Amounts and the Issuer or the relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available (including, for the avoidance of doubt, the appointment of a new Paying Agent under the caption "*—Paying Agent and Registrar for the Senior Secured Notes*" or, in respect of a payment under a Senior Secured Note Guarantee, payment through another Guarantor or the Issuer), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment becomes effective on or after the date of the offering memorandum relating to the Existing Senior Secured Notes (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the offering memorandum relating to the Existing Senior Secured Notes, such later date) and which was not publicly and formally announced or publicly and formally proposed, in substantially the form as enacted, prior to the date of the offering memorandum relating to the Existing Senior Secured Notes (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the offering memorandum relating to the Existing Senior Secured Notes, such later date); or

(2) any amendment to, or change in, an official interpretation, application or administration of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change becomes effective on or after the date of the offering memorandum relating to the Existing Senior Secured Notes (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the offering memorandum relating to the Existing Senior Secured Notes, such later date) and which was not publicly and formally announced or publicly and formally proposed, in substantially the form as enacted, prior to the date of the offering memorandum relating to the Existing Senior Secured Notes (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the offering memorandum relating to the Existing Senior Secured Notes, such later date) (each of the foregoing clauses (1) and (2), a "*Change in Tax Law*").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment of Additional Amounts. Prior to the publication or, where relevant, mailing of any notice of redemption of the Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel of recognized standing and reasonably satisfactory to the Trustee to the effect that there has been such Change in Tax Law which would entitle the Issuer to redeem the Senior Secured Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Senior Secured Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its or a Guarantor's obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Secured Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Secured Notes Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Senior Secured Notes Indenture.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Senior Secured Notes, except as described in "*Description of the Temporary Senior Secured Notes*" under the caption "*—Disbursement of Funds; Senior Secured Notes Escrow Account; Special Mandatory Redemption*".

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Senior Secured Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof) of that holder's Senior Secured Notes pursuant to a Change of Control Offer on the terms set forth in the Senior Secured Notes Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Secured Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date. Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes of a series as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Issuer will mail a notice to each holder of the Senior Secured Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and Notice*", with a copy to the Trustee, stating that a Change of Control Offer is being made and offering to repurchase Senior Secured Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Senior Secured Notes Indenture and described in such notice. The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Senior Secured Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Senior Secured Notes Indenture, the Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Secured Notes or portions of Senior Secured Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes or portions of Senior Secured Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Senior Secured Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of Senior Secured Notes being purchased by the Issuer.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Senior Secured Notes properly tendered the Change of Control Payment for such Senior Secured Notes, and the Trustee (or its authenticating agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Senior Secured Note equal in principal amount to any unpurchased portion of the Senior Secured Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Senior Secured Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture will not contain provisions that permit the holders of the Senior Secured Notes to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder of the Senior Secured Notes' right to require the Issuer to repurchase such holder's Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Senior

Secured Notes Indenture as described above under the caption "*—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's ability to repurchase Senior Secured Notes pursuant to a Change of Control Offer following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Senior Secured Notes. See "*Risk Factors—Risks Related to Our Capital Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture*".

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," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Senior Secured Notes to require the Issuer to repurchase its Senior Secured 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. In addition, if an event constitutes a Change of Control, the definitions of Change of Control and Permitted Holders expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Senior Secured Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Senior Secured Notes prior to the occurrence of the Change of Control.

If and for so long as the Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Asset Sales

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Senior Secured Notes or any Senior Secured Note Guarantee), that are assumed by the transferee of any such assets and as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

   (b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

   (c) any Capital Stock or assets of the kind referred to in clauses (1)(c) or (e) of the next paragraph of this covenant;

(d) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of €20.0 million and 1.5% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

(e) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale; and

(f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may:

(1) apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):

(a) to prepay, repay or purchase:

(i) Obligations under the Revolving Credit Facility or other Senior Secured Indebtedness incurred pursuant to clause (1) of the second paragraph of "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and to correspondingly reduce commitments with respect thereto (except in the case of any revolving Indebtedness, including but not limited to the Revolving Credit Facility); or

(ii) unless included in (i), Senior Secured Notes and Senior Secured Indebtedness and to correspondingly reduce commitments with respect thereto (except in the case of any revolving Indebtedness, including but not limited to the Revolving Credit Facility); *provided* that if the Issuer or any Restricted Subsidiary shall so reduce Obligations constituting Senior Secured Indebtedness, the Issuer will equally and ratably reduce Obligations under the Senior Secured Notes by making an offer (a "*Senior Secured Notes Offer*") to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, for the pro rata amount of the Senior Secured Notes or through open market repurchases (to the extent such purchases are at or above 100% of the principal amount thereof); *provided*, *further*, that in each case under this clause (ii), such Senior Secured Notes and Senior Secured Indebtedness shall be other than Indebtedness owed to the Issuer or an Affiliate of the Issuer;

(b) to purchase or prepay or redeem or repay (i) any Indebtedness that is secured by a Lien on assets or property which do not constitute Collateral or (ii) any Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Issuer or an Affiliate of the Issuer);

(c) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary *provided, however,* if the assets sold constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, subject to the Agreed Security Principles (set forth in the Senior Secured Notes Indenture) and any Permitted Liens on the acquired Capital Stock or assets, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Collateral as of 90 days after the Completion Date) referred to in this clause (c) in favor of the Senior Secured Notes on a first-ranking basis;

(d) to make a capital expenditure;

(e) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business; or

(f) any combination of the foregoing;

(2) enter into a binding commitment to apply the Net Proceeds pursuant to clauses (b), (c), (d) or (e) of paragraph (1) above; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365-day period.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Senior Secured Notes Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*". When the aggregate amount of Excess Proceeds exceeds €30.0 million, within ten Business Days thereof, the Issuer will make an offer (an "*Asset Sale Offer*") to all holders of Senior Secured Notes and, to the extent the Issuer elects, to any holders of other Senior Secured Indebtedness, to purchase, prepay or redeem the maximum principal amount of Senior Secured Notes and such other Senior Secured Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Senior Secured Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Senior Secured Notes Indenture. To the extent that the aggregate principal amount of Senior Secured Notes and other Senior Secured Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Senior Secured Notes Indenture. If the aggregate principal amount of Senior Secured Notes and other Senior Secured Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Senior Secured Notes or other Senior Secured Indebtedness tendered pursuant to an Asset Sale Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Senior Secured Notes and such other Indebtedness, if applicable, to be purchased on a *pro rata* basis (or in the manner described under "*—Selection and Notice*"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Sale Offer prior to the expiration of the 365-day period mentioned above.

To the extent that any portion of Net Proceeds payable in respect of the Senior Secured Notes is denominated in a currency other than euros, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in euros that is actually received by the Issuer upon converting such portion of the Net Proceeds into euros.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Senior Secured Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

Selection and Notice

If less than all of the Senior Secured Notes are to be redeemed at any time, the Trustee, or the Registrar, as applicable, will select Senior Secured Notes for redemption on a *pro rata* basis (or, in the case of Senior Secured Notes issued in global form as discussed under "*Book-Entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection as the Trustee or the Registrar deems fair and appropriate, including the pool factor), unless otherwise required by law or applicable stock exchange or depositary requirements. Neither the Trustee nor the Registrar shall be liable for selections made by it in accordance with this paragraph.

No Senior Secured Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Senior Secured Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Secured Notes or a satisfaction and discharge of the Senior Secured Notes Indenture.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note will state the portion of the principal amount of that Senior Secured Note that is to be redeemed. A new Senior Secured Note in principal amount equal to the unredeemed portion of the original Senior Secured Note will be issued in the name of the holder of Senior Secured Notes upon cancellation of the original Senior Secured Note. In the case of a Global Senior Secured Note, an appropriate notation will be made on such Senior Secured Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

For Senior Secured Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, Luxembourg, notices may be given by delivery of the relevant notices to Euroclear or Clearstream, Luxembourg for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Senior Secured Notes shall also be published in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*) and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Senior Secured Notes outstanding.

Certain Covenants

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt), issue Disqualified Stock or issue preferred stock, if:

(a) the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.00 to 1.00, in each case determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period; and

(b) if such Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Senior Secured Indebtedness is incurred would have been less than 5.5 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Senior Secured Indebtedness had been incurred, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period,

provided, *further*, that (i) the aggregate amount of Indebtedness (including Acquired Indebtedness) that may be Incurred and Disqualified Stock or preferred stock that may be issued pursuant to the foregoing by the Issuer's non-guarantor subsidiaries shall not exceed the greater of (x) €75.0 million and (y) 6.0% of Total Assets, at any one time outstanding, after giving *pro forma* effect to such incurrence or issuance (including a *pro forma* application of the net proceeds therefrom), and (ii) if the incurrence of Senior

Secured Indebtedness under section (b) above is in connection with consummating a Material Acquisition, the Issuer or any Restricted Subsidiary may only incur such Senior Secured Indebtedness if the Consolidated Senior Secured Leverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Senior Secured Indebtedness is incurred would have been less than 5.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Senior Secured Indebtedness had been incurred, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by the Issuer and its Restricted Subsidiaries of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater of €150.0 million and 100% of Consolidated EBITDA, *plus,* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) (a) Indebtedness of the Target and its Restricted Subsidiaries outstanding on the Completion Date and which remains outstanding after giving effect to the Transactions and the use of proceeds of the Senior Secured Notes and (b) Indebtedness of the Issuer or any Restricted Subsidiary on the Issue Date and which is to be repaid after giving effect to the use of proceeds of the Senior Secured Notes during the pendency of the application of such proceeds;

(3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Senior Secured Notes issued on the Issue Date, the related Senior Secured Note Guarantees and any "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents and any loan pursuant to which the proceeds of the incurrence of any Parent Senior Debt are onlent to the Issuer or any of its Restricted Subsidiaries;

(4) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, purchase money obligations or other financings, in each case, incurred for the purpose of financing all or any part of the purchase price, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) used in the business of the Issuer or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of €50.0 million and 4.0% of Total Assets at any time outstanding, so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;

(5) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Senior Secured Notes Indenture to be incurred under (a) the first paragraph of this covenant or (b) clauses (2)(a), (3), (5), (16) or (17) of this paragraph;

(6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer or any Restricted Subsidiary; *provided* 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 expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Senior Secured Notes, in the case of the Issuer, or the Senior Secured Note Guarantee, in the case of a Guarantor (i) except in respect of Working Capital Intercompany Loans and (ii) only to the extent legally permitted (the Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness); and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will 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 (6);

(7) the issuance by any Restricted Subsidiary to the Issuer or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations for *bona fide* hedging purposes of the Issuer and its Restricted Subsidiaries and not for speculative purposes;

(9) the guarantee by the Issuer or any Restricted Subsidiary 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; *provided* that if the Indebtedness being guaranteed is subordinated to the Senior Secured Notes or a Senior Secured Note Guarantee, then the guarantee must be subordinated to the Senior Secured Notes or Senior Secured Note Guarantee to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business and consistent with industry practice;

(11) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of such incurrence;

(12) the incurrence by the Issuer and its Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(13) the incurrence by the Issuer and its Restricted Subsidiaries of Indebtedness 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, and (B) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(14) Indebtedness of the Issuer of any of its Restricted Subsidiaries in respect of Management Advances;

(15) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(16) Indebtedness in an aggregate outstanding principal amount that, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (16) and then outstanding, will not exceed 100% of the net cash proceeds received by the Issuer or any of its Restricted Subsidiaries from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock, or an Excluded Contribution or Parent Senior Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or Parent Senior Debt Contribution) of the Issuer or any of its Restricted Subsidiaries, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (9) of the second paragraph of the covenant described below under "*—Certain Covenants—Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (16) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (4) and (9) of the second paragraph of the covenant described below under "*—Certain Covenants—Restricted Payments*" in reliance thereon;

(17) Indebtedness (a) outstanding on the date on which any Person becomes a Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any of its Restricted Subsidiaries or (b) incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary of the Issuer or was otherwise acquired by the Issuer or any of its Restricted Subsidiaries or (ii) any assets are acquired and related liabilities are assumed by the Issuer or any Restricted Subsidiary; *provided*, *however*, with respect to this clause (17), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (x) either (A) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (17) or (B) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and the related incurrence of such Indebtedness pursuant to this clause (17) and (y) to the extent the Indebtedness incurred pursuant to sub-clause (b) constitutes Senior Secured Indebtedness, either (A) the Issuer would have been able to incur €1.00 of additional Senior Secured Indebtedness pursuant to the first paragraph of this covenant, or (B) the Consolidated Senior Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and the related incurrence of such Indebtedness pursuant to this clause (17); and further provided that the Issuer and its Restricted Subsidiaries shall not incur Indebtedness to pay all or a portion of the purchase price for a Material Acquisition pursuant to sub-clause (y)(B) of this clause (17);

(18) Indebtedness incurred in any (a) Receivables Financing or (b) CIR Financing or CICE Financing (or any equivalent or successor tax credit financing); *provided* that, in the case of clause (18)(b) only, such Indebtedness, together with any Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to such clause, does not exceed €25.0 million in the aggregate outstanding at any one time;

(19) Indebtedness of the Issuer's non-guarantor Subsidiaries in an aggregate principal amount not to exceed the greater of €20.0 million and 1.5% of Total Assets in the aggregate outstanding at any one time (it being understood that any Indebtedness incurred pursuant to this clause (19) shall cease to be deemed incurred or outstanding pursuant to this clause (19) but shall be deemed incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on which such non-guarantor Subsidiary could have incurred such Indebtedness pursuant to the first paragraph of this covenant);

(20) Indebtedness consisting of guarantees of Indebtedness incurred by joint ventures of the Issuer or any of its Restricted Subsidiaries that, together with the outstanding aggregate amount of Investments made pursuant to clause (16) of the definition of "Permitted Investment", does not

exceed the greater of €30.0 million and 2.5% of Total Assets in the aggregate outstanding at any one time; and

(21) the incurrence by the Issuer or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (21) not to exceed the greater of €60.0 million and 4.5% of Total Assets.

The Issuer and the Guarantors will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Senior Secured Notes and the applicable Senior Secured 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 solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Any Guarantees provided by the Issuer or a Restricted Subsidiary in respect of any Indebtedness of any Parent Entity (including any Parent Senior Debt) shall be expressly subordinated to the prior payment in full of all obligations with respect to the Senior Secured Notes pursuant to the Intercreditor Agreement or any Additional Intercondition Agreement.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (21) above or is permitted to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses or paragraph, and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, and from time to time to divide and reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant, *provided* that Indebtedness under the Revolving Credit Facility incurred or outstanding on the Completion Date will be deemed to have been incurred on such date in reliance on the exception provided in clause (1) of the definition of Permitted Debt and may not be reclassified.

Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included. If obligations in respect of letters of credit, bankers' acceptances or other similar instruments are incurred pursuant to any Credit Facility and are being treated as incurred pursuant to clause (1), (4) or (21) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included. The principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or preferred stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant, nor to be the incurrence of a Lien under the "*Liens*" covenant, *provided* that the Lien securing such originally incurred preferred stock, Indebtedness or preferred stock was secured in accordance with the Senior Secured Notes Indenture. For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, 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*, *however*, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to euro, the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and the euro-equivalent of the principal amount of any such Indebtedness of the Target and its Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date. 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 on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such euro-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) 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.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

   (i) the Fair Market Value of such assets at the date of determination; and

   (ii) the amount of the Indebtedness of the other Person.

Restricted Payments

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than (i) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and (ii) dividends or distributions payable to the Issuer or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt, any Parent Senior Debt or any Indebtedness of the Issuer or any Guarantor that is contractually subordinated in right of payment to the Senior Secured Notes or to any Senior Secured Note Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(4) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (10), (11), (12), (14), (15), (16), (17), (19), (20) and (21) of the next succeeding paragraph), is less than the sum, without duplication, of:

   (i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

   (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer from the Completion Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock, Excluded Contributions, the Equity Contribution or a Parent Senior Debt Contribution) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Issuer) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer); *plus*

   (iii) 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, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary (other than from a Person that is the Issuer or a Restricted Subsidiary), or (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; *plus*

   (iv) 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 lesser of (i) the Fair Market Value of the property 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 and (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary, in each case, to the extent such Investments reduced the Restricted Payments capacity under this clause (iv) and were not previously repaid or otherwise reduced; *plus*

   (v) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such guarantee; *plus*

   (vi) 100% of any cash dividends or distributions and the Fair Market Value of property and marketable securities received by the Issuer or a Restricted Subsidiary after the Completion Date, (A) in connection with the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and (B) from an Unrestricted Subsidiary; *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (vi).

provided, however, that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to the Issue Date and Completion Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Senior Secured Notes Indenture;

(2) 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, Equity Interests 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 the calculation of amounts under clause (c)(ii) of the preceding paragraph, will not constitute Excluded Contributions or Parent Senior Debt Contributions and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Senior Secured Notes Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Senior Secured Notes or any Senior Secured Note Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €2.0 million in any calendar year (with any unused amount in any calendar year being carried over in the succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer, any of its Restricted Subsidiaries or any of its direct or indirect parent companies and (B) the cash proceeds of key man life insurance policies, in each case to the extent the cash proceeds have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;

(6) 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 covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(7) 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;

(8) without duplication payments pursuant to any Tax Sharing Agreement or arrangements, payments or other transactions among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated or combined tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax, accounting or cash pooling purposes or any tax advantageous group made pursuant to applicable legislation, together with other reasonable costs and expenses relating thereto; *provided*, *however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer and such Restricted Subsidiaries would owe on a stand-alone basis and the amount of cash paid by Unrestricted Subsidiaries to the Issuer or such Restricted Subsidiaries for such purpose.

(9) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the net cash proceeds received by the Issuer from any Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or through Excluded Contributions or a Parent Senior Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Debt to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided that* in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.0 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided that* in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.5 to 1.0;

(10) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (10) does not exceed € 2.0 million in any calendar year (with any unused amount in any calendar year being carried over in the succeeding calendar years);

(11) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Issuer or any Restricted Subsidiary) on no more than a *pro rata* basis;

(12) the declaration and payment of dividends, loans, advances, other distributions or other amounts to, or the making of loans to any Parent Entity for such entity to, if applicable:

  (a) pay amounts equal to amounts required for any Parent Entity to pay interest and/or principal on Parent Senior Debt;

  (b) pay fees and expenses incurred by any Parent Entity related to (i) the maintenance of such Parent of its corporate or other entity existence and performance of its obligations under the Senior Secured Notes Indenture and similar obligations under the Revolving Credit Facility and/or Parent Senior Debt, (ii) any unsuccessful equity or debt offering of such Parent Entity and (iii) any equity or debt issuance, incurrence or offering, any disposition or acquisition or any investment transaction by the Issuer or any of its Restricted Subsidiaries (or any acquisition of or investment in any business, assets or property that will be contributed to the Issuer or any of its Restricted Subsidiaries as part of the same or a related transaction) permitted by the Senior Secured Notes Indenture; and

(c) make payments to the Sponsor (i) representing annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €1.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) or (ii) for any other financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, including in connection with the consummation of the Transactions, which payments are approved in respect of such activities by a majority of the Board of Directors of the Issuer in good faith.

(13) Permitted Biologist Payments;

(14) any purchase, repurchase, redemption, payment on, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Restricted Subsidiary that is subordinated in right of payment to the Senior Secured Notes or to any Senior Secured Note Guarantee, including Subordinated Indebtedness and Subordinated Shareholder Debt (A) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness at a purchase price not greater than (x) 101% of the principal amount of such Indebtedness in the case of a Change of Control or (y) 100% of the principal amount of such Indebtedness in the case of an Asset Sale, in each case plus accrued and unpaid interest, but only if the Issuer shall have complied with its obligations under the covenants described under "*—Repurchase at the Option of Holders—Change of Control*" or "*—Repurchase at the Option of Holders—Asset Sales*", if applicable, or (B) consisting of Acquired Debt (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) otherwise in connection with or in contemplation of such acquisition) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any such Indebtedness;

(15) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary of the Issuer by, Unrestricted Subsidiaries;

(16) the payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with CICE Financing, Receivables Financing and CIR Financing;

(17) Restricted Payments that are made with cash Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (17);

(18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided that*, on the date of any such Restricted Payment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 3.5 to 1.0 on a *pro forma* basis after giving effect thereto;

(19) the Transactions;

(20) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication) (a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; (b) amounts constituting or to be used for purposes of making payments of fees and expenses incurred in connection with the Transactions or disclosed in the offering memorandum relating to the Existing Senior Secured Notes or to the extent specified in the second paragraph under "*—Transaction with Affiliates*"; and (c) the amounts constituting dividends or other distributions as described in the offering memorandum relating to the Existing Senior Secured Notes under "*Use of Proceeds*"; and

(21) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed the greater of €40.0 million and 3.0% of Total Assets since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be entitled to divide or classify such Restricted Payment (or portion thereof) on the date made or later divide or reclassify such Restricted Payment (or portion thereof) in any manner that complies with this covenant.

Liens

The Issuer will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien (the "*Initial Lien*") of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (a) in the case of any property or asset that does not constitute Collateral, (i) Permitted Liens or (ii) unless all payments due under the Senior Secured Notes Indenture and the Senior Secured Notes (including a Senior Secured Note Guarantee in the case of Liens of a Guarantor) are secured on an equal and ratable basis with the Indebtedness so secured until such time as such Indebtedness is no longer secured by a Lien (and if such Indebtedness so secured is subordinated in right of payment to either the Senior Secured Notes or a Senior Secured Note Guarantee, on a senior priority basis); and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any Lien created for the benefit of the holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien with respect to clause (a) of the preceding paragraph or (b) as set forth under the caption "—*Security*".

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Note Guarantees, the Intercreditor Agreement, the Security Documents and any other agreement or instrument with respect to the Target or its Subsidiaries, in each case, in effect at or entered into on the Completion Date;

(3) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Incurrence of Indebtedness and Issuance of Preferred Stock*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole

(i) are not materially less favorable to the holders of the Senior Secured Notes than the encumbrances and restrictions contained in the Revolving Credit Facility and the Intercreditor Agreement, in each case, as in effect on the Issue Date (as determined in good faith by the Issuer) or (ii) is customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer ability to make principal or interest payments on the Senior Secured Notes (as determined in good faith by the Issuer);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted to be incurred by the terms of the Senior Secured Notes Indenture;

(6) provisions in leases, licenses and joint venture agreements;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that (i) the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or (ii) is customary in comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes (as determined in good faith by the Issuer);

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) 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), which limitation is applicable only to the assets that are the subject of such agreements;

(12) 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 entered into in the ordinary course of business;

(13) any encumbrance or restriction pursuant to Currency Exchange Protection Agreements or Hedging Obligations;

(14) any encumbrance or restriction of a Receivables Subsidiary effected in connection with a Receivables Financing; and restrictions effected in connection with a CICE Financing, Receivables Financing or CIR Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such CICE Financing, Receivables Financing or CIR Financing; or

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); *provided* that (i) the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or (ii) is customary in

comparable financings and where, in the case of this sub-clause (ii), the Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes (as determined in good faith by the Issuer).

Merger, Consolidation or Sale of Assets

The Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture and the Intercreditor Agreement, the Security Documents;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (ii) have a Fixed Charge Coverage Ratio no less than it was immediately prior to giving effect to such transaction; and

(5) the Issuer delivers to the Trustee an Officer's Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental Senior Secured Notes Indenture comply with this covenant; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (3) and (4) above.

A Guarantor (other than a Guarantor whose Senior Secured Note Guarantee is to be released in accordance with the terms of such Senior Secured Note Guarantee and the Senior Secured Notes Indenture) will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

  (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Senior Secured Note Guarantee, the Senior Secured Notes Indenture, the Intercreditor Agreement and the Security Documents to which such Guarantor is a party pursuant to a supplemental indenture, accession agreement, Additional Intercreditor Agreement and appropriate Security Documents reasonably satisfactory to the Trustee; or

  (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Senior Secured Notes Indenture.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the preceding paragraph in which a Guarantor is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor will be discharged from all obligations and covenants under the Senior Secured Notes Indenture, its Senior Secured Note Guarantee, the Senior Secured Notes and the Security Documents to which such Guarantor is a party.

In addition, the Issuer will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Clauses (3) and (4) of the first paragraph and clause (1) of the second paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to (a) any sale or other disposition of all or substantially all of the assets or merger or consolidation of any Restricted Subsidiary (including any Guarantor) with or into any Guarantor or the Issuer or (b) any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into any other Guarantor. Clauses (1) and (2)(b) of the second paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Guarantor with or into any other Guarantor. Clause (4) of the first paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer or any Guarantor with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction for tax reasons. Notwithstanding any other provision of this covenant, any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Transactions with Affiliates

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €2.5 million, unless:

(1) the Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) the Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €7.5 million, a resolution of the Board of Directors of the Issuer set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans;

(2) transactions between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(3) any transaction in the ordinary course of business with any Affiliate or Associate or similar entity (in each case other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate or Associate, respectively, solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a

Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer or Subordinated Shareholder Debt;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Senior Secured Notes Indenture described above under the caption "*—Restricted Payments*";

(7) Management Advances;

(8) any Permitted Investments (other than Permitted Investments described in clauses (3), (9), (15), (16) and (17) of the definition thereof);

(9) the incurrence of any Subordinated Shareholder Debt;

(10) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in "*Description of Certain Related Party Transactions*" in the offering memorandum relating to the Existing Senior Secured Notes, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the holders of Senior Secured Notes in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(11) 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 business and otherwise in compliance with the terms of the Senior Secured Notes Indenture that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or an Officer thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) the execution, delivery and performance of any Tax Sharing Agreement or any arrangements, payments or other transactions pursuant to which the Issuer and any other Person or a Restricted Subsidiary of the Issuer and any other Person with which the Issuer or any of its Restricted Subsidiaries files a consolidated or combined tax return or with which the Issuer or any of its Restricted Subsidiaries is part of a group for tax, accounting or cash pooling purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(13) any contribution to the capital of the Issuer in exchange for Capital Stock of the Issuer (other than Disqualified Stock and preferred stock) or any investments by the Sponsor in Equity Interests (other than Disqualified Stock) (and payment of reasonable out-of-pocket expenses incurred by the Sponsor in connection therewith);

(14) transactions between the Issuer or any of its Restricted Subsidiaries and any Person, a director of which is also a director of the Issuer or any direct or indirect parent of the Issuer; *provided*, *however*, that such director abstains from voting as a director of the Issuer or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(15) pledges of Equity Interests of Unrestricted Subsidiaries;

(16) payments to any Permitted Holder of reasonable out-of-pocket expenses incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its subsidiaries;

(17) investments by the Sponsor in securities of the Issuer or any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by the Sponsor in connection therewith);

(18) investments by Affiliates in Indebtedness or preferred Equity Interests of the Issuer or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such

Indebtedness or preferred Equity Interests, and transactions with Affiliates solely in their capacity as holders of Indebtedness or preferred Equity Interests of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally;

(19) any transaction effected as a part of a CICE Financing, Receivables Financing, CIR Financing and factoring or similar arrangements; and

(20) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an independent financial advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable that might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer may designate any Restricted Subsidiary (including any newly acquired or newly formed Restricted Subsidiary) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "*—Restricted Payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Senior Secured Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", the Issuer will be in default of such covenant. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Limitation on Issuances of Guarantees of Indebtedness

The Issuer will not cause or permit any of its Restricted Subsidiaries that is not a Guarantor, directly or indirectly, to guarantee any Public Debt of the Issuer or its Restricted Subsidiaries or any Credit Facilities (including the Revolving Credit Facility), unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the guarantee of the payment of the Senior Secured Notes by such Restricted Subsidiary, which guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness and on the same terms as the other Guarantees of the Senior Secured Notes by the Guarantors except that:

(1) if such Indebtedness is by its terms expressly subordinated to the Senior Secured Notes or any Senior Secured Note Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's Guarantee of the Senior Secured Notes at least to the same extent as such

Indebtedness is subordinated to the Senior Secured Notes or any such Senior Secured Note Guarantee; and

(2) no Senior Secured Note Guarantee shall be required if such Senior Secured Note Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary, including, for the avoidance of doubt, "whitewash" or similar procedures or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Senior Secured Note Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary.

The first paragraph of this covenant will not be applicable to any guarantees of any Restricted Subsidiary:

(a) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(b) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of Indebtedness of the Issuer or any Guarantor; or

(c) given to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Secured Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary.

Each such guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

The form of such guarantee shall be the same as the form of a Senior Secured Note Guarantee.

Each guarantee of the Senior Secured Notes shall be released in accordance with the provisions of the Senior Secured Notes Indenture and the Intercreditor Agreement described under "*—Senior Secured Note Guarantees*" and "*Description of Other Indebtedness—Intercreditor Agreement*".

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Secured Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Secured Notes Indenture or the Senior Secured Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Secured Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Secured Notes Indenture, to exclude holders of Senior Secured Notes in any jurisdiction where (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 United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (A) 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.

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 would have the result of materially impairing the security interests 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 interests with respect to the Collateral) for the benefit of the Trustee and the holders of the Senior Secured Notes, 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 Trustee and the holders of the Senior Secured Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement any interest whatsoever in any of the Collateral; *provided* that (a) the Collateral may be discharged and released in accordance with the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement; (b) the Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens; (c) the Issuer and its Restricted Subsidiaries may undertake a Permitted Reorganization; (d) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); and (e) the Issuer and its Restricted Subsidiaries may amend the Security Documents in any manner that does not adversely affect the holders of the Senior Secured Notes in any material respect; *provided, however*, that in the case if clause (a), (c) and (d) above, except with respect to any discharge or release in accordance with the Senior Secured Notes Indenture, any Security Document, the Intercreditor Agreement or any Additional Intercreditor Agreement, or any action not prohibited by the applicable Security Document, the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the assets), the Issuer delivers to the Trustee either (1) a solvency opinion from an investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee 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, replacement or release, (2) a certificate from the board of directors or an Officer of the relevant Person amending, extending, renewing, restating, supplementing, modifying, replacing or releasing and retaking such Security Document which confirms the solvency of such Person after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release and retaking and replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release, the Lien or Liens securing the Senior Secured 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, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

At the direction of the Issuer and without the consent of the holders of Senior Secured Notes, 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) (but subject to compliance with the immediately preceding paragraph) provide for Permitted Collateral Liens, (iii) add to the Collateral, (iv) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (v) evidence the succession of another Person to the Issuer or a Guarantor and the assumption by such successor of the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes, the applicable Senior Secured Note Guarantee and the Security Documents, in each case, in accordance with "*—Merger, Consolidation or Sale of Assets*," (vi) provide for the release of property and assets constituting Collateral from the Lien of the Security Documents or the release of the Senior Secured Note Guarantee of a Guarantor, in each case, if not prohibited by the terms of the Senior Secured Notes Indenture, (vii) conform the Security Documents to this "*Description of the Senior Secured Notes*," (viii) evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, (ix) (but subject to compliance with the immediately preceding paragraph) to provide for Additional Senior Secured Notes to also benefit from the Collateral or (x) (but subject to compliance with the immediately preceding paragraph) make any other change thereto that does not adversely affect the rights of the holders of the Senior Secured Notes in any material respect.

In the event that the Issuer complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from holders of the Senior Secured Notes.

Additional Intercreditor Agreements

At the request of the Issuer and without the consent of holders of the Senior Secured Notes, at the time of, or prior to, the incurrence by the Issuer or a Guarantor of Indebtedness permitted to share in the Collateral, the Issuer or the relevant Guarantor, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an additional intercreditor agreement (an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement or an amendment to the Intercreditor Agreement (which amendment does not adversely affect the rights of the holders of the Senior Secured Notes in any material respect, as determined in good faith by the Issuer), it being understood that, for the avoidance of doubt, an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the holders of the Senior Secured Notes and will be permitted by this covenant if, in each case, the incurrence of such Indebtedness (and any Lien in its favor) is permitted by the covenants described under the captions "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and "*—Liens*".

At the request of the Issuer, without the consent of holders of the Senior Secured Notes, and at the time of, or prior to, the incurrence by the Issuer or a Guarantor of Indebtedness permitted to be incurred pursuant to the preceding paragraph, the Issuer or the relevant Guarantor, the Security Agent and the Trustee shall enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure defects, resolve ambiguities or reflect changes, in each case, of a minor, technical or administrative nature, (2) increase the amount or types of Indebtedness covered by any Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Issuer or a Guarantor that is subject to any Intercreditor Agreement or Additional Intercreditor Agreement (*provided* that such amendment is consistent with the preceding paragraph), (3) add new Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes, (5) make provision for the security securing Additional Senior Secured Notes to rank *pari passu* with the Collateral, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such Intercreditor Agreement or an Additional Intercreditor Agreement that does not adversely affect the rights of holders of the Senior Secured Notes in any material respect.

The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted by "Amendment, Supplement and Waiver" or as described in the preceding paragraph and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Senior Secured Notes Indenture, the Intercreditor Agreement or such Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement or, to the extent applicable, an Additional Intercreditor Agreement, the Trustee shall be deemed to have consented on behalf of the holders of the Senior Secured Notes to any payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided* that such transaction would comply with the covenant described under "*—Restricted Payments*."

Each holder of the Senior Secured Notes shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have consented to and directed the Trustee and the Security Agent to enter into any Additional Intercreditor Agreement or any amendment of the Intercreditor Agreement or any Additional Intercreditor Agreement which complies with the foregoing provision and the conditions contained therein.

Suspension of Covenants When Senior Secured Notes Rated Investment Grade

If on any date following the Issue Date:

(1) the Senior Secured Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (such period, the "*Suspension Period*"), the covenants specifically listed under the following captions in this offering memorandum will no longer be applicable to the Senior Secured Notes and any related default provisions of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries:

(1) "*—Repurchase at the Option of Holders—Asset Sales*";

(2) "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(3) "*—Restricted Payments*";

(4) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(5) clause (4) of the first paragraph of the covenant described under "*—Merger, Consolidation or Sale of Assets*";

(6) "*—Transactions with Affiliates*";

(7) "*—Designation of Restricted and Unrestricted Subsidiaries*"; and

(8) "*—Limitations on Issuances of Guarantees of Indebtedness*".

Such covenants will not, however, be of any effect with regard to the actions of Issuer and its Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "*—Restricted Payments*" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", (3) any transactions prohibited by the covenant described under "*—Transactions with Affiliates*" entered into after such reinstatement pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (10) of the second paragraph of the covenant described under "*—Transactions with Affiliates*," and (4) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (3) of the second paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*". Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero. The Issuer shall notify the Trustee upon the occurrence of a Suspension Period; *provided* that such notice shall not be a condition of the suspension of covenants described under this caption having effect and the failure to deliver such notice shall not be a Default or Event of Default under the Senior Secured Notes Indenture. There can be no assurance that the Senior Secured Notes will ever achieve or maintain an Investment Grade Status.

Reports

So long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee:

(1) within 150 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2015 and within 120 days after the end of each of the Issuer's fiscal years beginning with the fiscal year ending December 31, 2016, annual reports containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the most recent fiscal year (and comparative information for the end of the prior fiscal year) and audited

consolidated income statement and statement of cash flow of the Issuer for the most recent fiscal year (and comparative information for the prior fiscal year), including 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 or dispositions (including, without limitation, any acquisitions or disposition that, individually or in the aggregate when considered with all other acquisition or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below; (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, if any), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the industry, business, management and shareholders of the Issuer, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (e) material risk factors and material recent developments; *provided further*, that, if and for so long as the Issuer's shares or the shares of any Parent Entity would be listed on the Euronext Paris Stock Exchange or any stock exchange established in a Member State of the European Union, any item of disclosure that complies in all material respects with the requirements applicable to such item in connection with an annual report (*rapport financier annuel* or *document de référence*) filed with the French *Autorité des Marchés Financiers* (AMF) or the relevant authority of any Member State of the European Union will be deemed to satisfy the Issuer's obligations under this clause (1) with respect to such item;

(2) within 90 days following the end of the fiscal quarter ending June 30, 2015 and within 60 days after the end of each of the Issuer's fiscal quarters beginning with the fiscal quarter September 30, 2015, 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, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisition or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recent completed fiscal quarter as to which such quarterly report relates, represents greater than 20% of the consolidated revenues, EBITDA or assets of the Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (1) or (2) of this covenant; (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment, if any), 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; (d) material recent developments in the business of the Issuer and its Subsidiaries; and (e) any material changes to the risk factors disclosed in the most recent annual report with respect to the Issuer; *provided further*, that, if and for so long as the Issuer's shares or the shares of any Parent Entity would be listed on the Euronext Paris Stock Exchange or any stock exchange established in a Member State of the European Union, any item of disclosure that complies in all material respects with the requirements applicable to such item in connection with a semi-annual report (*rapport financier semestriel*) filed with the French *Autorité des Marchés Financiers* (AMF) or the relevant authority of any Member State of the European Union will be deemed to satisfy the Issuer's obligations under this clause (2) with respect to such item; and

(3) promptly after the occurrence of (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (1) or (2) above); (b) any senior management change at the Issuer; (c) any change in the auditors of the Issuer; (d) any resignation of a member of the Board of Directors of the Issuer as a result of a disagreement with the Issuer; (e) the entering into an agreement that

will result in a Change of Control; or (f) any material events that the Issuer announces publicly, in each case, a report containing a description of such events; *provided further*, that, if and for so long as the Issuer's shares or the shares of any Parent Entity would be listed on the Euronext Paris Stock Exchange or any stock exchange established in a Member State of the European Union, any item of disclosure that complies in all material respects with the requirements applicable to such item in connection with ongoing disclosures (*information permanente*) filed with the French *Autorité des Marchés Financiers* (AMF) or the relevant authority of any Member State of the European Union will be deemed to satisfy the Issuer's obligations under this clause (3) with respect to such item,

provided, *however*, that the reports set forth in clauses (1) and (2) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors and non-guarantor Subsidiaries of the Issuer.

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. For purposes of this covenant, the Issuer may use financial statements of the Issuer or the Target with respect to periods commencing prior to the Completion Date.

All financial statements shall be prepared in accordance with IFRS. In addition, all financial statement information and other reports required under this covenant will be presented in the English language.

In addition, for so long as any Senior Secured Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer has agreed that it will furnish to the holders of the Senior Secured Notes 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.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant (i) on the Issuer's website and (ii) if and so long as the Senior Secured Notes are listed on the Global Exchange Market and the rules of the Irish Stock Exchange so require, at the specified office of the Listing Agent in Dublin.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Senior Secured Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Senior Secured Notes;

(3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption "*—Certain Covenants—Consolidation, Merger or Sale of Assets*";

(4) failure by the Issuer or relevant Guarantor for 60 days after written notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Senior Secured Notes then outstanding voting as a single class to comply with any of the agreements in the Senior Secured Notes Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

   (a) is caused by a failure to pay principal of such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express 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 €30.0 million or more;

(6) failure by the Issuer or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €30.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) (i) any security interest created by the Security Documents with respect to Collateral having in the aggregate a Fair Market Value in excess of €5.0 million ceases to be in full force and effect (except as permitted by the terms of the Senior Secured Notes Indenture or the Security Documents), or an assertion by UK Holdco II, the Issuer or any of its Restricted Subsidiaries that any Collateral is not subject to a valid, perfected security interest (except as permitted by the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement or the Security Documents); or (ii) the repudiation by UK Holdco II, the Issuer or any of its Restricted Subsidiaries of any of its material obligations under the Security Documents;

(8) except as permitted by the Senior Secured Notes Indenture or the Intercreditor Agreement, if any Senior Secured Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect and such Default continues for 30 days, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Senior Secured Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Senior Secured Notes Indenture with respect to UK Holdco II, the Issuer or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its 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.

In the case of an Event of Default specified in clause (9), all outstanding Senior Secured Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes, the Trustee shall, declare all the Senior Secured Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Senior Secured Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Senior Secured Notes Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any holders of Senior Secured Notes unless such holders have offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Senior Secured Note may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Senior Secured Notes outstanding may, on behalf of the holders of all outstanding Senior Secured Notes, waive any past Default under the Senior Secured Notes Indenture and its consequences, except a continuing Default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Senior Secured Note held by a non-consenting holder (which may only be waived with the consent of holders of the Senior Secured Notes holding 90% of the aggregate principal amount of the Senior Secured Notes outstanding under the Senior Secured Notes Indenture).

Holders of Senior Secured Notes may not enforce the Security Documents, except as provided in the Intercreditor Agreement. The Senior Secured Notes Indenture will provide that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Trustee determines is materially prejudicial to the rights of any other holder of Senior Secured Notes or that would involve the Trustee in personal liability.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Senior Secured Notes Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Secured Note Guarantees, the Security Documents, the Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Senior Secured Notes by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Senior Secured Notes and all obligations of the Guarantors discharged with respect to their Senior Secured Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Senior Secured Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Senior Secured Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Senior Secured Notes concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Senior Secured Notes Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Senior Secured Notes Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Senior Secured Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default and Remedies*" (except those relating to payments on the Senior Secured Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Senior Secured Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Senior Secured Notes, cash in euros, non-callable European Government Obligations or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, in the opinion of an investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Senior Secured Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Senior Secured Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the Issue Date, there has been a change in the applicable U.S. Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Senior Secured Notes will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the holders of the outstanding Senior Secured Notes will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Senior Secured Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided otherwise in the succeeding paragraphs, the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Note Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), and any existing Default or Event of Default or compliance with any provision of the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Note Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes). If any amendment, supplement or waiver will only affect the Senior Secured Fixed Rate Notes or the Senior Secured Floating Rate Notes, only the holders of a majority in aggregate principal amount of the then outstanding Senior Secured Fixed Rate Notes or Senior Secured Floating Rate Notes (and not the consent of the holders of the majority of all Senior Secured Notes), as the case may be, shall be required.

Unless consented to by the holders of at least 90% (or, in the case of clauses (8) and (9) of this paragraph, 75%) of the aggregate principal amount of the then outstanding Senior Secured Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) (provided, however that if any amendment, supplement, waiver or other modification or consent will only affect the Senior Secured Fixed Rate Notes or the Senior Secured Floating Rate Notes, only the consent of the holders of at least 90% (or, in the case of clauses (8) and (9) of this paragraph, 75%) of the aggregate principal amount of the then outstanding Senior Secured Fixed Rate Notes or Senior Secured Floating Rate Notes will be required), without the consent of each holder of Senior Secured Notes affected, an amendment, supplement or waiver may not (with respect to any Senior Secured Notes held by a non-consenting holder):

(1) reduce the principal amount of Senior Secured Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Senior Secured Note or alter the provisions with respect to the redemption of the Senior Secured Notes (other than provisions relating to the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Secured Note;

(4) impair the right of any holder of Senior Secured Notes to receive payment of principal of and interest on such holder's Senior Secured Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Senior Secured Notes or any Senior Secured Note Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Senior Secured Notes (except a rescission of acceleration of the Senior Secured Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Senior Secured Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Senior Secured Note payable in money other than that stated in the Senior Secured Notes;

(7) make any change in the provisions of the Senior Secured Notes Indenture relating to waivers of past Defaults or the rights of holders of Senior Secured Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Senior Secured Notes; or

(8) release any Guarantor from any of its obligations under its Senior Secured Note Guarantee or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture or the Intercreditor Agreement;

(9) release any Collateral granted for the benefit of the holders of the Senior Secured Notes, except in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement or the Security Documents; or

(10) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Senior Secured Notes, the Issuer, the Guarantors, the Restricted Subsidiaries, the Trustee and the Security Agent may amend or supplement the Senior Secured Notes Indenture, the Senior Secured Notes, any Senior Secured Note Guarantee, any of the Security Documents or the Intercreditor Agreement:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Senior Secured Notes in addition to or in place of certificated Senior Secured Notes (*provided* that the uncertificated Senior Secured Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code);

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Senior Secured Notes and Senior Secured Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Senior Secured Notes or that does not adversely affect the legal rights under the Senior Secured Notes Indenture of any such holder in any material respect;

(5) to conform the text of the Senior Secured Notes Indenture, the Senior Secured Note Guarantees, the Security Documents or the Senior Secured Notes to any provision of this Description of the

Senior Secured Notes to the extent that such provision in this Description of the Senior Secured Notes was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Senior Secured Note Guarantees, the Security Documents or the Senior Secured Notes;

(6) to enter into additional or supplemental Security Documents;

(7) to release any Senior Secured Note Guarantee in accordance with the terms of the Senior Secured Notes Indenture;

(8) to release the Collateral in accordance with the terms of the Senior Secured Notes Indenture and the Security Documents;

(9) to provide for the issuance of additional Senior Secured Notes in accordance with the limitations set forth in the Senior Secured Notes Indenture as of the Issue Date;

(10) to allow any Guarantor to execute a supplemental indenture or a Senior Secured Note Guarantee with respect to the Senior Secured Notes;

(11) to evidence and provide the acceptance of the appointment of a successor Trustee under the Senior Secured Notes Indenture; or

(12) as provided under "*—Certain Covenants—Impairment of Security Interest*" or "*—Certain Covenants—Additional Intercreditor Agreement*."

The consent of the holders of Senior Secured Notes is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officer's Certificate.

Satisfaction and Discharge

The Senior Secured Notes Indenture will be discharged and will cease to be of further effect as to all Senior Secured Notes issued thereunder, when:

(1) either:

(a) all Senior Secured Notes that have been authenticated, except lost, stolen or destroyed Senior Secured Notes that have been replaced or paid and Senior Secured Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Paying Agent for cancellation; or

(b) all Senior Secured Notes that have not been delivered to the Paying Agent for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Paying Agent or the Trustee (or such entity as the Trustee designates for this purpose) as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable European Government Obligations or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Senior Secured Notes not delivered to the Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Senior Secured Notes Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Paying Agent or the Trustee under the Senior Secured Notes Indenture, as applicable, to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Judgment Currency

Any payment on account of an amount that is payable in euros which is made to or for the account of any holder or the Trustee 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 any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Senior Secured Notes Indenture and the Senior Secured Notes or Senior Secured Note Guarantee, as the case may be, only to the extent of the amount of euros with such holder or the Trustee, 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 euros that could be so purchased is less than the amount of euros originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, 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 Senior Secured Notes Indenture or the Senior Secured Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee 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.

Concerning the Trustee and the Security Agent

U.S. Bank Trustees Limited will be the Trustee under the Senior Secured Notes Indenture, and will be the Security Agent under the Senior Secured Notes Indenture and the Security Documents.

The Issuer shall deliver written notice to the Trustee within 30 Business Days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest in its capacity as Trustee (of which it has actual knowledge), it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Senior Secured Notes Indenture provides that in case an Event of Default occurs and is continuing, of which the Trustee has written notice, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Senior Secured Notes Indenture at the request of any holder of Senior Secured Notes, unless such holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties. The Senior Secured Notes Indenture will provide for the indemnification of the Security Agent and its relief from responsibility in connection with its actions in relation to the Collateral. The Security Agent will be under no obligation to exercise any of its rights or powers under the Senior Secured Notes Indenture at the request of any Holder of Senior Secured Notes, unless such holder has offered the Security Agent security and/or indemnity satisfactory to it against any loss, liability or expense.

Neither the Trustee nor the Security Agent will be responsible for any unsuitability, inadequacy or unfitness of any of the Collateral as security in relation to the Senior Secured Notes and shall not be obliged to make any investigation into, and shall be entitled to assume, the suitability, adequacy and fitness of the Collateral as security for the Senior Secured Notes. Neither the Trustee nor the Security Agent will be responsible for any loss, expense or liability which may be suffered as a result of the Collateral being uninsured or inadequately insured.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Senior Secured Notes on the Global Exchange Market of the Irish Stock Exchange for so long as such Senior Secured Notes are outstanding; provided that if the Issuer is unable to obtain admission to the listing of the Senior Secured Notes on the Global Exchange Market of the Irish Stock Exchange or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Senior Secured Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Additional Information

Anyone who receives this offering memorandum may, following the Temporary Senior Secured Notes Issue Date, obtain a copy of the Senior Secured Notes Indenture, the form of Senior Secured Note, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer at 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE.

So long as the Additional Senior Secured Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange shall so require, copies of the financial statements included in this offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Listing Agent in Dublin.

Consent to Jurisdiction and Service of Process

The Senior Secured Notes Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Substantially all of the assets of the Issuer and the Guarantors are outside the United States. As a result, any judgment obtained in the United States against the Issuer or any Guarantor may not be collectable within the United States.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Certain Definitions

Set forth below are certain defined terms used in the Senior Secured Notes Indenture. Reference is made to the Senior Secured Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquisition*" means the acquisition of the Target by BidCo pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the sale and purchase agreement dated May 27, 2015 by and among certain sellers identified therein and Ephios France, a *société par actions simplifiée* organized under the laws of France, a wholly-owned subsidiary of the Issuer, with respect to no less than 75% of the share capital of Labco S.A.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling", "controlled by" and "under common control with" have correlative meanings.

"*Agreed Security Principles*" means the Agreed Security Principles set out in the annex to the Senior Secured Notes Indenture, as applied reasonably and in good faith by the Issuer.

"*Applicable Premium*" means, (x) with respect to any Senior Secured Fixed Rate Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Senior Secured Fixed Rate Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Senior Secured Fixed Rate Note at July 1, 2018, (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*") plus (ii) all required interest payments due on the Senior Secured Fixed Rate Note through July 1, 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Senior Secured Fixed Rate Note, and

(y) with respect to any Senior Secured Floating Rate Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Senior Secured Floating Rate Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Senior Secured Floating Rate Note at July 1, 2016 (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*"), plus (ii) all required interest payments due on the Senior Secured Floating Rate Note through July 1, 2016 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Senior Secured Floating Rate Note.

For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Registrar or the Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Senior Secured Notes Indenture described above under the caption "*—Repurchase at the Option of Holders—Change of Control*" and/or the provisions described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" and not by the provisions described under the caption "*—Repurchase at the Option of Holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any of its Restricted Subsidiaries of Equity Interests in any of the Issuer's Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than the greater of €10.0 million and 1.0% of Total Assets;

(2) a transfer of assets, claims or Equity Interests between or among the Issuer and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory, trading stock, communications capacity and other assets (including any real or personal property) in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Issuer, no longer economically practicable to maintain or useful in the conduct of business of the Issuer and its Restricted Subsidiaries taken as a whole);

(5) licenses and sublicenses by the Issuer or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment or, solely for purposes of the second paragraph of the covenant described above under the caption "*Repurchase at the Option of Holders—Asset Sales*", dispositions, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets;

(13) any sale or other disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(14) any sale, transfer or other disposition of receivables in connection with any CICE Financing, Receivables Financing, CIR Financing and factoring or similar arrangements or otherwise in the ordinary course of business;

(15) any exchange of assets (including a combination of assets and Cash Equivalents) for assets related to a similar business of comparable or greater market value or usefulness to the business of the Issuer and its Restricted Subsidiaries as a whole, as determined in good faith by the Issuer;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition; and

(17) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*".

"*Asset Sale Offer*" has the meaning assigned to that term in the Senior Secured Notes Indenture governing the Senior Secured Notes.

"*Associate*" means (i) any Person engaged in a Permitted Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act; *provided* that any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any other person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock. The terms "*Beneficially Owns*" and "*Beneficially Owned*" have a corresponding meaning.

"*BidCo*" means Ephios France S.A.S.

"*Biologist Shareholders*" means holders of Capital Stock of the Issuer or any of its Restricted Subsidiaries that (i) devote their professional activity to the development of the business of the Issuer or any of its Restricted Subsidiaries and (ii) are subject to restrictions on their ability to carry out professional activities other than in respect of the business of the Issuer or any of its Restricted Subsidiaries, as determined by the Board of Directors of the Issuer in good faith.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to, with respect to the Senior Secured Fixed Rate Notes, July 1, 2018, and with respect to the Senior Secured Floating Rate Notes, July 1, 2016, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Senior Secured Fixed Rate Notes or the Senior Secured Floating Rate Notes, as applicable, and of a maturity most nearly equal to, with respect to the Senior Secured Fixed Rate Notes, July 1, 2018, and with respect to the Senior Secured Floating Rate Notes, July 1, 2016; provided, however, that, if the period from such redemption date to, with respect to the Senior Secured Fixed Rate Notes, July 1, 2018, and with respect to the Senior Secured Floating Rate Notes, July 1, 2016, is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date.

"*Business Day*" means a day (other than a Saturday, Sunday) on which banking institutions are open in London and Paris and which is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *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-2" or higher by Moody's or A or higher by S&P or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P on the date of the investment and, in each case, maturing within one year after the date of investment; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act) other than one or more Permitted Holders); or

(2) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" as defined above) other than one or more Permitted Holders, becomes 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,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Change of Control Offer*" has the meaning assigned to that term in the Senior Secured Notes Indenture governing the Senior Secured Notes.

"*CICE*" means the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) provided for in article 244 quater C of the French Tax Code (*Code général des impôts*).

"*CICE Financing*" means Indebtedness under an agreement pursuant to which current or future CICE payments or claims of the Issuer or any Restricted Subsidiary are assigned.

"*CIR*" means the research tax credit (*crédit d'impôt recherche*) provided for in article 244 quater B of the French Tax Code (*Code général des impôts*).

"*CIR Financing*" means Indebtedness under an agreement pursuant to which current or future CIR payments or claims of the Issuer or any Restricted Subsidiary are assigned.

"*Clearstream, Luxembourg*" means Clearstream Banking, *société anonyme*.

"*Collateral*" means the rights and assets securing the Senior Secured Notes and the Senior Secured Note Guarantees as described in the section entitled "*—Security*" and any rights or assets over which a Lien has been granted to secure the Obligations of the Issuer and the Guarantors under the Senior Secured Notes, the Senior Secured Note Guarantees and the Senior Secured Notes Indenture.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income, profits and pursuant to the *Cotisation sur la valeur ajoutée des enterprises*, in each case of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles (including goodwill) and other long-lived assets and the impact of purchase accounting on the Issuer and its Restricted Subsidiaries for such period) of the Issuer and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) (a) any income or charge attributable to a post-employment benefit scheme (including the current service costs) and any past service costs and curtailments and settlements attributable to the scheme and; *plus*

(5) (a) the amount of management, monitoring, consulting and advisory fees, termination payments and related expenses paid to the Sponsor (or any accruals relating to such fees and related expenses) during such period to the extent permitted by the covenant described under "*—Certain Covenants—Transactions With Affiliates*" and (b) the amount of expenses relating to payments made to option holders (or employees holding other rights tied to the equity value of the Issuer or any Parent Entity) of the Issuer or any Parent Entity in connection with, or as a result of, any distribution being made to shareholders of such Person or its direct or indirect Parent, which payments are being made to compensate such option holders as though they were shareholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Senior Secured Notes Indenture; *plus*

(6) any fees, expenses, charges (including non-cash charges) or other costs related to the Transactions, the issuance of any Capital Stock, any Investment, acquisition, disposition, recapitalization, listing or the incurrence or repayment of Indebtedness or Hedging Obligations permitted to be incurred under the Senior Secured Notes Indenture (including refinancing thereof) whether or not successful, including (i) such fees, expenses, charges or other costs related to any incurrence of Indebtedness and (ii) any amendment or other modification of any incurrence; *plus*

(7) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Receivables Financing, CIR Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; *plus*

(8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *plus*

(9) any losses due to outsourcing contracts under which the Issuer or its Restricted Subsidiaries provide services within the 24-month period following the signing of such outsourcing contracts (as calculated in good faith by a responsible financial or chief accounting officer of the Issuer); *provided that* such losses will be limited to 5% of Consolidated EBITDA; *plus*

(10) all adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" and "Estimated *Pro Forma* Adjusted EBITDA" as set forth in footnotes (2) and (3) of "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Data*" contained in the offering memorandum relating to the Existing Senior Secured Notes applied in good faith to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (16) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

For the purpose of clause (1) of the definition of "Permitted Debt", Consolidated EBITDA shall be measured on the basis of the most recent four full fiscal quarters for which internal financial statements are available immediately preceding any incurrence of Indebtedness pursuant to such clause and shall be adjusted as provided under the second paragraph of the definition of "Consolidated Senior Secured Leverage Ratio".

"*Consolidated Leverage*" means, as of any date of determination, the sum of the total amount of Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors)).

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (a)(i) the Consolidated Leverage of the Issuer and its Restricted Subsidiaries on a consolidated basis on such date, less (ii) cash and Cash Equivalents that are stated on the balance sheet of the Issuer and its Restricted Subsidiaries on such date on a consolidated basis, to (b) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Senior Secured Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (for the purpose of this definition, the "*Calculation Date*"), then the Consolidated Senior Secured Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for the purposes of calculating the Consolidated Leverage Ratio, see the definition of "Consolidated Senior Secured Leverage Ratio".

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) any net after-tax extraordinary, non-recurring or exceptional gains or losses or income, expenses or charges (less all fees and expenses related thereto), including (a) any start-up costs associated

with the launch of new operations by the Issuer or any of its Restricted Subsidiaries, (b) any one-off charge in respect of the acquisition of, establishment of, or opening of, new laboratories, distribution centers, or depots, (c) any net loss realized upon the sale, abandonment or other disposition of any laboratory, (d) any losses due to a variation of the earnout or other deferred payment relating to an acquisition or disposition of any business, assets, Person or any Equity Interests of a Subsidiary resulting from a change in the fair value of such earnout or deferred payment, (e) any business optimization expenses and other restructuring or reorganization charges, expenses, accruals or reserves (which shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), (f) any costs associated with non-ordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing, (g) or any charges or reserves in respect of any severance expenses and expenses, charges, fees or other costs related to any Equity Offering and the transactions will be excluded;

(2) the net income or loss of any Person that is not a Restricted Subsidiary or that is accounted for under the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain Covenants—Restricted Payments*", any net income or loss of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable), by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes or the Senior Secured Notes Indenture, (c) restrictions not prohibited by the covenant described under "*—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" and (d) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders of the Senior Secured Notes than such restrictions in effect on the Issue Date), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(4) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations will be excluded;

(5) any net gain (or loss) realized upon the revaluation, sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;

(6) (i) any one time non-cash charges or (ii) any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition, or merger or consolidation with, of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;

(7) the cumulative effect of a change in accounting principles will be excluded;

(8) any Permitted Biologist Payments will be included;

(9) 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 will be excluded;

(10) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, grants and sales of stock, stock appreciation or similar rights, stock options or other equity interests or rights of officers, directors and employees of such Person or any of its Restricted Subsidiaries will be excluded;

(11) any goodwill or other intangible asset impairment charges and the amortization of intangibles arising from the application of IFRS (excluding any non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period except to the extent such item is subsequently reversed) will be excluded;

(12) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment, forgiveness or termination of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid) and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;

(13) any non-cash interest expense, including non-cash interest expense associated with Subordinated Shareholder Debt, and any non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the earlier of the maturity date of the Senior Secured Notes and the date on which all the Senior Secured Notes cease to be outstanding will be excluded;

(14) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary, any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies and any unrealized foreign currency transaction gains or losses deriving from the purchase of raw materials will be excluded;

(15) to the extent covered by insurance and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption and other liability and/or casualty insurance will be excluded; and

(16) any (a) relocation costs or expenses relating to officers and employees, (b) one-time non-cash compensation charges, (c) the costs and expenses related to employment of terminated officers or employees and (d) costs or expenses realized in connection with or resulting from stock appreciation or similar rights under management equity or stock options plans or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, stock options or other equity interests or rights of officers or directors, in each case of such Person or any of its Restricted Subsidiaries will be excluded.

"*Consolidated Senior Secured Leverage*" means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors)).

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (a)(i) the Consolidated Senior Secured Leverage of the Issuer and its Restricted Subsidiaries on a consolidated basis on such date, less (ii) cash and Cash Equivalents that are stated on the balance sheet of the Issuer and its Restricted Subsidiaries on such date on a consolidated basis, to (b) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Senior Secured Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (for the purpose of this definition, the "*Calculation Date*"), then the Consolidated Senior Secured Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, however, that the *pro forma* calculation shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*," or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*."

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on or substantially concurrently at the time of the Calculation Date or with all or a portion of the proceeds of any Indebtedness incurred on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(5) the difference between: (i) the total *pro forma* consolidated amount received or receivable pursuant to CICE for the four quarter period as determined on the basis of CICE applicable to all relevant entities of the Group as at the end of the period, and (ii) the total amount received or receivable pursuant to CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA.

For the purposes of this definition and the definitions of Consolidated Leverage Ratio, Consolidated EBITDA, Fixed Charges and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reductions and expense and cost synergies as though the full effect of such expense and cost reductions and expense and cost synergies were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Issuer) of cost savings programs, business optimization programs or other restructurings or reorganizations that have been initiated by a member of the Group as though programs, restructurings or reorganizations had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and expense and cost reduction and expense and cost synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and expense and cost synergies and cost savings are reasonably anticipated to be realized within 24 months after the consummation of the cost savings program, business optimization program, restructuring, reorganizations or any operational change or the purchase or sale which is expected to result in such anticipated expense and cost reductions and synergies and cost savings), and *further provided* that any synergies directly related to acquisitions completed in the 24-month period prior to the Calculation Date shall be subject to a 20% discount and

(b) in determining the amount of Indebtedness outstanding on any date of determination and Fixed Charges for the relevant period, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

For the avoidance of doubt, the Consolidated EBITDA and all outstanding Indebtedness of any company or business to be acquired pursuant to a signed purchase agreement (which may be subject to one or more conditions precedent) may be given *pro forma* effect for the purpose of calculating the Fixed Charge Cover Ratio and the Consolidated Senior Secured Leverage Ratio of the Issuer *provided* that (A) if the company or business to be acquired has a Fair Market Value in excess of €25.0 million, the proceeds of any Indebtedness incurred for the purpose of financing such acquisition or refinancing Indebtedness of any such company or business are deposited in an escrow account and are to be later released (x) to pay, in whole or in part, the purchase price of such acquisition, (y) to repay, redeem or refinance existing Indebtedness of such company or business and/or (z) to pay any related costs in connection with any such acquisition or refinancing; (B) the release of such escrowed proceeds shall be conditional upon such acquisition or refinancing to occur and (C) if such acquisition or refinancing does not occur, the Issuer or any of its Restricted Subsidiaries shall be required to make a mandatory redemption of the Indebtedness the proceeds of which were deposited in such escrow account.

"*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.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facilities*" means, one or more debt facilities, instruments or arrangements incurred by the Issuer or any Restricted Subsidiary or any Finance Subsidiary (including the Revolving Credit Facility and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), 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 trustees or other banks or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facilities*" 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, issuers 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 Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-cash Consideration*" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the sixth month anniversary of the date that the Senior Secured Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Secured Notes Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Equity Contribution*" means the equity contribution to be made by the Sponsor to the Issuer in connection with the Transactions as described in the offering memorandum relating to the Existing Senior Secured Notes.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Investors*" means the Sponsor and any funds, co-investment vehicles or partnerships owned, managed, sponsored or advised, directly or indirectly by the Sponsor or an Affiliate thereof, and solely in their capacity as such, any limited partner of any such partnership, co-investment vehicle or fund.

"*Equity Offering*" means any public or private sale of (i) Capital Stock (x) that is a sale of Capital Stock of the Issuer (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions, or (y) the proceeds of which are lent as Subordinated Shareholder Debt or contributed to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or Parent Senior Debt Contribution) of the Issuer or any of its Restricted Subsidiaries or (ii) Subordinated Shareholder Debt.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Excluded Contributions*" means the net cash proceeds or property received by the Issuer after the Issue Date from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) of the Issuer,

in each case designated as "*Excluded Contributions*" pursuant to an Officer's Certificate of the Issuer (which shall be designated no later than the date on which such Excluded Contribution has been received by the Issuer), the net cash proceeds of which or property are excluded from the calculation set forth in the clause (c)(ii) of the covenant described under "*—Certain Covenants—Restricted Payments*" hereof; *provided that* to the extent any Excluded Contributions so designated are not utilized to make a Restricted Payment, such Excluded Contribution may be reclassified so as to allow the incurrence of Indebtedness incurred under clause (16) of the second paragraph of the covenant described above under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

"*Euroclear*" means Euroclear Bank SA/NV.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Union, and for the payment of which such member state of the European Union pledges its full faith and credit.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Issuer.

"*Finance Subsidiary*" means a wholly owned subsidiary that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Issuer or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid, capitalized or accrued (but excluding such interest on and expense associated with Subordinated Shareholder Debt), including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*

(2) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries to the extent actually paid by such Person or one of its Subsidiaries which are Restricted Subsidiaries, including any Parent Senior Debt (which interest shall include, without double counting, all amounts paid pursuant to Clause 12(a) of the second paragraph of the covenant described under "*—Certain Covenants—Restricted Payments*"; *plus*

(3) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any Disqualified Stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current applicable tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer.

In addition, for the purposes of calculating Fixed Charges, see the definition of Consolidated Senior Secured Leverage Ratio.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowing) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Issuer's Chief Financial Officer or a responsible financial or accounting officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, however, that the *pro forma* calculation shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*," or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions of business entities or property and assets constituting a division or line of business of any Person, acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by the Issuer's Chief Financial Officer or Chief Accounting Officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries which are Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest and such Indebtedness is to be given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

For the avoidance of doubt, the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness Incurred on the dates of determination pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantors*" means the Completion Date Guarantors, the German Completion Date Guarantors, the Post-Completion Guarantors, the German Post-Completion Guarantors and any Person that subsequently becomes a Guarantor in accordance with the terms of the Senior Secured Notes Indenture; *provided* that upon the release or discharge of such Person from its Senior Secured Note Guarantee in accordance with the Senior Secured Notes Indenture, such Person ceases to be a Guarantor unless such Person is required to provide a guarantee under the covenant described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*".

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means International Financial Reporting Standards as endorsed by the European Union and in effect on the date of any calculation or determination required hereunder.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than twelve months after such property is acquired or such services are completed;

(6) representing any Hedging Obligations;

(7) representing the principal component of all obligations of a Parent Entity in connection with any Parent Senior Debt (without duplicating with any Indebtedness in respect of Guarantees of such Parent Senior Debt by the Issuer or any of its Restricted Subsidiaries),

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 IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person to the extent guaranteed by such Person; *provided*, *however*, that in the case of Indebtedness secured by a Lien, the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith) by the Issuer and (b) the amount of such Indebtedness of such other Person.

The term "Indebtedness" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease of property which would be considered an operating lease under IFRS and any guarantee given by the Issuer or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or a Restricted Subsidiary under any operating lease;

(3) Contingent Obligations incurred in the ordinary course of business;

(4) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 180 days thereafter;

(5) the avoidance of doubt, any contingent 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;

(6) deferred or prepaid revenues;

(7) obligations under or in respect of CICE Financing, Receivables Financings and CIR Financing and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due;

(8) prepayments of deposits received from clients or customers in the ordinary course of business;

(9) obligations under any license or permit or (or guarantees given in respect of such obligations) incurred prior to the Issue Date or in the ordinary course of business;

(10) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(11) Indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond;

(12) Indebtedness incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness;

(13) for the avoidance of doubt, any amounts payable to Oséo, Bpifrance Financement or other French governmental entities for CICE subsidies received; and

(14) any liability for Taxes.

"*Initial Public Offering*" means the first Public Offering of common stock or common equity interests of the Issuer or any Parent Entity (the "*IPO Entity*") following which there is a Public Market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on the Issue Date made between, among others, the Issuer, the Trustee, Natixis, as facility agent under the Revolving Credit Facility, the lenders under the Revolving Credit Facility, and U.S. Bank Trustees Limited, as Security Agent, as amended, restated or otherwise modified or varied from time to time and to which the Guarantors will accede at the same time as they accede to the Senior Secured Notes Indenture.

"*Investment Grade Status*" shall occur when the Senior Secured Notes are rated Baa3 or better by Moody's and BBB− or better by S&P (or, if either such entity ceases to rate the Senior Secured Notes, the equivalent investment grade credit rating from any other Rating Agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests 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 in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". Except as otherwise provided in the Senior Secured Notes Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*IPO Market Capitalization*" means an amount equal to (1) the total number of issued and outstanding shares of the common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (2) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means June 17, 2015.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*Management Advances*" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, managers, employees or consultants of the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €5.0 million in the aggregate outstanding at any time.

"*Management Group*" means the group consisting of (i) any shareholders of the Target who reinvested in the Issuer or any Parent Entity all or part of its investment in the Target and (ii) persons who are or become officers or management personnel of Target or any Parent Entity, as applicable, and its Subsidiaries following the Completion Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "Permitted Holders"), or (in each case) family members thereof, or trusts, partnerships or limited liability companies for the benefit of any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Equity Interests of UK TopCo.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Material Acquisition*" means any transaction or series of related transactions pursuant to which any Person becomes a Restricted Subsidiary of the Issuer or is otherwise acquired by the Issuer or any of its Restricted Subsidiaries or is merged into or consolidated with the Issuer or any of its Restricted Subsidiaries, in each case, which transaction or series of related transactions results in a Consolidated EBITDA for the Issuer or any successor entity (calculated after giving *pro forma* effect to such transaction or series of related transactions and using the consolidated financial statements of the Target or the consolidated financial statements of the Issuer which include the Target and its Restricted Subsidiaries (as available) for such calculation) equal to 150% or greater of the Issuer's Consolidated EBITDA (calculated using the consolidated financial statements of the Target or the consolidated financial statements of the Issuer which include the Target and its Restricted Subsidiaries (as available) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately prior to the date on which such transaction or series of related transactions is completed) immediately prior to giving *pro forma* effect to such transaction or series of related transactions, and which is financed in all or part by the incurrence of Parent Senior Debt.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Issuer or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Issuer nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, the Chief Executive Officer, Chief Financial Officer, President, any manager, director, Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary of such Person or any other person that the board of directors of such Person shall designate for such purpose.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or any of its Subsidiaries.

"*Parent Entity*" means any direct or indirect parent company or entity of the Issuer.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) incurred by any Parent Entity in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the U.S. Securities Act or the U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent Entity in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, of the Issuer and its Restricted Subsidiaries by any Parent Entity, (c) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent Entity or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Debt of the Issuer, in an amount not to exceed €1.0 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; provided, however, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such Taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and

(8) expenses incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent Senior Debt*" means any Indebtedness of any Parent Entity (i) the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries in the form of a Parent Senior Debt Contribution and (ii) the interests on which are being serviced by the Issuer or any of its Restricted Subsidiaries pursuant to clause (12)(a) of the caption "*—Certain Covenants—Restricted Payments*" above; *provided that* at the time of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), either the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of the covenant "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such incurrence, in each case, as if the Issuer had incurred such Indebtedness of the Parent Entity. For the purposes of the definitions of Consolidated Leverage Ratio, Consolidated EBITDA, Fixed Charges and Consolidated Net Income in determining the amount of Indebtedness outstanding on any date of determination and Fixed Charges for the relevant period, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Parent Senior Debt as if such transaction had occurred on the first day of the relevant period.

"*Parent Senior Debt Contribution*" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or as Subordinated Shareholder Debt or otherwise on lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (12)(a) of the caption "*—Certain Covenants—Restricted Payments*" above.

"*Permitted Biologist Payments*" means the amount of dividends paid in cash in respect of the relevant period to Biologist Shareholders.

"*Permitted Business*" means (i) any business, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries (including the Target and its Subsidiaries) on the Completion Date, and (ii) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof.

"*Permitted Collateral Liens*" means (x) Liens on the Collateral that are described in one or more of clauses (2), (3), (5), (6), (7), (8), (9), (14), (18) and (28) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the security interest in the Collateral; (y) Liens on the Collateral on a junior priority basis to secure Parent Senior Debt and any guarantees thereof and (z) Liens on Collateral to secure Indebtedness of the Issuer or a Restricted Subsidiary that is permitted to be incurred under the first paragraph and clauses (1), (3), (4), (5) (if the original Indebtedness was so secured), (8), (9) (to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (16), (17), (18) and (21) of the second paragraph of the covenant "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and any Permitted Refinancing Indebtedness in respect of such Indebtedness; *provided, however*, that, in each case, such Lien ranks equal or junior to Liens securing the Senior Secured Notes and the Senior Secured Note Guarantees (and junior to Liens securing the Senior Secured Notes and the Senior Secured Note Guarantees if the Lien secures Subordinated Indebtedness of the Issuer or the relevant Guarantor) (in each case including, for the avoidance of doubt, to distributions of proceeds from enforcement of the Collateral), except that (1) a Lien in favor of Indebtedness incurred under clause (1) of the second paragraph of "*—Certain Covenants—Incurrence of Indebtedness and*

Issuance of Preferred Stock" and Hedging Obligations (other than with respect to commodity prices) may have super priority status, (2) a Lien securing Indebtedness ("*Refinancing Indebtedness*") need not rank equally with Liens in favor of other Indebtedness if such Refinancing Indebtedness was incurred to refinance Indebtedness and such unequal ranking is due solely to operation of law arising as a consequence of such refinancing and (3) lenders under any Credit Facilities may provide for any ordering of payments under the various tranches of such Credit Facilities). Permitted Collateral Liens shall include any extension, renewal or replacement, in whole or in part, of any Lien described in the immediately preceding sentence; *provided* that any such extension, renewal or replacement will be no more restrictive in any material respect than the Lien so extended, renewed or replaced and will not extend in any material respect to any additional property or assets. For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"*Permitted Holders*" means each of (i) the Equity Investors and any Affiliate or Related Person of any of them, (ii) the Management Group, and (iii) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which the Persons described in clauses (i) and/or (ii) are members; *provided* that, without giving effect to the existence of such group or any other group, the Persons described in clauses (i) and/or (ii), collectively, beneficially own Voting Stock representing more than 50% of the total voting power of the Voting Stock of the Issuer or any of its Parent Entities held by such group. Any Person or group, together with its Affiliates, whose acquisition of Beneficial Ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates (other than any Affiliate that is an operating portfolio company of any Person that is a financial sponsor), constitute an additional Permitted Holder.

"*Permitted Investments*" means:

(1) any Investment in the Issuer or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the Option of Holders—Asset Sales*";

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(6) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any CICE Financing, Receivables Financings and CIR Financing, including any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person;

(7) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(8) Investments in the Senior Secured Notes (including any additional Senior Secured Notes) and any other Indebtedness of the Issuer or any Restricted Subsidiary;

(9) any guarantee of Indebtedness or performance and surety bonds not prohibited by the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and loans, guarantees, keepwells and similar arrangements in the ordinary course of business, including guarantees of the obligations of, and loans to, franchisees;

(10) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture;

(11) Investments 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 the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(12) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(13) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity;

(14) Management Advances;

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of €35.0 million and 3.0% of Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause;

(16) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries not to exceed at any one time in the aggregate outstanding, the greater of €30.0 million and 2.5% of Total Assets; *provided*, that if any Investment pursuant to this clause (16) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (16) for so long as such Person continues to be a Restricted Subsidiary; and

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), (a) minority Investments in any Person engaged in a Permitted Business and (b) Investments in joint ventures that conduct a Permitted Business; *provided that*, on the date of any such Restricted Investment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 4.25 to 1.0 on a *pro forma* basis after giving effect thereto.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"*Permitted Liens*" means:

(1) Liens in favor of the Issuer or any of the Restricted Subsidiaries;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into, consolidated with, amalgamated with or otherwise combined with (including pursuant to any acquisition of assets and assumptions of related liabilities) the Issuer or any Restricted Subsidiary or Liens securing Indebtedness in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided* that such Liens do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers' compensation obligations, leases, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(5) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, after giving *pro forma* effect to the use of the proceeds of the Senior Secured Notes and the Transactions as described in the offering memorandum relating to the Existing Senior Secured Notes or (b) with respect to the Target and its Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Completion Date;

(6) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with IFRS will have been made;

(7) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens created for the benefit of (or to secure) the Senior Secured Notes (or any Senior Secured Note Guarantee);

(10) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Senior Secured Notes Indenture (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (26) of this definition); *provided*, *however*, that:

   (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

   (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under other applicable jurisdictions) in connection with operating leases in the ordinary course of business;

(14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(20) Liens on Receivables Assets or related assets incurred in connection with any CICE Financing, Receivables Financings and CIR Financing;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(23) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(24) 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;

(25) Liens on property at the time the Issuer, the Target or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer, the Target or any Restricted Subsidiary; *provided* that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition and do not extend to any other property owned by the Issuer, the Target or any Restricted Subsidiary;

(26) Liens incurred with respect to Indebtedness that does not exceed the greater of €25.0 million and 2.0% of Total Assets at any one time outstanding;

(27) any interest or title of a lessor under any operating lease;

(28) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and

(29) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Issuer or any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by the Issuer or any Restricted Subsidiary.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Senior Secured Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Senior Secured Notes or any Senior Secured Note Guarantee, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Senior Secured Notes or such Senior Secured Note Guarantee, as the case may be, on terms at least as favorable to the holders of Senior Secured Notes or the Senior Secured Note Guarantee, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer, a Finance Subsidiary or by a Guarantor.

"*Permitted Reorganization*" means (a) any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization (including reorganization of the shareholding structure of the Restricted Subsidiaries), winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries (a "*Reorganization*") that is made on a solvent basis; *provided* that (1) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries and (2) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (b) any transaction contemplated by the Tax Structure Report, including any optional step.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pre-Expansion European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the U.S. Securities Act or (b) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the U.S. Securities and Exchange Commission ("*SEC*") for public resale.

"*Public Market*" means any time after:

(1) a Public Offering of the IPO Entity has been consummated; and

(2) at least 20% of the total issued and shares of common stock or common equity interests of the IPO Entity has been distributed to investors other than the Permitted Holders or their Related Parties or any other direct or indirect shareholders of the Issuer as of the Issue Date.

"*Public Offering*" means, with respect to any Person, a bona fide underwritten primary public offering of the shares of common stock or common equity interests of such Person, either:

(1) pursuant to a flotation on the main market of the London Stock Exchange or any other nationally recognized regulated stock exchange or listing authority in a member state of the Pre-Expansion European Union; or

(2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Senior Secured Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Assets*" means any assets (including receivables pursuant to CICE) that are or will be the subject of a Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any CICE Financing, Receivables Financing and CIR Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Restricted Subsidiary or a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person, or may grant a security interest in, Receivables Assets, any accounts receivable (and related assets) (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions or invoice discounting involving accounts receivable, asset securitizations and invoice discounting facilities, and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a CICE Financing, Receivables Financing and CIR Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a CICE Financing, Receivables Financing or CIR Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers Receivables Assets, accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary.

"*Related Party*" means:

(1) any controlling stockholder, partner or member, or any 50% (or more) owned Subsidiary, or immediate family member (in the case of an individual), of any Equity Investor; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Debt;

(c) being a Holding Company, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Isuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Restricted Payments*".

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the credit agreement for an amount of up to €140.0 million entered into on the Issue Date among, *inter alios*, the Issuer, certain lenders party thereto, and Natixis, as facility agent, as amended, restated or otherwise modified or varied from time to time and to which the Target and certain of its Subsidiaries will accede as "borrower" or "guarantor" on or after the Completion Date.

"*S&P*" means Standard & Poor's Ratings Group.

"*Security Documents*" means the security documents, pledge agreements and other instruments and documents executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Senior Secured Notes and the Trustee or notice of such pledge, assignment or grant is given.

"*Senior Secured Indebtedness*" means, as of any date of determination, any Indebtedness that is incurred under the first paragraph of the covenant described above under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or clauses (1), (2) (but only with respect to Indebtedness of the Issuer or any Restricted Subsidiary (including the Target and its Restricted Subsidiaries) incurred after the Issue Date), (3), (4), (8), (16), (17) or (21) of the second paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and any Refinancing Indebtedness in respect thereof, in each case secured on a *pari passu* or senior basis by a Lien on Collateral that also secures the Senior Secured Notes or the Senior Secured Note Guarantees.

"*Senior Secured Note Guarantee*" means a guarantee by each Guarantor of the Issuer's obligations under the Senior Secured Notes Indenture and the Senior Secured Notes, executed pursuant to the provisions of the Senior Secured Notes Indenture and subject to the provisions of the Intercreditor Agreement.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Issuer.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; provided that giving *pro forma* effect thereto, the Consolidated Leverage Ratio (calculated on a gross basis) of the Issuer and the Restricted Subsidiaries would have been less than (1) 5.5 to 1.0 for any Change of Control occurring on or prior to the 18 month anniversary of the Completion Date or (2) 5.0 to 1.0 for any Change of Control occurring thereafter.

"*Sponsor*" means one or more investment funds advised or managed by Cinven Capital Management (V) Limited Partnership Incorporated in its capacity as general partner of such investment funds, acting through its general partner Cinven Capital Management (V) General Partner Limited, in each case (whether individually or as a group), Affiliates of the foregoing (but excluding any operating portfolio companies of the foregoing).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which are reasonably customary in securitization of receivables transactions.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Senior Secured Notes and (b) with respect to a Guarantor, any Indebtedness of such Guarantor which is by its terms subordinated in right of payment to its Senior Secured Note Guarantee, *provided that* Subordinated Shareholder Debt is excluded from this definition.

"*Subordinated Shareholder Debt*" means, collectively, any debt provided to the Issuer by any direct or indirect parent of the Issuer or any Permitted Holder or Related Party, 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 Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (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 Stated Maturity of the Senior Secured Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders 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 Stated Maturity of the Senior Secured 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;

(5) is subordinated in right of payment to the prior payment in full in cash of the Senior Secured Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets or pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Secured Notes or compliance by the Issuer with its obligations under the Senior Secured Notes and the Senior Secured Notes Indenture;

(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 Senior Secured 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 Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer, 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, *société d'exercice libéral* 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 of directors, managers or trustees 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); *provided that* any corporation, association or other business entity shall also be considered a Subsidiary if either (a)(i) such corporation, association or other business entity is organized under the laws of the Republic of France and is subject to limitations on the amount of 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 of directors, managers or trustees of the corporation, association or other business entity that may be held by persons other than laboratory doctors and (ii) such Person owns an amount equal to at least the lesser of 45% and the maximum percentage that such Person is permitted to hold under applicable law 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 of directors, managers or trustees of such corporation, association or other business entity, or (b) such corporation, association or other business entity is consolidated in the financial statements of such Person according to the full consolidation method in accordance with applicable IFRS; and

(2) any partnership or limited liability company (other than entities covered by clause (1) of this definition) 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.

"*Target*" menas Labco S.A.

"*Tax*" means any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax) imposed by any government or other taxing authority.

"*Taxes*" and "*Taxation*" shall be construed to have corresponding meanings.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement (such as a French tax consolidation agreement (*convention d'intégration fiscale* relating to an *intégration fiscale* in accordance with article 223 A et seq. of the French *Code général des impôts*) with customary or arm's-length terms entered into with any Parent Entity or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Secured Notes Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and any Parent Entity in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent Entity to enable a Parent Entity to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a Parent Entity under any profit and loss pooling agreement).

"*Tax Structure Report*" means the tax structure memo dated June 9, 2015 and entitled "Project Zeus—Structure Report".

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer, and may give *pro forma* effect to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition of "Consolidated Senior Secured Leverage Ratio".

"*Transactions*" means the transactions contemplated by the Acquisition Agreement and as described in the offering memorandum relating to the Existing Senior Secured Notes under the heading "*Summary—The Transactions*," including the issuance of the Senior Secured Notes, entry into the Revolving Credit Facility and the payment of related fees and expenses.

"*UK TopCo*" means the entity defined as such elsewhere in this offering memorandum.

"*Unrestricted Subsidiary*" means any Subsidiary of the Issuer (other than the Issuer or any successor to the Issuer) that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that at the time of such designation such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "*—Certain Covenants—Transactions with Affiliates*", is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and

(3) is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

"*Working Capital Intercompany Loan*" means any loan to or by the Issuer or any of its Restricted Subsidiaries to or from the Issuer or any of its Restricted Subsidiaries from time to time (1) for purposes of consolidated cash and tax management and working capital management and (2) for a duration of less than one year; *provided* that if such Working Capital Intercompany Loan exceeds the greater of €5.0 million and 0.5% of Total Assets, it shall be expressed to be Subordinated Indebtedness.

DESCRIPTION OF THE SENIOR NOTES

Ephios Holdco II PLC (the "*Senior Notes Issuer*") will issue €375.0 million aggregate principal amount of 8.25% Senior Notes due 2023 (the "*Senior Notes*") under an indenture (the "*Senior Notes Indenture*") between, among others, the Senior Notes Issuer and U.S. Bank Trustees Limited, as the trustee (in such capacity, the "*Trustee*") and the security agent (in such capacity, the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"). Unless the context requires otherwise, references in this "*Description of the Senior Notes*" to the Senior Notes include the Senior Notes and any Additional Senior Notes that are issued. The terms of the Senior Notes include those set forth in the Senior Notes Indenture. The Senior Notes Indenture will not be qualified under, incorporate by reference, include or otherwise be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. The Security Documents referred to below under the caption "*—Security*" define the terms of the security that will secure the Senior Secured Notes.

The proceeds of the offering of the Existing Senior Secured Notes sold on the Original Senior Secured Notes Issue Date will be used by the Senior Secured Notes Issuer, together with the Equity Contribution, as set forth in the offering memorandum relating to the Existing Senior Secured Notes under the caption "*Use of Proceeds*." The proceeds of the offering of the Senior Notes sold on the Senior Notes Issue Date will be used by the Senior Notes Issuer as set forth in this offering memorandum under the caption "*Use of Proceeds*", including, together with the proceeds from the offering of additional Senior Secured Notes by the Senior Secured Notes Issuer and the German Equity Contribution, to finance the acquisition (the "*German Acquisition*") of synlab Holding GmbH (the "*German Target*") by Ephios Acquisition GmbH ("*German BidCo*") pursuant to German Acquisition Agreement.

Pending consummation of the Acquisition and the German Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers of the Senior Notes will, concurrently with the closing of the offering of the Senior Notes on the Senior Notes Issue Date, deposit the gross proceeds of this offering of the Senior Notes into an escrow account (the "*Senior Notes Escrow Account*") pursuant to the terms of an escrow deed (the "*Senior Notes Escrow Agreement*") dated as of the Senior Notes Issue Date among the Senior Notes Issuer, the Trustee and Elavon Financial Services Limited, UK Branch, as escrow agent (the "*Escrow Agent*"). If the Acquisition and the German Acquisition have not been completed on or prior to December 31, 2015 (the "*Senior Notes Escrow Longstop Date*") or the Senior Notes Issuer certifies to the Trustee and the Escrow Agent that the Acquisition or the German Acquisition will not take place or that the Acquisition Agreement or the German Acquisition Agreement has been terminated (the "*Senior Notes Special Mandatory Redemption Certificate*"), the Senior Notes Issuer will redeem the Senior Notes (a "*Senior Notes Special Mandatory Redemption*") at 100% of the issue price of the Senior Notes plus accrued and unpaid interest thereon through to but not including the redemption date (the "*Senior Notes Special Mandatory Redemption Price*"). See "*—Disbursement of Funds; Senior Notes Escrow Account; Senior Notes Special Mandatory Redemption*"." Following the German Completion Date (as defined below), the Senior Notes will be secured by the Senior Notes Collateral (as defined under "*—Security*"). See "*—Security*."

Prior to the Completion Date, we will not control the Target or any of its Subsidiaries and neither the Target nor any of its Subsidiaries will be subject to the covenants described in this "*Description of the Senior Notes*." Prior to the date of completion of the German Acquisition (the "*German Completion Date*"), we will not control the German Target or any of its Subsidiaries and neither the German Target nor any of its Subsidiaries will be subject to the covenants described in this "*Description of the Senior Notes*." As such, we cannot assure you that the Target and its Subsidiaries, prior to the Completion Date, and the German Target and its Subsidiaries, prior to the German Completion Date, will not engage in activities that would otherwise have been prohibited by the Senior Secured Notes Indenture or the Senior Notes Indenture had those covenants been applicable to such entities after the Original Senior Secured Notes Issue Date, with respect to the Target and its Subsidiaries, and after the Senior Notes Issue Date, with respect to the German Target and its Subsidiaries, and prior to any such entity becoming party to the Senior Secured Notes Indenture or the Senior Notes Indenture.

The following description is a summary of the material provisions of the Senior Notes Indenture, the Senior Notes and the Security Documents and refers to the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Notes Indenture, the Senior Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Senior Notes. Copies of the Senior Notes Indenture, the form of the Senior Note, the Security Documents and the Intercreditor Agreement are available as set forth below under "*—Additional Information*".

Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the Senior Notes Indenture. You can find the definitions of certain terms used in this description under the caption "*—Certain Definitions*". In this description, references to (i) the "*Senior Notes Issuer*" refer only to Ephios Holdco II PLC and not to any of its Subsidiaries and (ii) "*we*", "*our*", "*us*" and the "*Group*" refer to the Senior Notes Issuer and its Restricted Subsidiaries.

The registered holder of a Senior Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Senior Notes Indenture.

Brief Description of the Senior Notes and the Senior Note Guarantees

The Senior Notes

The Senior Notes:

- will be general obligations of the Senior Notes Issuer;
- will be *pari passu* in right of payment to any future Indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the Senior Notes;
- will be senior to any future Indebtedness of the Senior Notes Issuer that is subordinated in right of payment to the Senior Notes, including any Subordinated Shareholder Debt;
- will be guaranteed on a senior subordinated basis by the Guarantors;
- will mature on July 1, 2023;
- will be secured as set forth under "*—Security*"; and
- will be structurally subordinated to all obligations of the Senior Notes Issuer's subsidiaries that are not Guarantors.

The Senior Note Guarantees

The Senior Note Guarantee of each Guarantor:

- will be a general obligation of that Guarantor;
- will be subordinated in right of payment to any existing and future Senior Debt of that Guarantor, including that Guarantor's obligations under, and guarantee of, the Senior Secured Notes and Indebtedness incurred under the Revolving Credit Facility;
- will be *pari passu* in right of payment to all existing and future senior subordinated Indebtedness of that Guarantor that is not subordinated in right of payment to the Senior Note Guarantee of that Guarantor;
- will be senior in right of payment to all existing and future Indebtedness of that Guarantor that is subordinated in right of payment to the Senior Note Guarantee of that Guarantor; and
- will be secured by the Senior Notes Collateral owned by the relevant Guarantor as set forth under "*—Security*".

The obligations of the Guarantors will be contractually limited under the applicable Senior Note Guarantees to reflect limitations under applicable law. In particular, due to restrictions under French, Italian, Austrian and Belgian law, the Senior Note Guarantees of the Guarantors in France, Italy, Austria and Belgium will effectively have no monetary value as none of them will be onlent any of the proceeds of the offering of the Senior Notes. The Senior Note Guarantees will also be be subject to certain other limitations under applicable law, as described under "*Limitations on the Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations,*" "*Risk Factors—Risks Related to the Transactions—The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco.*" and "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—The insolvency laws of France, Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another* *jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*."

As of the Senior Notes Issue Date, all of the Senior Notes Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Senior Notes Indenture. However, under the circumstances described below under the caption "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Senior Notes Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries." Most of the restrictive covenants in the Senior Notes Indenture do not apply to Unrestricted Subsidiaries. The Senior Notes Issuer's Unrestricted Subsidiaries, if any, will not guarantee the Senior Notes.

Principal, Maturity and Interest

The Senior Notes Issuer will issue €375.0 million in aggregate principal amount of Senior Notes in this offering. The Senior Notes Issuer may issue an unlimited principal amount of additional Senior Notes ("*Additional Senior Notes*"), having identical terms and conditions as the Senior Notes under the Senior Notes Indenture from time to time after this offering. Any issuance of Additional Senior Notes is subject to all of the covenants in the Senior Notes Indenture, including the covenant described below under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

The Senior Notes and any Additional Senior Notes subsequently issued under the Senior Notes Indenture will be treated as a single class for all purposes under the Senior Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Senior Notes Indenture. The Senior Notes Issuer will issue Senior Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Senior Notes will mature on July 1, 2023.

Interest on the Senior Notes will accrue at the rate of 8.25% per annum. Interest on the Senior Notes will be payable semiannually in arrears on January 1 and July 1, commencing on January 1, 2016. The Senior Notes Issuer will make each interest payment to the holders of record on the December 15 and June 15 immediately preceding the related interest payment date.

Interest on the Senior Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360 day year and the actual number of days elapsed.

Paying Agent and Registrar for the Senior Notes

The Senior Notes Issuer will maintain one or more paying agents (each, a "*Paying Agent*") in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC, as amended or supplemented from time to time, including through European Union Council Directive 2014/48/EU, or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent will be Elavon Financial Services Limited, UK Branch.

The Senior Notes Issuer will also maintain one or more registrars (each, a "*Registrar*") and a transfer agent (the "*Transfer Agent*") in a member state of the European Union. The initial Registrar will be Elavon Financial Services Limited. The initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Senior Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Senior Definitive Registered Notes on behalf of the Senior Notes Issuer.

Subject to the above restrictions, the Senior Notes Issuer may change the Paying Agent, the Registrar or the Transfer Agent without prior notice to the holders of Senior Notes. For so long as the Senior Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Senior Notes Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Transfer and Exchange

Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global Senior Notes in registered form without interest coupons attached (the "*Senior Rule 144A Global Notes*"), and Senior Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more Senior Global Notes in registered form without interest coupons attached (the "*Senior Regulation S Global Notes*" and, together with the Senior Rule 144A Global Notes, the "*Senior Global Notes*").

Ownership of interests in the Senior Global Notes (the "*Senior Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Ownership of interests in the Senior Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Senior Book-Entry Interests between participants in Euroclear or Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Senior Book-Entry Interests in the Senior Rule 144A Global Note, or the "*Senior Rule 144A Book-Entry Interest*", may be transferred to a person who takes delivery in the form of Senior Book-Entry Interests in the Senior Regulation S Global Note, as applicable, or the "*Senior Regulation S Book-Entry Interests*", only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Subject to the foregoing, Senior Regulation S Book Entry Interests may be transferred to a person who takes delivery in the form of Senior Rule 144A Book Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Senior Global Note from which it was transferred and will become a Book-Entry Interest in the Senior Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Senior Book-Entry Interests in the Senior Global Note to which it was transferred.

If Senior Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Senior Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant that owns the relevant Book-Entry Interests. Senior Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Notes Indenture or as otherwise determined by the Senior Notes Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Senior Notes issued as Senior Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Senior Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, Luxembourg, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that, if the Senior Notes Issuer or any Guarantor is a party to the transfer or exchange, the holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Senior Notes Issuer is not required to register the transfer of any Senior Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Senior Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Senior Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

The Senior Notes Issuer, the Trustee and the Paying Agent will be entitled to treat the holder of a Senior Note as the owner of it for all purposes.

Additional Amounts

All payments made by or on behalf of the Senior Notes Issuer under or with respect to the Senior Notes or any of the Guarantors with respect to any Senior Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Senior Notes Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or otherwise considered to be resident for tax purposes, or any political subdivision thereof or therein having the power to tax or (2) any jurisdiction from or through which payment is made on any such Senior Note or Senior Note Guarantee by or on behalf of the Senior Notes Issuer or any Guarantor (including the jurisdiction of any Paying Agent), or any political subdivision thereof or therein having the power to tax (each, a "*Tax Jurisdiction*") will at any time be required by law to be made from any payments made by or on behalf of the Senior Notes Issuer under or with respect to the Senior Notes or any of the Guarantors with respect to any Senior Note Guarantee, including payments of principal, redemption price, interest or premium, if any, the Senior Notes Issuer or the relevant Guarantor, as applicable, will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received by each holder in respect of such payments on any such Senior Note or Senior Note Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable for or on account of:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder or the beneficial owner of the Senior Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in or carrying on a trade or business therein or having or having had a permanent establishment therein), but excluding any connection arising solely from the holding of such Senior Note, the enforcement of rights under such Senior Note or under a Senior Note Guarantee or the receipt of any payments in respect of such Senior Note or a Senior Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Senior Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Senior Note been presented on the last day of such 30-day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes, or excised taxes imposed on the transfer of the Senior Notes;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Union Council Directive 2003/48/EC, as amended or supplemented from time to time, including through European Union Council Directive 2014/48/EU, 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;

(5) Taxes imposed on or with respect to a payment made to or for the benefit of a holder or beneficial owner of Senior Notes who would have been able to avoid such withholding or deduction by presenting the relevant Senior Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Senior Notes or any Senior Note Guarantee;

(7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Senior Notes, following the Senior Notes Issuer's written request addressed to the holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any such withholding or deduction would be made), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation);

(8) any Taxes imposed on or with respect to any payment by the Senior Notes Issuer or Guarantor to the holder if such holder is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Senior Note;

(9) where such withholding or deduction is required pursuant to an agreement entered into pursuant to section 1471(b) of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder (including any intergovernmental agreements), official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(10) any combination of items (1) through (9) above.

In addition to the foregoing, the Senior Notes Issuer and the Guarantors will also pay the holder or beneficial owner for any present or future stamp, issue, registration, transfer, court or documentary Taxes, or any other property or similar Taxes or similar charges or levies (including penalties, or interest related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, registration or enforcement of. or the receipt of payments with respect to, any of the Senior Notes, the Senior Notes Indenture, any Senior Note Guarantee or any other document referred to therein (other than a transfer of the Senior Notes after the consummation of this offering) and limited, solely to the extent that such taxes, similar charges or levies arise from the receipt of any payments of principal or interest on the Senior Notes, to any such taxes, similar charges or levies that are not excluded under clauses (1) through (5) and (7) through (9)).

If the Senior Notes Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Senior Notes or any Senior Note Guarantee, each of the Senior Notes Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Senior Notes Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate, without further inquiry, as conclusive proof that such payments are necessary.

The Senior Notes Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will timely remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. If reasonably requested by the Trustee, the Senior Notes Issuer or the Guarantors will provide to the Trustee such information as may be in the possession of the Senior Notes Issuer or the Guarantors (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of withholding taxes attributable to any particular holder, *provided*, *however*, that in no event shall the Senior Notes Issuer or the Guarantors be required to disclose any information that they reasonably deem to be confidential.

Whenever in the Senior Notes Indenture or in this "*Description of the Senior Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount, interest or of any other amount payable under, or with respect to, any of the Senior Notes or any Senior 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.

The above obligations will survive any termination, defeasance or discharge of the Senior Notes Indenture, any transfer by a holder or beneficial owner of its Senior Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Senior Notes Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Senior Notes (or any Senior Note Guarantee) and any department or political subdivision thereof or therein having power to Tax.

Disbursement of Funds; Senior Notes Escrow Account; Senior Notes Special Mandatory Redemption

The gross proceeds from the sale of Senior Notes in the offering (the "*Senior Notes Escrowed Funds*") will be deposited into the Senior Notes Escrow Account. Pursuant to a charge over the Senior Notes Escrow Account dated as of the Senior Notes Issue Date (the "*Senior Notes Escrow Charge*"), the Senior Notes Issuer will grant a first priority security interest in the Senior Notes Escrowed Funds to the Trustee for the benefit of the holders of the Senior Notes. Elavon Financial Services Limited, UK Branch will act as escrow agent (the "*Escrow Agent*") pursuant to the Senior Notes Escrow Agreement dated as of the Senior Notes Issue Date among, *inter alios*, the Senior Notes Issuer, the Escrow Agent, and the Trustee on behalf of the holders of the Senior Notes. Receipt by the Trustee of either a Senior Notes Offer Conditions Certificate (as defined below) for the release of the Senior Notes Escrowed Funds or a notice of Senior Notes Special Mandatory Redemption shall constitute deemed consent by the Trustee for the release of the Senior Notes Escrowed Funds from the Senior Notes Escrow Charge.

The Senior Notes Escrow Agreement will provide that the Senior Notes Escrowed Funds will be released for purposes of closing the German Acquisition on the date (the "*Senior Notes Escrow Release Date*") that the Senior Notes Issuer certifies to the Escrow Agent, prior to the Senior Notes Escrow Longstop Date, in accordance with the terms of the Senior Notes Escrow Agreement (the "*Senior Notes Offer Conditions Certificate*") that:

(i) the Equity Contribution has been made, and the Acquisition has been completed in accordance with the terms of the Acquisition Agreement prior to the open of business on the next Business Day following the date that the gross proceeds from the sale of the Existing Senior Secured Notes (the "*Escrowed Funds*") were released from escrow pursuant to the terms of the escrow deed (the "*Escrow Agreement*"), dated as of June 17, 2015 among the Senior Secured Notes Issuer, the Trustee and the Escrow Agent, without giving effect to any modifications, amendments, consents or express waivers thereto that were materially adverse to the noteholders and on substantially the same terms as described in the offering memorandum relating to the offering of the Existing Senior Secured Notes under the heading "*Summary—The Transactions—The Acquisition*";

(ii) the Escrowed Funds were applied, directly or through intercompany transfers, for their permitted uses in accordance with the terms of the Escrow Agreement and, following such application, the Acquisition was completed;

(iii) immediately after consummation of the Acquisition, the Senior Secured Notes Issuer owned, directly or indirectly, 95% or more of the share capital of the Target (subject to notarization of the share transfer if required);

(iv) the German Equity Contribution has been made, and the German Acquisition shall be completed prior to the open of business on the next Business Day following the Senior Notes Escrow Release Date in accordance with the terms of the German Acquisition Agreement, without giving effect to any modifications, amendments, consents or express waivers thereto that are materially adverse to the noteholders and on substantially the same terms as described in this offering memorandum under the heading "*Summary—The Transactions—The Synlab Acquisition*";

(v) the Senior Notes Escrowed Funds will be applied, directly or through intercompany transfers, for their permitted uses in accordance with the terms of the Senior Notes Escrow Agreement and, following such application, the German Acquisition will be completed;

(vi) immediately after consummation of the German Acquisition, the Senior Notes Issuer will own, directly or indirectly, 90% or more of the share capital of the German Target (subject to notarization of the share transfer if required);

(vii) the security documents, legal opinions, certificates and other documents substantially in the form as those attached as appendices to (i) the Escrow Agreement (or in the form as agreed between the Senior Secured Notes Issuer and the initial purchasers of the Existing Senior Secured Notes following the date thereof) and (ii) the Senior Notes Escrow Agreement (or in the form as agreed between the Senior Notes Issuer and the initial purchasers of the Senior Notes following the date thereof) will be delivered in accordance with the terms of the Escrow Agreement and the Senior Notes Escrow Agreement, respectively;

(viii) as of the later of the Completion Date and the German Completion Date, there is no Default or Event of Default under clause (9) of the first paragraph under the heading titled "*Events of Default and Remedies*"; and

(ix) immediately after consummation of the German Acquisition, the Trustee, on behalf of the Holders of Senior Notes, will accede to the Intercreditor Agreement.

In the event that (a) the Completion Date or the German Completion Date does not take place on or prior to the Senior Notes Escrow Longstop Date or the Senior Notes Issuer certifies to the Trustee and the Escrow Agent that the Acquisition or the German Acquisition will not take place or that the Acquisition Agreement or the German Acquisition Agreement has been terminated (the "*Senior Notes Special Mandatory Redemption Certificate*"), (b) in the reasonable judgment of the Senior Notes Issuer, the Acquisition or the German Acquisition will not be consummated by the Senior Notes Escrow Longstop Date, (c) the Acquisition Agreement or the German Acquisition Agreement terminates at any time prior to the Senior Notes Escrow Longstop Date, (d) the Sponsor ceases to beneficially own and control a majority of the issued and outstanding Capital Stock of the Senior Notes Issuer or (e) a Default or Event of Default arises under clause (9) of the first paragraph under "*—Events of Default and Remedies*" on or prior to the Senior Notes Escrow Longstop Date, the Senior Notes Issuer will redeem the Senior Notes (a "*Senior Notes Special Mandatory Redemption*") at 100% of the issue price of the Senior Notes plus accrued and unpaid interest thereon through to but not including the redemption date (the "*Senior Notes Special Mandatory Redemption Price*"). The Senior Notes Issuer will instruct the Escrow Agent to release the Senior Notes Escrowed Funds to the Paying Agent for purpose of paying the Senior Notes Mandatory Redemption Price.

In the event that the Senior Notes Special Mandatory Redemption Price payable upon such Senior Notes Special Mandatory Redemption exceeds the amount of the Senior Notes Escrowed Funds, the Sponsor will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Senior Notes, pursuant to an equity contribution. See "*Risk Factors—Risks Related to the Transactions—If the conditions in the escrow agreements are not satisfied, the Issuers will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*".

For Senior Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, Luxembourg, notice of any Senior Notes Special Mandatory Redemption (any such notice a "*Senior Notes Special Redemption Notice*") will be given by delivery of the notice to Euroclear or Clearstream, Luxembourg for communication to entitled account holders on the first Business Day following the date the Senior Notes Issuer becomes required to effect a Senior Notes Special Mandatory Redemption. For Senior Definitive Registered Notes, the Senior Notes Special Redemption Notice will be mailed by first class mail to each holder of Senior Notes at its registered address on the first Business Day following the date the Senior Notes Issuer becomes required to effect a Senior Notes Special Mandatory Redemption. The Senior Notes Issuer will provide a copy of the Senior Notes Special Redemption Notice to the Trustee and the Escrow Agent. So long as any Senior Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Senior Notes shall also be published in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*). The redemption date will be up to five (5) Business Days after the delivery of the notice to Euroclear or Clearstream, Luxembourg or the mailing (as applicable) of the Senior Notes Special Redemption Notice.

The Senior Note Guarantees

The Senior Note Guarantees will be joint and several obligations of the Guarantors. The Senior Notes Issuer's obligations under the Senior Notes and the Senior Notes Indenture will be guaranteed on a senior subordinated basis on the German Completion Date by:

- BidCo;
- the Target;
- Labco Corporate Assistance, the Target's cash pooling entity;
- Labco Diagnostics España S.A., the Target's holding company in Iberia;
- Biopar, one of the Target's subsidiaries incorporated in France;
- the Senior Secured Notes Issuer; and
- if the German Completion Date occurs on or after the 90th day following the Completion Date, the Post-Completion Guarantors (together, the "*German Completion Date Guarantors*").

The Senior Notes Issuer's obligations under the Senior Notes, if the German Completion Date occurs on or has occurred prior to such date, will be guaranteed on the earlier of (i) the date on which any Post-Completion Guarantor accedes to the Revolving Credit Facility and (ii) the 90th day following the Completion Date by:

- Labco Italia S.r.l., Labco's holding company in Italy;
- the holding company that Labco intends to incorporate in England (such company to become a Guarantor on or prior to the later of (i) the 90th day following the Completion Date and (ii) the 30th day following its incorporation);
- the following eight subsidiaries of the Target incorporated in France: Bioalliance, Biofrance, Biopaj, Institut de Biologie Clinique, Laboratoire Bioliance, Novabio Diagnostics, Oxabio and Unibionor (which Labco intends to merge into or with Institut de Biologie Clinique) (such entities, the "*French Guarantors*");
- the following subsidiary of the Target incorporated in Belgium: Laboratoire d'Analyses Médicales Roman Païs SC SPRL;
- the following three subsidiaries of the Target incorporated in Italy: Istituto il Baluardo S.p.A, CAM Centro Analisi Monza S.p.A. and SDN S.p.A; and
- the following subsidiary of the Target incorporated in Spain: General Lab S.A. (together, the "*Post-Completion Guarantors*").

The Senior Notes Issuer's obligations under the Senior Notes and the Senior Notes Indenture will be guaranteed on the earlier of (i) the date on which any German Post-Completion Guarantor accedes to the Revolving Credit Facility and (ii) (x) if German Bidco has acquired 100% of the share capital of the German Target in the German Acquisition, the 90th day or (y) if German Bidco has acquired less than 100% of the share capital of German Target in the German Acquisition, the 270th day, in each case, following the German Completion Date by:

- synlab Holding GmbH, synlab Services GmbH, Synlab Verwaltungs u. Beteiligungs GmbH; Steinlach-Klinik GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medzinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medzinisches Versorgungszentrum Augsburg GmbH, Medizinisches Versorgungszentrum synlab Leverkusen GmbH, synlab.vet GmbH; synlab Umweltinstitut GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, Synlab Italia S.r.l., synlab Holding

Italy S.r.l., synlab Suisse SA, AMS analyses médicales services SA, synlab Holding Austria GmbH and Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H. (together, the "*German Post-Completion Guarantors*" and, together with the German Completion Date Guarantors and the Post-Completion Guarantors, the "*Guarantors*").

If one or more (but no more than three) of the French Guarantors are unable to accede to the Senior Notes Indenture as Guarantors on or prior to the 90th day following the Completion Date due to the refusal by the Board of Director of any such French Guarantor to approve its Senior Note Guarantee, or failure by such French Guarantor to execute all required documentation to this effect (any such French Guarantors being referred to as the "*Refusing French Guarantors*"), the Senior Notes Issuer will use its commercially reasonable efforts to replace such Refusing French Guarantors by one or more other Guarantors (incorporated in France or elsewhere) having, in the aggregate, an EBITDA contribution substantially similar to the Refusing French Guarantors.

The Senior Notes Guarantees are senior subordinated indebtedness of the Guarantors, which means that, pursuant to the terms of the Intercreditor Agreement and the Senior Notes Indenture, the Senior Note Guarantees rank behind, and are expressly subordinated to, all the existing and future Senior Debt of the Guarantors, including any obligations under the Revolving Credit Facility and the Senior Secured Notes and any other indebtedness ranking *pari passu* therewith. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the German Completion Date. In addition, the Senior Note Guarantees and the collateral securing the Senior Notes and Senior Note Guarantees are subject to release under certain circumstances, including, but not limited to, certain enforcement actions taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Debt of the Guarantors would recover disproportionately more than the holders of the Senior Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Notes after the repayment in full of all Senior Debt.

Assuming we had completed the offering of Existing Senior Secured Notes, the offering of additional Senior Secured Notes and this offering of Senior Notes and applied the net proceeds therefrom, as of March 31, 2015, the Senior Notes Issuer and the Guarantors would have had *pro forma* combined net financial debt, which represents the sum of current and non-current interest-bearing loans and borrowings less cash and cash equivalents, of approximately €1,896.2 million, €375.0 million of which would have been represented by the Senior Notes, and excluding a drawing of €51.6 million by BidCo under the Revolving Credit Facility to fund a portion of the Acquisition and pay certain expenses relating thereto. BidCo intends to repay that facility shortly after the Completion Date. Other than for such loan, which depending on timing of the German Completion Date may still be outstanding, the Revolving Credit Facility is expected to remain undrawn on or about the German Completion Date. We expect that on the Completion Date, the amount of cash at the Target Group and the amount of reserves at the Target Group which are capable of being distributed to BidCo, will be in excess of the amount of such loan.

Claims by the Trustee or the Security Agent against a Guarantor on behalf of the holders of the Senior Notes will be direct claims on that Guarantor. The obligations of the Guarantors will be contractually limited under the applicable Senior Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. By virtue of these limitations, a Guarantor's obligation under its Senior Note Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Senior Note Guarantee. In particular, the Senior Note Guarantee of each Guarantor may be limited in value to an amount no greater than the amount of the proceeds of the Senior Notes (i) directly or indirectly onlent to such Guarantor or its subsidiaries or (ii) used to refinance directly or indirectly any indebtedness previously incurred which was onlent to such Guarantor or its subsidiaries, in each case to the extent of the amount so onlent which is outstanding on the date a payment is to be made under the Senior Note Guarantee of the relevant Guarantor, and due to such restrictions under French, Italian, Austrian and Belgian law, the Senior Note Guarantees of the Guarantors in France, Italy, Austria and Belgium will effectively have no monetary value as none of them will be onlent any of the proceeds of the offering of the Senior Notes. The Senior Note Guarantees will also be be subject to certain other limitations under applicable law, as described under "*Limitations on the Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations,*" "*Risk Factors—Risks*

Related to the Transactions—The Additional Senior Secured Notes and the Senior Notes may not be secured by guarantees and Collateral of Synlab and its respective subsidiaries if minority shareholders fail to comply with their obligation to transfer their shares to German Bidco" and "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—The insolvency laws of France, Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability*."

The Senior Note Guarantee of each Guarantor incorporated under the laws of Italy shall be limited to comply with Italian law rules on corporate benefit, corporate authorization and financial assistance and in any event, pursuant to article 1938 of the Italian Civil Code, shall include a maximum guarantee amount.

The operations of the Senior Notes Issuer are conducted through its Subsidiaries and, therefore the Senior Notes Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Notes. Not all of the Senior Notes Issuer's Subsidiaries will guarantee the Senior Notes. The Senior 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 Senior Notes Issuer's non-guarantor Subsidiaries. Any right of the Senior Notes Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Senior Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Senior Notes Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Senior Notes Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Senior Notes Issuer or such Guarantor. See "*Risk Factors—Risks Related to the Senior Notes—The Senior Notes are effectively subordinated to our secured debt*". For a description of such contractual limitations, see "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*."

Release of the Senior Note Guarantees

The Senior Note Guarantees will be released:

(1) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Senior Notes Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Senior Notes Indenture;

(2) in connection with any sale, disposition, exchange or other transfer of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Senior Notes Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Senior Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Senior Notes Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(5) upon the sale of all the Capital Stock of, or all or substantially all of the assets of, such Guarantor or its Parent Entity pursuant to a security enforcement sale in compliance with the Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or the Senior Notes Indenture;

(6) upon the full and final payment and performance of all obligations of the Senior Notes Issuer under the Senior Notes Indenture and the Senior Notes;

(7) in the case of any Restricted Subsidiary that after the Senior Notes Issue Date is required to guarantee the Senior Notes pursuant to the covenant described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*", upon the release or discharge of the guarantee of Indebtedness by such Restricted Subsidiary which resulted in the obligation to guarantee such Senior Notes;

(8) with respect to a Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, upon any transaction permitted by "*—Certain covenants—Merger, Consolidation or Sale of Assets*"; or

(9) as described under "*—Amendment, Supplement and Waiver*".

No release and discharge of the Guarantee will be effective against the Trustee, the Security Agent or the holders of Senior Notes until the Senior Notes Issuer shall have delivered to the Trustee and the Security Agent an Officer's Certificate stating that all conditions precedent provided for in the Senior Notes Indenture relating to such release and discharge have been satisfied and that such release and discharge is authorised and permitted under the Senior Notes Indenture and the Trustee shall be entitled to rely on such Officer's Certificate absolutely and without further inquiry. At the request and expense of the Senior Notes Issuer, the Trustee, or the Security Agent, as applicable, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such guarantee. Neither the Senior Notes Issuer, the Trustee, the Security Agent nor any Guarantor will be required to make a notation on the Senior Notes to reflect any such release, termination or discharge.

Security

Pursuant to the Senior Notes Indenture and the Security Document to be entered into on the Senior Notes Issue Date, the Senior Notes will initially be secured by a first-priority lien on the Senior Notes Escrowed Funds deposited into the Senior Notes Escrow Account (the "*Senior Notes Issue Date Collateral*").

Pursuant to the Senior Notes Indenture and various Security Documents to be entered into on or about the German Completion Date, the Senior Notes and the Senior Note Guarantees will be secured on the German Completion Date by the following (the "*Senior Notes German Completion Date Collateral*" and collectively with the Senior Notes Issue Date Collateral, the "*Senior Notes Collateral*"):

- a first priority lien on the issued share capital of the Senior Notes Issuer and the receivables, if any, owed by the Senior Notes Issuer to Ephios Holdco Limited ("*UK Holdco*"), the direct parent company of the Senior Notes Issuer (the "*Senior Notes Issuer Share Pledge*");
- a first priority lien on the receivables, if any, owed by the Senior Notes Issuer to UK Holdco (the "*Senior Notes Receivables Assignment*" and together with the Senior Notes Issuer Share Pledge, the "*SUN Only Collateral*"); and
- a second priority lien on the issued share capital of the Senior Secured Notes Issuer and the receivables owed by the Senior Secured Notes Issuer to the Senior Notes Issuer, including the receivables arising under the Senior Notes Proceeds Loan (the "*Shared Collateral*").

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*", the Senior Notes Issuer is permitted to pledge the Senior Notes Collateral in connection with future issuances of its Indebtedness, including any Additional Senior Notes, or Indebtedness of its Restricted Subsidiaries, in each case permitted under the Senior Notes Indenture and on terms consistent with the relative priority of such Indebtedness.

No appraisals of any Senior Notes Collateral have been prepared by or on behalf of the Senior Notes Issuer, the Security Agent or the Trustee in connection with the issuance of the Senior Notes and the Senior Note Guarantees. By its nature, some or all of the Senior Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Senior Notes Collateral will be able to be sold in a short period of time or at all.

Security Documents

The Senior Notes Issuer, the Guarantors and the Security Agent will, as applicable, enter into the Security Documents, which define the terms of the security interests that secure the Senior Notes and the

Senior Note Guarantees. The Security Documents will secure the payment and performance when due of all of the obligations of the Senior Notes Issuer and the Guarantors under the Senior Notes, the Senior Notes Indenture and the Senior Note Guarantees and other obligations.

In certain jurisdictions, due to the laws and jurisprudence governing the creation and perfection of security interests, the relevant Security Documents will provide for the creation of "parallel debt" obligations in favor of the Security Agent, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Senior Notes, the Senior Note Guarantees and the other secured obligations). The parallel debt construct has not been tested under law in certain of these jurisdictions. See "*Risk Factors—Risks Relating to Our Capital Structure—Security over the Collateral will be granted to the Security Agent rather than directly to the holders of the Senior Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law*" and "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

Subject to the terms of the Intercreditor Agreement, the Senior Notes Indenture and the Security Documents, the Senior Notes Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Senior Notes Collateral securing the Senior Notes and the Senior Note Guarantees, to freely operate the Senior Notes Collateral and to collect, invest and dispose of any income therefrom.

The Security Documents will, as described under the caption "*Description of Other Indebtedness—Intercreditor Agreement*", permit the Trustee and the agent for the Revolving Credit Facility to instruct the Security Agent to take enforcement action under the Security Documents following the occurrence of an event of default under such Indebtedness, such Indebtedness being declared due and payable and the requisite approval or consent of the holders of such Indebtedness.

Intercreditor Agreement

On the Senior Notes Escrow Release Date, the Trustee, on behalf of the Holders of the Senior Notes, will accede to an Intercreditor Agreement that was entered into on the Original Senior Secured Notes Issue Date by, among others, the Senior Secured Notes Issuer, the Security Agent and the agent for the Revolving Credit Facility as described under "*Description of Other Indebtedness—Intercreditor Agreement*".

Priority

The relative priority among (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations (c) the Trustee and the holders of Senior Notes under the Senior Notes Indenture and (d) certain other senior and super senior secured creditors with respect to the security interests in the Senior Notes Collateral created by the Security Documents which secure the obligations under the Revolving Credit Facility, certain Hedging Obligations, the Senior Notes and certain other senior and super senior secured liabilities or the Senior Note Guarantees and the Senior Notes Indenture is established by the terms of the Intercreditor Agreement, the Senior Notes Indenture, the Security Documents, the Revolving Credit Facility, such Hedging Obligations and the documentation relating to such other senior and super senior secured liabilities, which provide that all obligations under the Senior Notes, the Revolving Credit Facility, certain Hedging Obligations and certain other senior and super senior secured liabilities are secured equally and ratably by a first-priority interest in the Senior Notes Collateral, but in the event of acceleration of the Revolving Credit Facility and the Senior Notes and certain other senior and super senior secured liabilities, amounts recovered in respect of the Senior Notes and certain other senior secured liabilities, including from the enforcement of the Senior Notes Collateral, are required to be turned over to the Security Agent and, subject to the payment of fees and expenses of the agent under the Revolving Credit Facility, the Trustee and Security Agent (and the agent of certain other senior and super senior secured liabilities), paid by the Security Agent to the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations and certain other super senior secured creditors in priority to the holders of the Senior Notes and certain other senior secured creditors.

Security Release

Certain of the Liens securing the Senior Notes and the Senior Note Guarantees, other than the Liens securing the SUN Only Collateral, will also secure, on a first-priority basis, the obligations of the Senior Notes Guarantors under the Revolving Credit Facility Agreement, the Senior Secured Notes and certain hedging obligations. The relative priority with regard to the security interests in the Senior Notes Collateral that are created by the Security Documents as between (a) the lenders under the Revolving

Credit Facility, (b) the trustee and the holders of the Senior Secured Notes, (c) the counterparties under certain Hedging Obligations, and (d) the Senior Notes Trustee, certain other creditor representatives, the Security Agent and the Holders of the Senior Notes, respectively, is established by the terms of the Intercreditor Agreement, which provides, among other things, that the obligations under the Revolving Credit Facility, the Senior Secured Notes, and certain Hedging Obligations are secured by first-priority security interests and that the Senior Notes will be secured by second-priority security interests over the Shared Collateral.

The Security Agent will only be permitted to enforce the Security Documents in accordance with instructions permitted to be given under the Intercreditor Agreement or any Additional Intercreditor Agreement. The Intercreditor Agreement restricts the ability of the Trustee or the holders of the Senior Notes or certain other creditors to instruct the Security Agent to take enforcement action. The Security Agent may refrain from enforcing the security unless instructed to do so by the representative in respect of the creditors under the Revolving Credit Facility, certain Hedging Obligations and certain other super senior liabilities or by the Trustee/representative in respect of the Senior Secured Notes and certain other senior secured liabilities, and the Trustee/representative in respect of the Senior Notes will ordinarily not constitute the instructing group for the purposes of giving enforcement instructions to the Security Agent. For a description of security enforcement and other intercreditor provisions, see "*Description of Other Indebtedness—Intercreditor Agreement*".

The Senior Notes Issuer and the Guarantors will be entitled to the release of property and other assets constituting Senior Notes Collateral from the Liens securing the Senior Notes and the Senior Note Guarantees under any one or more of the following circumstances:

(1) upon the full and final payment and performance of all obligations of the Senior Notes Issuer under the Senior Notes Indenture and the Senior Notes;

(2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(3) as described under "*—Amendment, Supplement and Waiver*" and "*Liens*";

(4) if the Lien granted in favor of the Revolving Credit Facility, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Senior Notes Collateral is released;

(5) as otherwise provided for under the Intercreditor Agreement, including in connection with an enforcement sale, or the Security Documents;

(6) in connection with any sale or other disposition of Senior Notes Collateral that does not violate the "Asset Sale" provisions of the Senior Notes Indenture;

(7) in the case of a Guarantor that is released from its Senior Note Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(8) if the Senior Notes Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property and assets of such Restricted Subsidiary;

(9) pursuant to certain Permitted Reorganizations subject to compliance with the conditions set forth in the Senior Notes Indenture;

(10) in accordance with the terms of the relevant Security Document; or

(11) in accordance with "*—Certain Covenants—Impairment of Security Interests*" or as otherwise not prohibited by the Senior Notes Indenture.

The Senior Notes Indenture will provide that any release of a Lien on Senior Notes Collateral shall be evidenced by the delivery by the Senior Notes Issuer to the Trustee of an Officer's Certificate of the Senior Notes Issuer, and that the Security Agent shall acknowledge and confirm such release upon delivery of such Officer's Certificate.

The Security Agent may need to evaluate the impact of the potential liabilities before determining to foreclose on certain Senior Notes Collateral. In this regard, the Security Agent may decline to foreclose on the Senior Notes Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction from the holders of the Senior Notes. In addition, the Security Agent's ability to foreclose on the Senior Notes Collateral on behalf of the holders of the Senior Notes may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Senior Notes Collateral.

The Senior Notes Indenture will provide that the Security Agent shall have no liability to any of the holders of the Senior Notes as a consequence of its performance or non-performance under the Security Documents, except for its gross negligence or wilful misconduct.

The Senior Notes Proceeds Loan

On the Senior Notes Escrow Release Date:

- the Senior Notes Issuer will lend, pursuant to an intercompany loan (the "*Senior Notes Proceeds Loan*"), the proceeds of the issuance of the Senior Notes in an amount of €375.0 million to the Senior Secured Notes Issuer for the purpose of financing the German Acquisition, repaying certain existing debt of the German Target and its subsidiaries and paying associated costs and expenses.

Optional Redemption

At any time prior to July 1, 2018, the Senior Notes Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Senior Notes issued under the Senior Notes Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 108.250% of the principal amount of the Senior Notes redeemed, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of redemption (subject to the rights of holders of Senior Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering of (i) the Senior Notes Issuer or (ii) any direct or indirect parent entity of the Senior Notes Issuer to the extent the proceeds from such Equity Offering are contributed (other than in the form of an Excluded Contribution) to the Senior Notes Issuer's common equity capital or are paid to the Senior Notes Issuer as consideration for the issuance of ordinary shares of the Senior Notes Issuer; *provided* that:

(1) at least 60% of the aggregate principal amount of the Senior Notes (calculated after giving effect to any issuance of Additional Senior Notes but excluding Senior Notes held by the Senior Notes Issuer and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

At any time prior to July 1, 2018, the Senior Notes Issuer may on any one or more occasions redeem all or a part of the Senior Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of redemption, subject to the rights of holders of the Senior Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding three paragraphs and except pursuant to "*—Redemption for Changes in Taxes*", the Senior Notes will not be redeemable at the Senior Notes Issuer's option prior to July 1, 2018.

On or after July 1, 2018, the Senior Notes Issuer may on any one or more occasions redeem all or a part of Senior Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Notes redeemed, to, but not including, the applicable date of redemption, if redeemed during the twelve-month period beginning on July 1 of the years indicated below, subject to the rights of holders of Senior Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption Price
2018	106.1875%
2019	104.1250%
2020	102.0625%
2021 and thereafter	100.0000%

Unless the Senior Notes Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Note is registered at the close of business on such record date, and no additional interest will be payable to holders of Senior Notes whose Senior Notes are subject to redemption by the Senior Notes Issuer.

Any redemption or notice may, in the Senior Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Senior Notes Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however, that*, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Notwithstanding the foregoing, in connection with any tender offer for the Senior Notes at a price of at least 100% of the principal amount of the Senior Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if holders of Senior Notes of not less than 90% in aggregate principal amount of the outstanding Senior Notes validly tender and do not withdraw such Senior Notes in such tender offer and the Senior Notes Issuer, or any third party making such a tender offer in lieu of the Senior Notes Issuer, purchase all of the Senior Notes validly tendered and not withdrawn by such holders, the Senior Notes Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase date, to redeem all Senior Notes that remain outstanding following such purchase at a price equal to the price offered to each other holder of Senior Notes in such tender offer plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the Redemption Date.

The Senior Notes Issuer or its affiliates may at any time and from time to time purchase Senior Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Senior Notes Issuer or any such affiliates may determine.

Redemption for Changes in Taxes

The Senior Notes Issuer may redeem the Senior Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Senior Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Senior Notes Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if on the next date on which any amount would be payable in respect of the Senior Notes or any Senior Note Guarantee, the Senior Notes Issuer under or with respect to the Senior Notes or any of the Guarantors under or with respect to any Senior Note Guarantee, as the case may be, is or would be required to pay Additional Amounts and the Senior Notes Issuer or the relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available (including, for the avoidance of doubt, the appointment of a new Paying Agent under the caption "*—Paying Agent and Registrar for the Senior Notes*" or, in respect of a payment under a Senior Note Guarantee, payment through another Guarantor or the Senior Notes Issuer), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment becomes effective on or after the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date) and which was not publicly and formally announced or publicly and formally proposed, in substantially the form as enacted, prior to the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date); or

(2) any amendment to, or change in, an official interpretation, application or administration of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change becomes effective on or after the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date) and which was not publicly and formally announced or publicly and formally proposed, in substantially the form as enacted, prior to the date of this offering memorandum (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of this offering memorandum, such later date) (each of the foregoing clauses (1) and (2), a "*Change in Tax Law*").

The Senior Notes Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Senior Notes Issuer or the relevant Guarantor would be obligated to make such payment of Additional Amounts. Prior to the publication or, where relevant, mailing of any notice of redemption of the Senior Notes pursuant to the foregoing, the Senior Notes Issuer will deliver to the Trustee an opinion of independent tax counsel of recognized standing and reasonably satisfactory to the Trustee to the effect that there has been such Change in Tax Law which would entitle the Senior Notes Issuer to redeem the Senior Notes hereunder. In addition, before the Senior Notes Issuer publishes or mails notice of redemption of the Senior Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its or a Guarantor's obligation to pay Additional Amounts by the Senior Notes Issuer taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Notes Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Senior Notes Indenture.

Mandatory Redemption

The Senior Notes Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Senior Notes, except as described above under the caption "*—Disbursement of Funds; Senior Notes Escrow Account; Senior Notes Special Mandatory Redemption*".

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Senior Notes will have the right to require the Senior Notes Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof) of that holder's Senior Notes pursuant to a Change of Control Offer on the terms set forth in the Senior Notes Indenture. In the Change of Control Offer, the Senior Notes Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Senior Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Senior Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Senior Notes on the relevant record date to receive interest due on the relevant interest payment date. Unless the Senior Notes Issuer has unconditionally exercised its right to redeem all the Senior Notes of a series as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Senior Notes Issuer will mail a notice to each holder of the Senior Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and Notice*", with a copy to the Trustee, stating that a Change of Control Offer is being made and offering to repurchase Senior Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Senior Notes Indenture and described in such notice. The Senior Notes Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Senior Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Senior Notes Indenture, the Senior Notes Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Senior Notes Issuer will, to the extent lawful:

(1) accept for payment all Senior Notes or portions of Senior Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Notes or portions of Senior Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Senior Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Senior Notes or portions of Senior Notes being purchased by the Senior Notes Issuer.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Senior Notes properly tendered the Change of Control Payment for such Senior Notes, and the Trustee (or its authenticating agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Senior Note equal in principal amount to any unpurchased portion of the Senior Notes surrendered, if any. The Senior Notes Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Senior Notes Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Senior Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Notes Indenture will not contain provisions that permit the holders of the Senior Notes to require that the Senior Notes Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder of the Senior Notes' right to require the Senior Notes Issuer to repurchase such holder's Senior Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Senior Notes Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Senior Notes Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Notes Indenture applicable to a Change of Control Offer made by the Senior Notes Issuer and purchases all Senior Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Senior Notes Indenture as described above under the caption "*—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 Senior Notes Issuer's ability to repurchase Senior Notes pursuant to a Change of Control Offer following the occurrence of a Change of Control may be limited by the Senior Notes Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Senior Notes. See "*Risk Factors—Risks Related to Our Capital Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture*".

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 Senior Notes Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Senior Notes to require the Senior Notes Issuer to repurchase its Senior Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Senior Notes Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain. In addition, if an event constitutes a Change of Control, the definitions of Change of Control and Permitted Holders expressly permit a third party to obtain control of the Senior Notes Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Senior Notes Indenture relating to the Senior Notes Issuer's obligation to make an offer to repurchase the Senior Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Senior Notes prior to the occurrence of the Change of Control.

If and for so long as the Senior Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Senior Notes Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange (*www.ise.ie*).

Asset Sales

The Senior Notes Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Senior Notes Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Senior Notes Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

  (a) any liabilities, as recorded on the balance sheet of the Senior Notes Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Senior Notes or any Senior Note Guarantee), that are assumed by the transferee of any such assets and as a result of which the Senior Notes Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

  (b) any securities, notes or other obligations received by the Senior Notes Issuer or any such Restricted Subsidiary from such transferee that are converted by the Senior Notes Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

  (c) any Capital Stock or assets of the kind referred to in clauses (1)(c) or (e) of the next paragraph of this covenant;

  (d) any Designated Non-Cash Consideration received by the Senior Notes Issuer or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of €20.0 million and 1.5% of Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

  (e) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Senior Notes Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale; and

  (f) consideration consisting of Indebtedness of the Senior Notes Issuer or any Guarantor received from Persons who are not the Senior Notes Issuer or any Restricted Subsidiary.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Senior Notes Issuer (or the applicable Restricted Subsidiary, as the case may be) may:

(1) apply such Net Proceeds (at the option of the Senior Notes Issuer or Restricted Subsidiary):

(a) to prepay, repay or purchase:

(i) Obligations under the Revolving Credit Facility and the Senior Secured Notes and to correspondingly reduce commitments with respect thereto (except in the case of any revolving Indebtedness, including but not limited to the Revolving Credit Facility); or

(ii) Senior Notes and Pari Passu Debt and to correspondingly reduce commitments with respect thereto (except in the case of any revolving Indebtedness); *provided* that if the Senior Notes Issuer or any Restricted Subsidiary shall reduce such Obligations, the Senior Notes Issuer will equally and ratably reduce Obligations under the Senior Notes by making an offer to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, for the pro rata amount of the Senior Notes or through open market repurchases (to the extent such purchases are at or above 100% of the principal amount thereof); *provided*, *further*, that in each case under this clause (ii), such Senior Notes and Pari Passu Debt shall be other than Indebtedness owed to the Senior Notes Issuer or an Affiliate of the Senior Notes Issuer;

(b) to purchase or prepay or redeem or repay (i) any Senior Debt, (ii) any Indebtedness that is secured by a Lien on assets or property which do not constitute Senior Notes Collateral or (ii) any Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Senior Notes Issuer or an Affiliate of the Senior Notes Issuer);

(c) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary *provided, however,* if the assets sold constitute Senior Notes Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Senior Notes Collateral, subject to the Agreed Security Principles (set forth in the Senior Notes Indenture) and any Permitted Liens on the acquired Capital Stock or assets, the Senior Notes Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Senior Notes Collateral as of 90 days after the Completion Date) referred to in this clause (c) in favor of the Senior Notes on a first-ranking basis;

(d) to make a capital expenditure;

(e) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business; or

(f) any combination of the foregoing;

(2) enter into a binding commitment to apply the Net Proceeds pursuant to clauses (b), (c), (d) or (e) of paragraph (1) above; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180^{th} day following the expiration of the aforementioned 365-day period.

Pending the final application of any Net Proceeds, the Senior Notes Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Senior Notes Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*". When the aggregate amount of Excess Proceeds exceeds €30.0 million, within ten Business Days thereof, the Senior Notes Issuer will make an offer (an "*Asset Sale Offer*") to all holders of Senior Notes and, to the extent the Senior Notes Issuer elects, to any holders of other Senior Secured Indebtedness, to purchase, prepay or redeem the maximum principal amount of Senior Notes and such other Senior Secured Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the

Senior Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Senior Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Senior Notes Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Senior Notes Indenture. To the extent that the aggregate principal amount of Senior Notes and other Senior Secured Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Senior Notes Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Senior Notes Indenture. If the aggregate principal amount of Senior Notes and other Senior Secured Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Senior Notes or other Senior Secured Indebtedness tendered pursuant to an Asset Sale Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Senior Notes and such other Indebtedness, if applicable, to be purchased on a *pro rata* basis (or in the manner described under "*—Selection and Notice*"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Senior Notes Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Sale Offer prior to the expiration of the 365-day period mentioned above.

To the extent that any portion of Net Proceeds payable in respect of the Senior Notes is denominated in a currency other than euros, the amount thereof payable in respect of such Senior Notes shall not exceed the net amount of funds in euros that is actually received by the Senior Notes Issuer upon converting such portion of the Net Proceeds into euros.

The Senior Notes Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Senior Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the Senior Notes Indenture, the Senior Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of such compliance.

Selection and Notice

If less than all of the Senior Notes are to be redeemed at any time, the Trustee, or the Registrar, as applicable, will select Senior Notes for redemption on a *pro rata* basis (or, in the case of Senior Notes issued in global form as discussed under "*Book-Entry, Delivery and Form*", based on a method that most nearly approximates a *pro rata* selection as the Trustee or the Registrar deems fair and appropriate, including the pool factor), unless otherwise required by law or applicable stock exchange or depositary requirements. Neither the Trustee nor the Registrar shall be liable for selections made by it in accordance with this paragraph.

No Senior Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Senior Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Notes or a satisfaction and discharge of the Senior Notes Indenture.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note will state the portion of the principal amount of that Senior Note that is to be redeemed. A new Senior Note in principal amount equal to the unredeemed portion of the original Senior Note will be issued in the name of the holder of Senior Notes upon cancellation of the original Senior Note. In the case of a Senior Global Note, an appropriate notation will be made on such Senior Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of Senior Notes called for redemption.

For Senior Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, Luxembourg, notices may be given by delivery of the relevant notices to Euroclear or Clearstream, Luxembourg for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Senior Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Senior Notes shall also be published in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange (*www.ise.ie*) and, in connection with any redemption, the Senior Notes Issuer will notify the Irish Stock Exchange of any change in the principal amount of Senior Notes outstanding.

Certain Covenants

Incurrence of Indebtedness and Issuance of Preferred Stock

The Senior Notes Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Senior Notes Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Senior Notes Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt), issue Disqualified Stock or issue preferred stock, if, the Fixed Charge Coverage Ratio for the Senior Notes Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.00 to 1.00, in each case determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period; *provided*, *further*, that the aggregate amount of Indebtedness (including Acquired Indebtedness) that may be Incurred and Disqualified Stock or preferred stock that may be issued pursuant to the foregoing by the Senior Notes Issuer's non-guarantor subsidiaries shall not exceed the greater of (x) €75.0 million and (y) 6.0% of Total Assets, at any one time outstanding, after giving *pro forma* effect to such incurrence or issuance (including a *pro forma* application of the net proceeds therefrom).

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by the Senior Notes Issuer and its Restricted Subsidiaries of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater of €150.0 million and 100% of Consolidated EBITDA, *plus,* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) (a) Indebtedness of the Target and its Restricted Subsidiaries outstanding on the Completion Date and which remains outstanding after giving effect to the Original Transactions and the use of proceeds of the Existing Senior Secured Notes, (b) Indebtedness of the Senior Secured Notes Issuer or any Restricted Subsidiary on the Original Senior Secured Notes Issue Date and which is to be repaid after giving effect to the use of proceeds of the Existing Senior Secured Notes during the pendency of the application of such proceeds, (c) the incurrence by the Senior Secured Notes Issuer and the Guarantors of Indebtedness represented by the Existing Senior Secured Notes issued on the Original Senior Secured Notes Issue Date and (d) Indebtedness represented by the Temporary Senior Secured Notes issued on the Senior Notes Issue Date, the Additional Senior Secured Notes to be issued on the Completion Date, the related Senior Secured Note Guarantees and any "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(3) the incurrence by the Senior Notes Issuer and the Guarantors of Indebtedness represented by the Senior Notes issued on the Senior Notes Issue Date, the related Senior Note Guarantees and any "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(4) the incurrence by the Senior Notes Issuer or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, purchase money obligations or other financings, in each case, incurred for the purpose of financing all or any part of the purchase price, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) used in the business of the Senior Notes Issuer or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of €50.0 million and 4.0% of Total Assets at any time outstanding, so long as the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;

(5) the incurrence by the Senior Notes Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Senior Notes Indenture to be incurred under (a) the first paragraph of this covenant or (b) clauses (2)(a), (3), (5), (16) or (17) of this paragraph;

(6) the incurrence by the Senior Notes Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Senior Notes Issuer or any Restricted Subsidiary; *provided* that:

  (a) if the Senior Notes Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Senior Notes Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Senior Notes, in the case of the Senior Notes Issuer, or the Senior Note Guarantee, in the case of a Guarantor (i) except in respect of Working Capital Intercompany Loans and (ii) only to the extent legally permitted (the Senior Notes Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness); and

  (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Senior Notes Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Senior Notes Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Senior Notes Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Senior Notes Issuer or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

  (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Senior Notes Issuer or a Restricted Subsidiary; and

  (b) any sale or other transfer of any such preferred stock to a Person that is not either the Senior Notes Issuer or a Restricted Subsidiary,

  will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Senior Notes Issuer or any Restricted Subsidiary of Hedging Obligations for *bona fide* hedging purposes of the Senior Notes Issuer and its Restricted Subsidiaries and not for speculative purposes;

(9) the guarantee by the Senior Notes Issuer or any Restricted Subsidiary of Indebtedness of the Senior Notes Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to the Senior Notes or a Senior Note Guarantee, then the guarantee must be subordinated to the Senior Notes or Senior Note Guarantee to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Senior Notes Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business and consistent with industry practice;

(11) the incurrence by the Senior Notes Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of such incurrence;

(12) the incurrence by the Senior Notes Issuer and its Restricted Subsidiaries of Indebtedness arising from agreements of the Senior Notes Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, *provided* that the maximum liability of the Senior Notes Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Senior Notes Issuer and its Restricted Subsidiaries in connection with such disposition;

(13) the incurrence by the Senior Notes Issuer and its Restricted Subsidiaries of Indebtedness 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, and (B) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(14) Indebtedness of the Senior Notes Issuer of any of its Restricted Subsidiaries in respect of Management Advances;

(15) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(16) Indebtedness in an aggregate outstanding principal amount that, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (16) and then outstanding, will not exceed 100% of the net cash proceeds received by the Senior Notes Issuer or any of its Restricted Subsidiaries from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution, the Equity Contribution or the German Equity Contribution) of the Senior Notes Issuer or any of its Restricted Subsidiaries, in each case, subsequent to the Original Senior Secured Notes Issue Date; *provided, however*, that (i) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (9) of the second paragraph of the covenant described below under "*—Certain Covenants—Restricted Payments*" to the extent the Senior Notes Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (16) to the extent the Senior Notes Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (4) and (9) of the second paragraph of the covenant described below under "*—Certain Covenants—Restricted Payments*" in reliance thereon;

(17) Indebtedness (a) outstanding on the date on which any Person becomes a Restricted Subsidiary of the Senior Notes Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Senior Notes Issuer or any of its Restricted Subsidiaries or (b) incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary of the Senior Notes Issuer or was otherwise

acquired by the Senior Notes Issuer or any of its Restricted Subsidiaries or (ii) any assets are acquired and related liabilities are assumed by the Senior Notes Issuer or any Restricted Subsidiary; *provided*, *however*, with respect to this clause (17), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred either (A) the Senior Notes Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (17) or (B) the Fixed Charge Coverage Ratio of the Senior Notes Issuer would not be less than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and the related incurrence of such Indebtedness pursuant to this clause (17);

(18) Indebtedness incurred in any (a) Receivables Financing or (b) CIR Financing or CICE Financing (or any equivalent or successor tax credit financing); *provided* that, in the case of clause (18)(b) only, such Indebtedness, together with any Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to such clause, does not exceed €25.0 million in the aggregate outstanding at any one time;

(19) Indebtedness of the Senior Notes Issuer's non-guarantor Subsidiaries in an aggregate principal amount not to exceed the greater of €20.0 million and 1.5% of Total Assets in the aggregate outstanding at any one time (it being understood that any Indebtedness incurred pursuant to this clause (19) shall cease to be deemed incurred or outstanding pursuant to this clause (19) but shall be deemed incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on which such non-guarantor Subsidiary could have incurred such Indebtedness pursuant to the first paragraph of this covenant);

(20) Indebtedness consisting of guarantees of Indebtedness incurred by joint ventures of the Senior Notes Issuer or any of its Restricted Subsidiaries that, together with the outstanding aggregate amount of Investments made pursuant to clause (16) of the definition of "Permitted Investment", does not exceed the greater of €30.0 million and 2.5% of Total Assets in the aggregate outstanding at any one time; and

(21) the incurrence by the Senior Notes Issuer or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (21) not to exceed the greater of €60.0 million and 4.5% of Total Assets.

The Senior Notes Issuer and the Guarantors will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Senior Notes Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Senior Notes and the applicable Senior 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 Senior Notes Issuer solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Any Guarantees provided by the Senior Notes Issuer or a Restricted Subsidiary in respect of any Indebtedness of any Parent Entity shall be expressly subordinated to the prior payment in full of all obligations with respect to the Senior Notes pursuant to the Intercreditor Agreement or any Additional Intercondition Agreement.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (21) above or is permitted to be incurred pursuant to the first paragraph of this covenant, the Senior Notes Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses or paragraph, and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, and from time to time to divide and reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant, *provided* that Indebtedness under the Revolving Credit Facility incurred or outstanding on the Completion Date will be deemed to have been incurred on such date in reliance on the exception provided in clause (1) of the definition of Permitted Debt and may not be reclassified.

Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included. If obligations in respect of letters of credit, bankers' acceptances or other similar instruments are incurred pursuant to any Credit Facility and are being treated as incurred pursuant to clause (1), (4) or (21) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included. The principal amount of any Disqualified Stock of the Senior Notes Issuer or a Restricted Subsidiary, or preferred stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant, nor to be the incurrence of a Lien under the "*Liens*" covenant, *provided* that the Lien securing such originally incurred preferred stock, Indebtedness or preferred stock was secured in accordance with the Senior Notes Indenture. For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, 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*, *however*, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to euro, the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro-equivalent of the principal amount of any such Indebtedness outstanding on the Senior Notes Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Senior Notes Issue Date and the euro-equivalent of the principal amount of any such Indebtedness of the Target and its Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date. 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 on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such euro-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) 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.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Senior Notes Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (i) the Fair Market Value of such assets at the date of determination; and

    (ii) the amount of the Indebtedness of the other Person.

Restricted Payments

The Senior Notes Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Senior Notes Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Senior Notes Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Senior Notes Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than (i) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Senior Notes Issuer and (ii) dividends or distributions payable to the Senior Notes Issuer or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Senior Notes Issuer) any Equity Interests of the Senior Notes Issuer or any direct or indirect parent entity of the Senior Notes Issuer;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt or any Indebtedness of the Senior Notes Issuer or any Guarantor that is contractually subordinated in right of payment to the Senior Notes or to any Senior Note Guarantee (excluding any intercompany Indebtedness between or among the Senior Notes Issuer and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(4) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Senior Notes Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Senior Notes Issuer and its Restricted Subsidiaries since the Original Senior Secured Notes Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (10), (11), (12), (14), (15), (16), (17), (19), (20) and (21) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Senior Notes Issuer for the period (taken as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Original Senior Secured Notes Issue Date to the end of the Senior Notes Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Senior Notes Issuer from the Completion Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Senior Notes Issuer (other than Disqualified Stock, Excluded Contributions or the Equity Contribution or the German Equity Contribution) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Senior Notes Issuer or convertible or exchangeable debt securities of the Senior Notes Issuer, in each case that have been converted into or exchanged for

Equity Interests of the Senior Notes Issuer (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Senior Notes Issuer) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Senior Notes Issuer); *plus*

(iii) to the extent that any Restricted Investment that was made after the Original Senior Secured Notes Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Senior Notes Issuer or any Restricted Subsidiary (other than from a Person that is the Senior Notes Issuer or a Restricted Subsidiary), or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Senior Notes Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Senior Notes Issuer designated as such after the Original Senior Secured Notes Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Senior Notes Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Senior Notes Issuer or a Restricted Subsidiary, the lesser of (i) the Fair Market Value of the property received by the Senior Notes Issuer or Restricted Subsidiary or the Senior Notes Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets and (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary, in each case, to the extent such Investments reduced the Restricted Payments capacity under this clause (iv) and were not previously repaid or otherwise reduced; *plus*

(v) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Senior Notes Issuer or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such guarantee; *plus*

(vi) 100% of any cash dividends or distributions and the Fair Market Value of property and marketable securities received by the Senior Notes Issuer or a Restricted Subsidiary after the Completion Date, (A) in connection with the sale or other disposition (other than to the Senior Notes Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer for the benefit of its employees to the extent funded by the Senior Notes Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Senior Notes Issuer; and (B) from an Unrestricted Subsidiary; *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Senior Notes Issuer's option) included under this clause (vi).

provided, however, that upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to the Original Senior Secured Notes Issue Date and Completion Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Senior Notes Indenture;

(2) 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 Senior Notes Issuer) of, Equity Interests of the Senior Notes Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Senior Notes Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from the calculation of amounts under clause (c)(ii) of the preceding paragraph, will not constitute Excluded Contributions and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Senior Notes Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Senior Notes Issuer or any Guarantor that is contractually subordinated to the Senior Notes or any Senior Note Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Senior Notes Issuer or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Senior Notes Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €2.0 million in any calendar year (with any unused amount in any calendar year being carried over in the succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Senior Notes Issuer or a Restricted Subsidiary received by the Senior Notes Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Senior Notes Issuer, any of its Restricted Subsidiaries or any of its direct or indirect parent companies and (B) the cash proceeds of key man life insurance policies, in each case to the extent the cash proceeds have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Senior Notes Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Original Senior Secured Notes Issue Date in accordance with the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Senior Notes 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;

(8) without duplication payments pursuant to any Tax Sharing Agreement or arrangements, payments or other transactions among the Senior Notes Issuer and its Subsidiaries and other Persons with which the Senior Notes Issuer or any of its Subsidiaries is required or permitted to file a consolidated or combined tax return or with which the Senior Notes Issuer or any of its Restricted Subsidiaries is a part of a group for tax, accounting or cash pooling purposes or any tax advantageous group made pursuant to applicable legislation, together with other reasonable costs and and expenses relating thereto; *provided*, *however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Senior Notes Issuer and such Restricted Subsidiaries would owe on a stand-alone basis and the amount of cash paid by Unrestricted Subsidiaries to the Senior Notes Issuer or such Restricted Subsidiaries for such purpose;

(9) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Senior Notes Issuer of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Senior Notes Issuer or any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the net cash proceeds received by the Senior Notes Issuer from any Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or through Excluded Contributions) of the Senior Notes Issuer or contributed as Subordinated Shareholder Debt to the Senior Notes Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided that* in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.0 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided that* in the case of this clause (ii) after giving

pro forma effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.5 to 1.0;

(10) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Senior Notes Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Senior Notes Issuer (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Senior Notes Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (10) does not exceed € 2.0 million in any calendar year (with any unused amount in any calendar year being carried over in the succeeding calendar years);

(11) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Senior Notes Issuer or any Restricted Subsidiary) on no more than a *pro rata* basis;

(12) the declaration and payment of dividends, loans, advances, other distributions or other amounts to, or the making of loans to any Parent Entity for such entity to, if applicable:

(a) pay fees and expenses incurred by any Parent Entity related to (i) the maintenance of such Parent of its corporate or other entity existence and performance of its obligations under the Senior Notes Indenture and similar obligations under the Revolving Credit Facility, (ii) any unsuccessful equity or debt offering of such Parent Entity and (iii) any equity or debt issuance, incurrence or offering, any disposition or acquisition or any investment transaction by the Senior Notes Issuer or any of its Restricted Subsidiaries (or any acquisition of or investment in any business, assets or property that will be contributed to the Senior Notes Issuer or any of its Restricted Subsidiaries as part of the same or a related transaction) permitted by the Senior Notes Indenture; and

(b) make payments to the Sponsor (i) representing annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €1.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) or (ii) for any other financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, including in connection with the consummation of the Transactions, which payments are approved in respect of such activities by a majority of the Board of Directors of the Senior Notes Issuer in good faith.

(13) Permitted Biologist Payments;

(14) any purchase, repurchase, redemption, payment on, defeasance or other acquisition or retirement for value of Indebtedness of the Senior Notes Issuer or any Restricted Subsidiary that is subordinated in right of payment to the Senior Notes or to any Senior Note Guarantee, including Subordinated Indebtedness and Subordinated Shareholder Debt (A) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness at a purchase price not greater than (x) 101% of the principal amount of such Indebtedness in the case of a Change of Control or (y) 100% of the principal amount of such Indebtedness in the case of an Asset Sale, in each case plus accrued and unpaid interest, but only if the Senior Notes Issuer shall have complied with its obligations under the covenants described under "*—Repurchase at the Option of Holders—Change of Control*" or "*—Repurchase at the Option of Holders—Asset Sales*", if applicable, or (B) consisting of Acquired Debt (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Senior Notes Issuer or a Restricted Subsidiary or (ii) otherwise in connection with or in contemplation of such acquisition) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any such Indebtedness;

(15) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Senior Notes Issuer or a Restricted Subsidiary of the Senior Notes Issuer by, Unrestricted Subsidiaries;

(16) the payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with CICE Financing, Receivables Financing and CIR Financing;

(17) Restricted Payments that are made with cash Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (17);

(18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided that*, on the date of any such Restricted Payment, the Consolidated Leverage Ratio for the Senior Notes Issuer and its Restricted Subsidiaries does not exceed 3.5 to 1.0 on a *pro forma* basis after giving effect thereto;

(19) the Transactions;

(20) dividends, loans, advances or distributions to any Parent Entity or other payments by the Senior Notes Issuer or any Restricted Subsidiary in amounts equal to (without duplication) (a) the amounts required for any Parent Entity, without duplication, to pay any Parent Expenses or any Related Taxes; (b) amounts constituting or to be used for purposes of making payments of fees and expenses incurred in connection with the Transactions, disclosed in the offering memorandum relating to the Existing Senior Secured Notes, disclosed in this offering memorandum, to the extent specified in the second paragraph under "*—Transaction with Affiliates*" in the section of this offering memorandum titled "*Description of the Senior Secured Notes*" or to the extent specified in the second paragraph under "*—Transaction with Affiliates*"; and (c) the amounts constituting dividends or other distributions as described in the offering memorandum relating to the Existing Senior Secured Notes under "*Use of Proceeds*"; and

(21) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed the greater of €40.0 million and 3.0% of Total Assets since the Original Senior Secured Notes Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Senior Notes Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant, the Senior Notes Issuer, in its sole discretion, will be entitled to divide or classify such Restricted Payment (or portion thereof) on the date made or later divide or reclassify such Restricted Payment (or portion thereof) in any manner that complies with this covenant.

Liens

The Senior Notes Issuer will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien (the "*Initial Lien*") of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (a) in the case of any property or asset that does not constitute Senior Notes Collateral, (i) Permitted Liens or (ii) unless all payments due under the Senior Notes Indenture and the Senior Notes (including a Senior Note Guarantee in the case of Liens of a Guarantor) are secured on an equal and ratable basis with the Indebtedness so secured until such time as such Indebtedness is no longer secured by a Lien (and (x) if such Indebtedness so secured is subordinated in right of payment to either the Senior Notes or a Senior Note Guarantee, on a senior priority basis and (y) if such Indebtedness so secured is Senior Debt, on a junior priority basis); and (b) in the case of any property or asset that constitutes Senior Notes Collateral, Permitted Collateral Liens.

Any Lien created for the benefit of the holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien with respect to clause (a) of the preceding paragraph or (b) as set forth under the caption "*—Security*".

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Senior Notes Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Senior Notes Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Senior Notes Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Senior Notes Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Senior Notes Issuer or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Senior Notes Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Senior Notes Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness and Credit Facilities as in effect on the Senior Notes Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Senior Notes Issue Date;

(2) the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Note Guarantees, the Senior Notes Indenture, the Senior Notes, the Senior Note Guarantees, the Intercreditor Agreement, the Security Documents and any other agreement or instrument with respect to the Target or its Subsidiaries, in each case, in effect at or entered into on the Completion Date;

(3) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be incurred subsequent to the Original Senior Secured Notes Issue Date pursuant to the provisions of the covenant described under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole (i) are not materially less favorable to the holders of the Senior Notes than the encumbrances and restrictions contained in the Revolving Credit Facility and the Intercreditor Agreement, in each case, as in effect on the Original Senior Secured Notes Issue Date (as determined in good faith by the Senior Notes Issuer) or (ii) is customary in comparable financings and where, in the case of this sub-clause (ii), the Senior Notes Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Senior Notes Issuer ability to make principal or interest payments on the Senior Notes (as determined in good faith by the Senior Notes Issuer);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Senior Notes Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted to be incurred by the terms of the Senior Notes Indenture;

(6) provisions in leases, licenses and joint venture agreements;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that (i) the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or (ii) is customary in comparable financings and where, in the case of this sub-clause (ii), the Senior Notes Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Senior Notes Issuer's ability to make principal or interest payments on the Senior Notes (as determined in good faith by the Senior Notes Issuer);

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) 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), which limitation is applicable only to the assets that are the subject of such agreements;

(12) 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 entered into in the ordinary course of business;

(13) any encumbrance or restriction pursuant to Currency Exchange Protection Agreements or Hedging Obligations;

(14) any encumbrance or restriction of a Receivables Subsidiary effected in connection with a Receivables Financing; and restrictions effected in connection with a CICE Financing, Receivables Financing or CIR Financing that, in the good faith determination of the Board of Directors or an Officer of the Senior Notes Issuer, are necessary or advisable to effect such CICE Financing, Receivables Financing or CIR Financing; or

(15) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (14), or in this clause (15); *provided* that (i) the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or (ii) is customary in comparable financings and where, in the case of this sub-clause (ii), the Senior Notes Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Senior Notes Issuer's ability to make principal or interest payments on the Senior Notes (as determined in good faith by the Senior Notes Issuer).

Merger, Consolidation or Sale of Assets

The Senior Notes Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Senior Notes Issuer is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Senior Notes Issuer and its Restricted Subsidiaries taken as a whole in one or more related transactions, to another Person, unless:

(1) either: (a) the Senior Notes Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Senior Notes Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Senior Notes Issuer (if other than the Senior Notes Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Senior Notes Issuer under the Senior Notes, the Senior Notes Indenture and the Intercreditor Agreement, the Security Documents;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Senior Notes Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Senior Notes Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (ii) have a Fixed Charge Coverage Ratio no less than it was immediately prior to giving effect to such transaction; and

(5) the Senior Notes Issuer delivers to the Trustee an Officer's Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (3) and (4) above.

A Guarantor (other than a Guarantor whose Senior Note Guarantee is to be released in accordance with the terms of such Senior Note Guarantee and the Senior Notes Indenture) will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Senior Note Guarantee, the Senior Notes Indenture, the Intercreditor Agreement and the Security Documents to which such Guarantor is a party pursuant to a supplemental indenture, accession agreement, Additional Intercreditor Agreement and appropriate Security Documents reasonably satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Senior Notes Indenture.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the preceding paragraph in which a Guarantor is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor will be discharged from all obligations and covenants under the Senior Notes Indenture, its Senior Note Guarantee, the Senior Notes and the Security Documents to which such Guarantor is a party.

In addition, the Senior Notes Issuer will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Clauses (3) and (4) of the first paragraph and clause (1) of the second paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to (a) any sale or other disposition of all or substantially all of the assets or merger or consolidation of any Restricted Subsidiary (including any Guarantor) with or into any Guarantor or the Senior Notes Issuer or (b) any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Senior Notes Issuer with or into any other Guarantor. Clauses (1) and (2)(b) of the second paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Guarantor with or into any other Guarantor. Clause (4) of the first paragraph of this "Merger, Consolidation or Sale of Assets" covenant will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Senior Notes Issuer or any Guarantor with or into an Affiliate solely for the purpose of reincorporating the Senior Notes Issuer or such Guarantor in another jurisdiction for tax reasons. Notwithstanding any other provision of this covenant, any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Transactions with Affiliates

The Senior Notes Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Senior Notes Issuer (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €2.5 million, unless:

(1) the Affiliate Transaction is on terms that are not materially less favorable to the Senior Notes Issuer or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Senior Notes Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) the Senior Notes Issuer delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €7.5 million, a resolution of the Board of Directors of the Senior Notes Issuer set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Senior Notes Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans;

(2) transactions between or among the Senior Notes Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(3) any transaction in the ordinary course of business with any Affiliate or Associate or similar entity (in each case other than an Unrestricted Subsidiary of the Senior Notes Issuer) that is an Affiliate or Associate, respectively, solely because the Senior Notes Issuer or a Restricted Subsidiary or any Affiliate of the Senior Notes Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Senior Notes Issuer or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Senior Notes Issuer to Affiliates of the Senior Notes Issuer or Subordinated Shareholder Debt;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Senior Notes Indenture described above under the caption "*—Restricted Payments*";

(7) Management Advances;

(8) any Permitted Investments (other than Permitted Investments described in clauses (3), (9), (15), (16) and (17) of the definition thereof);

(9) the incurrence of any Subordinated Shareholder Debt;

(10) (i) the Transactions, (ii) the entry into and performance of obligations of the Senior Notes Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Senior Notes Issue Date, described in "*Description of Certain Related Party Transactions*" in this offering memorandum or described in "*Description of Certain Related Party Transactions*" in the offering memorandum relating to the Existing Senior Secured Notes, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the holders of Senior Notes in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(11) 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 business and otherwise in compliance with the terms of the Senior Notes Indenture that are fair to the Senior Notes Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Senior Notes Issuer or an Officer thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) the execution, delivery and performance of any Tax Sharing Agreement or any arrangements, payments or other transactions pursuant to which the Senior Notes Issuer and any other Person or a Restricted Subsidiary of the Senior Notes Issuer and any other Person with which the Senior Notes Issuer or any of its Restricted Subsidiaries files a consolidated or combined tax return or with which the Senior Notes Issuer or any of its Restricted Subsidiaries is part of a group for tax, accounting or cash pooling purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(13) any contribution to the capital of the Senior Notes Issuer in exchange for Capital Stock of the Senior Notes Issuer (other than Disqualified Stock and preferred stock) or any investments by the Sponsor in Equity Interests (other than Disqualified Stock) (and payment of reasonable out-of-pocket expenses incurred by the Sponsor in connection therewith);

(14) transactions between the Senior Notes Issuer or any of its Restricted Subsidiaries and any Person, a director of which is also a director of the Senior Notes Issuer or any direct or indirect parent of the Senior Notes Issuer; *provided*, *however*, that such director abstains from voting as a director of the Senior Notes Issuer or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(15) pledges of Equity Interests of Unrestricted Subsidiaries;

(16) payments to any Permitted Holder of reasonable out-of-pocket expenses incurred by such Permitted Holder in connection with its direct or indirect investment in the Senior Notes Issuer and its subsidiaries;

(17) investments by the Sponsor in securities of the Senior Notes Issuer or any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by the Sponsor in connection therewith);

(18) investments by Affiliates in Indebtedness or preferred Equity Interests of the Senior Notes Issuer or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or preferred Equity Interests, and transactions with Affiliates solely in their capacity as holders of Indebtedness or preferred Equity Interests of the Senior Notes Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally;

(19) any transaction effected as a part of a CICE Financing, Receivables Financing, CIR Financing and factoring or similar arrangements; and

(20) any transactions for which the Senior Notes Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an independent financial advisor stating that such transaction is (i) fair to the Senior Notes Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable that might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Senior Notes Issuer may designate any Restricted Subsidiary (including any newly acquired or newly formed Restricted Subsidiary) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Senior Notes Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Senior Notes Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Senior Notes Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Senior Notes Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "*—Restricted Payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Senior Notes Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", the Senior Notes Issuer will be in default of such covenant. The Board of Directors of the Senior Notes Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Limitation on Issuances of Guarantees of Indebtedness

The Senior Notes Issuer will not cause or permit any of its Restricted Subsidiaries that is not a Guarantor, directly or indirectly, to guarantee any Public Debt of the Senior Notes Issuer or its Restricted Subsidiaries or any Credit Facilities (including the Revolving Credit Facility), unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the guarantee of the payment of the Senior Notes by such Restricted Subsidiary, which guarantee will be senior to (or, if the other Indebtedness being guaranteed by such Restricted Subsidiary is Senior Debt, junior to) or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness and on the same terms as the other Guarantees of the Senior Notes by the Guarantors except that:

(1) if such Indebtedness is by its terms expressly subordinated to the Senior Notes or any Senior Note Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's Guarantee of the Senior Notes at least to the same extent as such Indebtedness is subordinated to the Senior Notes or any such Senior Note Guarantee;

(2) no Restricted Subsidiary of the Senior Notes Issuer shall be required to execute and deliver a supplemental indenture providing for the guarantee of the payment of the Senior Notes until the Senior Notes Escrow Release Date occurs; and

(3) no Senior Note Guarantee shall be required if such Senior Note Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Senior Notes Issuer or such Restricted Subsidiary, including, for the avoidance of doubt, "whitewash" or similar procedures or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures

pursuant to clause (B) undertaken in connection with, such Senior Note Guarantee, which cannot be avoided through measures reasonably available to the Senior Notes Issuer or the Restricted Subsidiary.

The first paragraph of this covenant will not be applicable to any guarantees of any Restricted Subsidiary:

(a) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(b) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of Indebtedness of the Senior Notes Issuer or any Guarantor; or

(c) given to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than € 500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Senior Notes Issuer's benefit or that of any Restricted Subsidiary.

Each such guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

The form of such guarantee shall be the same as the form of a Senior Note Guarantee.

Each guarantee of the Senior Notes shall be released in accordance with the provisions of the Senior Notes Indenture and the Intercreditor Agreement described under "*—Senior Note Guarantees*" and "*Description of Other Indebtedness—Intercreditor Agreement*".

Payments for Consent

The Senior Notes Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Notes Indenture or the Senior Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Senior Notes Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Notes Indenture, to exclude holders of Senior Notes in any jurisdiction where (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 Senior Notes Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Senior Notes Issuer in its sole discretion determines (acting in good faith) (A) 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.

Impairment of Security Interest

The Senior Notes 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 would have the result of materially impairing the security interests with respect to the Senior Notes Collateral (it being understood that the incurrence of Liens on the Senior Notes Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interests with respect to the Senior Notes Collateral) for the benefit of the Trustee and the holders of the Senior Notes, and the Senior Notes 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 Trustee and the holders of the Senior Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement any interest whatsoever in any of the Senior Notes Collateral; *provided* that (a) the Senior Notes Collateral may be discharged and released in accordance with the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement; (b) the Senior Notes Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens; (c) the Senior Notes Issuer and its Restricted Subsidiaries may undertake a Permitted Reorganization; (d) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); and (e) the Senior Notes Issuer and its Restricted Subsidiaries may amend the Security Documents in any manner that does not adversely affect the holders of the Senior Notes in any material respect; *provided, however*, that in the case if clause (a), (c) and (d) above, except with respect to any discharge or release in accordance with the Senior Notes Indenture, any Security Document, the Intercreditor Agreement or any Additional Intercreditor Agreement, or any action not prohibited by the applicable Security Document, the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the assets), the Senior Notes Issuer delivers to the Trustee either (1) a solvency opinion from an investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Senior Notes Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification, replacement or release, (2) a certificate from the board of directors or an Officer of the relevant Person amending, extending, renewing, restating, supplementing, modifying, replacing or releasing and retaking such Security Document which confirms the solvency of such Person after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release and retaking and replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release, the Lien or Liens securing the Senior 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, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

At the direction of the Senior Notes Issuer and without the consent of the holders of Senior Notes, 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) (but subject to compliance with the immediately preceding paragraph) provide for Permitted Collateral Liens, (iii) add to the Senior Notes Collateral, (iv) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (v) evidence the succession of another Person to the Senior Notes Issuer or a Guarantor and the assumption by such successor of the obligations under the Senior Notes Indenture, the Senior Notes, the applicable Senior Note Guarantee and the Security Documents, in each case, in accordance with "*—Merger, Consolidation or Sale of Assets*," (vi) provide for the release of property and assets constituting Senior Notes Collateral from the Lien of the Security Documents or the release of the Senior Note Guarantee of a Guarantor, in each case, if not prohibited by the terms of the Senior Notes Indenture, (vii) conform the Security Documents to this "Description of the Notes," (viii) evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, (ix) (but subject to compliance with the immediately preceding paragraph) to provide for Additional Senior Notes to also benefit from the Senior Notes Collateral or (x) (but subject to compliance with the immediately preceding paragraph) make any other change thereto that does not adversely affect the rights of the holders of the Senior Notes in any material respect.

In the event that the Senior Notes Issuer complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from holders of the Senior Notes.

Additional Intercreditor Agreements

At the request of the Senior Notes Issuer and without the consent of holders of the Senior Notes, at the time of, or prior to, the incurrence by the Senior Notes Issuer or a Guarantor of Indebtedness permitted to share in the Senior Notes Collateral, the Senior Notes Issuer or the relevant Guarantor, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an additional intercreditor agreement (an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement or an amendment to the Intercreditor Agreement (which amendment does not adversely affect the rights of the holders of the Senior Notes in any material respect, as determined in good faith by the Senior Notes Issuer), it being understood that, for the avoidance of doubt, an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the holders of the Senior Notes and will be permitted by this covenant if, in each case, the incurrence of such Indebtedness (and any Lien in its favor) is permitted by the covenants described under the captions "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and "*—Liens*".

At the request of the Senior Notes Issuer, without the consent of holders of the Senior Notes, and at the time of, or prior to, the incurrence by the Senior Notes Issuer or a Guarantor of Indebtedness permitted to be incurred pursuant to the preceding paragraph, the Senior Notes Issuer or the relevant Guarantor, the Security Agent and the Trustee shall enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure defects, resolve ambiguities or reflect changes, in each case, of a minor, technical or administrative nature, (2) increase the amount or types of Indebtedness covered by any Intercreditor Agreement or Additional Intercreditor Agreement that may be incurred by the Senior Notes Issuer or a Guarantor that is subject to any Intercreditor Agreement or Additional Intercreditor Agreement (*provided* that such amendment is consistent with the preceding paragraph), (3) add new Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Notes, (5) make provision for the security securing Additional Senior Notes to rank *pari passu* with the Senior Notes Collateral, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such Intercreditor Agreement or an Additional Intercreditor Agreement that does not adversely affect the rights of holders of the Senior Notes in any material respect.

The Senior Notes Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of the majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted by "Amendment, Supplement and Waiver" or as described in the preceding paragraph and the Senior Notes Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Senior Notes Indenture, the Intercreditor Agreement or such Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement or, to the extent applicable, an Additional Intercreditor Agreement, the Trustee shall be deemed to have consented on behalf of the holders of the Senior Notes to any payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided* that such transaction would comply with the covenant described under "*—Restricted Payments*."

Each holder of the Senior Notes shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have consented to and directed the Trustee and the Security Agent to enter into any Additional Intercreditor Agreement or any amendment of the Intercreditor Agreement or any Additional Intercreditor Agreement which complies with the foregoing provision and the conditions contained therein.

Suspension of Covenants When Senior Notes Rated Investment Grade

If on any date following the Senior Notes Issue Date:

(1) the Senior Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Senior Notes cease to have Investment Grade Status (such period, the "*Suspension Period*"), the covenants specifically listed under the following captions in this offering memorandum will no longer be applicable to the Senior Notes and any related default provisions of the Senior Notes Indenture will cease to be effective and will not be applicable to the Senior Notes Issuer and its Restricted Subsidiaries:

(1) "*—Repurchase at the Option of Holders—Asset Sales*";

(2) "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(3) "*—Restricted Payments*";

(4) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(5) clause (4) of the first paragraph of the covenant described under "*—Merger, Consolidation or Sale of Assets*";

(6) "*—Transactions with Affiliates*";

(7) "*—Designation of Restricted and Unrestricted Subsidiaries*"; and

(8) "*—Limitations on Issuances of Guarantees of Indebtedness*".

Such covenants will not, however, be of any effect with regard to the actions of Senior Notes Issuer and its Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "*—Restricted Payments*" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*", (3) any transactions prohibited by the covenant described under "*—Transactions with Affiliates*" entered into after such reinstatement pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (10) of the second paragraph of the covenant described under "*—Transactions with Affiliates*," and (4) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (1) through (3) of the first paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (3) of the second paragraph of the covenant described under "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*". Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero. The Senior Notes Issuer shall notify the Trustee upon the occurrence of a Suspension Period; *provided* that such notice shall not be a condition of the suspension of covenants described under this caption having effect and the failure to deliver such notice shall not be a Default or Event of Default under the Senior Notes Indenture. There can be no assurance that the Senior Notes will ever achieve or maintain an Investment Grade Status.

Reports

So long as any Senior Notes are outstanding, the Senior Notes Issuer will furnish to the Trustee:

(1) within 150 days after the end of the Senior Notes Issuer's fiscal year beginning with the fiscal year ending December 31, 2015 and within 120 days after the end of each of the Senior Notes Issuer's fiscal years beginning with the fiscal year ending December 31, 2016, annual reports containing the following information: (a) audited consolidated balance sheet of the Senior Notes Issuer as of the end of the most recent fiscal year (and comparative information for the end of the prior fiscal year) and audited consolidated income statement and statement of cash flow of the Senior Notes Issuer for the most recent fiscal year (and comparative information for the prior fiscal year), including 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 Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or disposition that, individually or in the aggregate when considered with all other acquisition or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Senior Notes

Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below; (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, if any), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the industry, business, management and shareholders of the Senior Notes Issuer, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (e) material risk factors and material recent developments; *provided further*, that, if and for so long as the Senior Notes Issuer's shares or the shares of any Parent Entity would be listed on the Euronext Paris Stock Exchange or any stock exchange established in a Member State of the European Union, any item of disclosure that complies in all material respects with the requirements applicable to such item in connection with an annual report (*rapport financier annuel* or *document de référence*) filed with the French *Autorité des Marchés Financiers* (AMF) or the relevant authority of any Member State of the European Union will be deemed to satisfy the Senior Notes Issuer's obligations under this clause (1) with respect to such item;

(2) within 90 days following the end of the fiscal quarter ending June 30, 2015 and within 60 days after the end of each of the Senior Notes Issuer's fiscal quarters beginning with the fiscal quarter September 30, 2015, 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 Senior Notes Issuer, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisition or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recent completed fiscal quarter as to which such quarterly report relates, represents greater than 20% of the consolidated revenues, EBITDA or assets of the Senior Notes Issuer on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (1) or (2) of this covenant; (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment, if any), including a discussion of the consolidated financial condition and results of operations of the Senior Notes Issuer and any material change between the current quarterly period and the corresponding period of the prior year; (d) material recent developments in the business of the Senior Notes Issuer and its Subsidiaries; and (e) any material changes to the risk factors disclosed in the most recent annual report with respect to the Senior Notes Issuer; *provided further*, that, if and for so long as the Senior Notes Issuer's shares or the shares of any Parent Entity would be listed on the Euronext Paris Stock Exchange or any stock exchange established in a Member State of the European Union, any item of disclosure that complies in all material respects with the requirements applicable to such item in connection with a semi-annual report (*rapport financier semestriel*) filed with the French *Autorité des Marchés Financiers* (AMF) or the relevant authority of any Member State of the European Union will be deemed to satisfy the Senior Notes Issuer's obligations under this clause (2) with respect to such item; and

(3) promptly after the occurrence of (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (1) or (2) above); (b) any senior management change at the Senior Notes Issuer; (c) any change in the auditors of the Senior Notes Issuer; (d) any resignation of a member of the Board of Directors of the Senior Notes Issuer as a result of a disagreement with the Senior Notes Issuer; (e) the entering into an agreement that will result in a Change of Control; or (f) any material events that the Senior Notes Issuer announces publicly, in each case, a report containing a description of such events; *provided further*, that, if and for so long as the Senior Notes Issuer's shares or the shares of any Parent Entity would be listed on the Euronext Paris Stock Exchange or any stock exchange established in a Member State of the European Union, any item of disclosure that complies in all material respects with the requirements applicable to such item in connection

with ongoing disclosures (*information permanente*) filed with the French *Autorité des Marchés Financiers* (AMF) or the relevant authority of any Member State of the European Union will be deemed to satisfy the Senior Notes Issuer's obligations under this clause (3) with respect to such item.

provided, *however*, that the reports set forth in clauses (1) and (2) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors and non-guarantor Subsidiaries of the Senior Notes Issuer. For so long as the Holdco Limitation Conditions are satisfied, the reports set forth in clauses (1), (2) and (3) may include financial statements of, and refer to, the Senior Secured Notes Issuer in lieu of the Senior Notes Issuer, in which case the reports set forth in clauses (1), (2) and (3) shall give a reasonably detailed description of any material differences between the management, business, assets, shareholding or results of operations or financial condition of the Senior Notes Issuer and the Senior Secured Notes Issuer and include an unaudited reconciliation of the Senior Secured Notes Issuer's financial statements or other financial information to the Senior Notes Issuer's financial statements or other financial information, as applicable.

The Senior Notes Issuer will, on an ongoing basis, monitor that the Holdco Limitation Conditions are satisfied by the Senior Notes Issuer. Starting with the reporting period in which the Holdco Limitation Conditions are no longer satisfied and at any time thereafter, the reports set forth in clauses (1), (2), and (3) will include consolidated financial statements and financial information of the Senior Notes Issuer.

If the Senior Notes 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 Senior Notes Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Senior Notes Issuer. For purposes of this covenant, the Senior Notes Issuer may use financial statements of (x) the Senior Notes Issuer or (y) the Target and the German Target with respect to periods commencing prior to the German Completion Date.

All financial statements shall be prepared in accordance with IFRS. In addition, all financial statement information and other reports required under this covenant will be presented in the English language.

In addition, for so long as any Senior Notes remain outstanding and during any period during which the Senior Notes Issuer is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Senior Notes Issuer has agreed that it will furnish to the holders of the Senior Notes 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.

The Senior Notes Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant (i) on the Senior Notes Issuer's website and (ii) if and so long as the Senior Notes are listed on the Global Exchange Market and the rules of the Irish Stock Exchange so require, at the specified office of the Listing Agent in Dublin.

The Senior Notes Issuer will be deemed to satisfy the "Holdco Limitation Conditions" during any applicable period in which the Senior Notes Issuer does not carry on any business or own any assets other than:

(1) the Senior Notes Issuer's ownership of the Senior Secured Notes Issuer and other assets that are de minimis in nature;

(2) the provision of administrative services (excluding treasury services), legal, accounting and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;

(3) incurring Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) (including activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) or granting Liens or distributing, lending or otherwise advancing funds to the extent consistent with the activities of a holding company in the ordinary course of its business as a holding company;

(4) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under Indebtedness (or any item specifically excluded from the definition of Indebtedness), including any activity related to any document entered into in connection with the incurrence of Indebtedness;

(5) the establishment, maintenance and use of bank accounts and the ownership of cash and Cash Equivalents;

(6) making Investments in the Senior Notes or other Indebtedness;

(7) directly related or reasonably incidental to the establishment and/or maintenance of its Subsidiaries' corporate existence or otherwise to comply with applicable law;

(8) issuing directors' qualifying shares and shares to its shareholders, and pay dividends and make other distributions on its shares and onloaning funds to its shareholders or Subsidiaries; and

(9) any activity reasonably related to the foregoing and other activities not specifically enumerated above that are de minimis in nature.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Senior Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Senior Notes;

(3) failure by the the Senior Notes Issuer or relevant Guarantor to comply with the provisions described under the caption "*—Certain Covenants—Consolidation, Merger or Sale of Assets*";

(4) failure by the Senior Notes Issuer or relevant Guarantor for 60 days after written notice to the Senior Notes Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Senior Notes then outstanding voting as a single class to comply with any of the agreements in the Senior Notes Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Senior Notes Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Senior Notes Issuer or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Senior Notes Issue Date, if that default:

   (a) is caused by a failure to pay principal of such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

   (b) results in the acceleration of such Indebtedness prior to its express 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 €30.0 million or more;

(6) failure by the Senior Notes Issuer or any Restricted Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €30.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) (i) any security interest created by the Security Documents with respect to Senior Notes Collateral having in the aggregate a Fair Market Value in excess of €5.0 million ceases to be in full force and effect (except as permitted by the terms of the Senior Notes Indenture or the Security Documents), or an assertion by UK Holdco, the Senior Notes Issuer or any of its Restricted Subsidiaries that any Senior Notes Collateral is not subject to a valid, perfected security interest (except as permitted by the terms of the Senior Notes Indenture, the Intercreditor Agreement or the Security Documents); or (ii) the repudiation by UK Holdco, the

Senior Notes Issuer or any of its Restricted Subsidiaries of any of its material obligations under the Security Documents;

(8) except as permitted by the Senior Notes Indenture or the Intercreditor Agreement, if any Senior Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect and such Default continues for 30 days, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Senior Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the Senior Notes Indenture with respect to UK Holdco, the Senior Notes Issuer or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Senior Notes Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary.

In the case of an Event of Default specified in clause (9), all outstanding Senior Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Senior Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Senior Notes, the Trustee shall, declare all the Senior Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Senior Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Senior Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Senior Notes Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Notes Indenture at the request or direction of any holders of Senior Notes unless such holders have offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Senior Note may pursue any remedy with respect to the Senior Notes Indenture or the Senior Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Senior Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Senior Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Senior Notes outstanding may, on behalf of the holders of all outstanding Senior Notes, waive any past Default under the Senior Notes Indenture and its consequences, except a continuing Default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Senior Note held by a non-consenting holder (which may only be waived with the consent of holders of the Senior Notes holding 90% of the aggregate principal amount of the Senior Notes outstanding under the Senior Notes Indenture).

Holders of Senior Notes may not enforce the Security Documents, except as provided in the Intercreditor Agreement. The Senior Notes Indenture will provide that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Notes Indenture or that the Trustee determines is materially prejudicial to the rights of any other holder of Senior Notes or that would involve the Trustee in personal liability.

The Senior Notes Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Senior Notes Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Senior Notes Issuer or any Guarantor, as such, will have any liability for any obligations of the Senior Notes Issuer or the Guarantors under the Senior Notes, the Senior Notes Indenture, the Senior Note Guarantees, the Security Documents, the Intercreditor Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Senior Notes by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Senior Notes Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Senior Notes and all obligations of the Guarantors discharged with respect to their Senior Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Senior Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Senior Notes when such payments are due from the trust referred to below;

(2) the Senior Notes Issuer's obligations with respect to the Senior Notes concerning issuing temporary Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Senior Notes Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Senior Notes Indenture.

In addition, the Senior Notes Issuer may, at its option and at any time, elect to have the obligations of the Senior Notes Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Senior Notes Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Senior Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default and Remedies*" (except those relating to payments on the Senior Notes or, solely with respect to the Senior Notes Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Senior Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Senior Notes Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Senior Notes, cash in euros, non-callable European Government Obligations or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, in the opinion of an investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Senior Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Senior Notes Issuer must specify whether the Senior Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Senior Notes Issuer must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (i) the Senior Notes Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the Original Senior Secured Notes Issue Date, there has been a change in the applicable U.S. Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Senior Notes will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such

Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Senior Notes Issuer must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the holders of the outstanding Senior Notes will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Senior Notes Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Senior Notes Issuer with the intent of preferring the holders of Senior Notes over the other creditors of the Senior Notes Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Senior Notes Issuer or others; and

(5) the Senior Notes Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided otherwise in the succeeding paragraphs, the Senior Notes Indenture, the Senior Notes, the Senior Note Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Senior Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), and any existing Default or Event of Default or compliance with any provision of the Senior Notes Indenture, the Senior Notes, the Senior Note Guarantees, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Senior Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes).

Unless consented to by the holders of at least 90% (or, in the case of clauses (8) and (9) of this paragraph, 75%) of the aggregate principal amount of the then outstanding Senior Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), without the consent of each holder of Senior Notes affected, an amendment, supplement or waiver may not (with respect to any Senior Notes held by a non-consenting holder):

(1) reduce the principal amount of Senior Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Senior Note or alter the provisions with respect to the redemption of the Senior Notes (other than provisions relating to the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Note;

(4) impair the right of any holder of Senior Notes to receive payment of principal of and interest on such holder's Senior Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Senior Notes or any Senior Note Guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Senior Notes (except a rescission of acceleration of the Senior Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Senior Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Senior Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Senior Notes Indenture relating to waivers of past Defaults or the rights of holders of Senior Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Senior Notes; or

(8) release any Guarantor from any of its obligations under its Senior Note Guarantee or the Senior Notes Indenture, except in accordance with the terms of the Senior Notes Indenture or the Intercreditor Agreement;

(9) release any Senior Notes Collateral granted for the benefit of the holders of the Senior Notes, except in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement or the Security Documents; or

(10) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Senior Notes, the Senior Notes Issuer, the Guarantors, the Restricted Subsidiaries, the Trustee and the Security Agent may amend or supplement the Senior Notes Indenture, the Senior Notes, any Senior Note Guarantee, any of the Security Documents or the Intercreditor Agreement:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes (*provided* that the uncertificated Senior Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code);

(3) to provide for the assumption of the Senior Notes Issuer's or a Guarantor's obligations to holders of Senior Notes and Senior Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Senior Notes Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Senior Notes or that does not adversely affect the legal rights under the Senior Notes Indenture of any such holder in any material respect;

(5) to conform the text of the Senior Notes Indenture, the Senior Note Guarantees, the Security Documents or the Senior Notes to any provision of this Description of the Senior Notes to the extent that such provision in this Description of the Senior Notes was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, the Senior Note Guarantees, the Security Documents or the Senior Notes;

(6) to enter into additional or supplemental Security Documents;

(7) to release any Senior Note Guarantee in accordance with the terms of the Senior Notes Indenture;

(8) to release the Senior Notes Collateral in accordance with the terms of the Senior Notes Indenture and the Security Documents;

(9) to provide for the issuance of Additional Senior Notes in accordance with the limitations set forth in the Senior Notes Indenture as of the Senior Notes Issue Date;

(10) to allow any Guarantor to execute a supplemental indenture or a Senior Note Guarantee with respect to the Senior Notes;

(11) to evidence and provide the acceptance of the appointment of a successor Trustee under the Senior Notes Indenture; or

(12) as provided under "*—Certain Covenants—Impairment of Security Interest*" or "*—Certain Covenants—Additional Intercreditor Agreement*."

The consent of the holders of Senior Notes is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officer's Certificate.

Satisfaction and Discharge

The Senior Notes Indenture will be discharged and will cease to be of further effect as to all Senior Notes issued thereunder, when:

(1) either:

(a) all Senior Notes that have been authenticated, except lost, stolen or destroyed Senior Notes that have been replaced or paid and Senior Notes for whose payment money has been deposited in trust and thereafter repaid to the Senior Notes Issuer, have been delivered to the Paying Agent for cancellation; or

(b) all Senior Notes that have not been delivered to the Paying Agent for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Senior Notes Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Paying Agent or the Trustee (or such entity as the Trustee designates for this purpose) as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable European Government Obligations or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Senior Notes not delivered to the Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Senior Notes Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Senior Notes Indenture; and

(3) the Senior Notes Issuer has delivered irrevocable instructions to the Paying Agent or the Trustee under the Senior Notes Indenture, as applicable, to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be.

In addition, the Senior Notes Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Judgment Currency

Any payment on account of an amount that is payable in euros which is made to or for the account of any holder or the Trustee 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 Senior Notes Issuer or any Guarantor, shall constitute a discharge of the Senior Notes Issuer or the Guarantor's obligation under the Senior Notes Indenture and the Senior Notes or Senior Note Guarantee, as the case may be, only to the extent of the amount of euros with such holder or the Trustee, 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 euros that could be so purchased is less than the amount of euros originally due to such holder or the Trustee, as the case may be, the Senior Notes Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, 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 Senior Notes Indenture or the Senior Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee 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.

Concerning the Trustee and the Security Agent

U.S. Bank Trustees Limited will be the Trustee under the Senior Notes Indenture, and will be the Security Agent under the Senior Notes Indenture and the Security Documents.

The Senior Notes Issuer shall deliver written notice to the Trustee within 30 Business Days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest in its capacity as Trustee (of which it has actual knowledge), it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Senior Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Senior Notes Indenture provides that in case an Event of Default occurs and is continuing, of which the Trustee has written notice, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Senior Notes Indenture at the request of any holder of Senior Notes, unless such holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Senior Notes Issuer and the Guarantors will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties. The Senior Notes Indenture will provide for the indemnification of the Security Agent and its relief from responsibility in connection with its actions in relation to the Senior Notes Collateral. The Security Agent will be under no obligation to exercise any of its rights or powers under the Senior Notes Indenture at the request of any Holder of Senior Notes, unless such holder has offered the Security Agent security and/or indemnity satisfactory to it against any loss, liability or expense.

Neither the Trustee nor the Security Agent will be responsible for any unsuitability, inadequacy or unfitness of any of the Senior Notes Collateral as security in relation to the Senior Notes and shall not be obliged to make any investigation into, and shall be entitled to assume, the suitability, adequacy and fitness of the Senior Notes Collateral as security for the Senior Notes. Neither the Trustee nor the Security Agent will be responsible for any loss, expense or liability which may be suffered as a result of the Senior Notes Collateral being uninsured or inadequately insured.

Maintenance of Listing

The Senior Notes Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Senior Notes on the Global Exchange Market of the Irish Stock Exchange for so long as such Senior Notes are outstanding; provided that if the Senior Notes Issuer is unable to obtain admission to the listing of the Senior Notes on the Global Exchange Market of the Irish Stock Exchange or if at any time the Senior Notes Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Senior Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Additional Information

Anyone who receives this offering memorandum may, following the Senior Notes Issue Date, obtain a copy of the Senior Notes Indenture, the form of Senior Note, the Security Documents and the Intercreditor Agreement without charge by writing to the Senior Notes Issuer at 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE.

So long as the Senior Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange shall so require, copies of the financial statements included in this offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Listing Agent in Dublin.

Consent to Jurisdiction and Service of Process

The Senior Notes Indenture will provide that the Senior Notes Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Senior Notes Indenture, the Senior Notes and the Senior Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Substantially all of the assets of the Senior Notes Issuer and the Guarantors are outside the United States. As a result, any judgment obtained in the United States against the Senior Notes Issuer or any Guarantor may not be collectable within the United States.

Prescription

Claims against the Senior Notes Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Senior Notes Issuer or any Guarantor for the payment of interest on the Senior Notes will be prescribed five years after the applicable due date for payment of interest.

Certain Definitions

Set forth below are certain defined terms used in the Senior Notes Indenture. Reference is made to the Senior Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquisition*" means the acquisition of the Target by BidCo pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the sale and purchase agreement dated May 27, 2015 by and among certain sellers identified therein and Ephios France, a *société par actions simplifiée* organized under the laws of France, a wholly-owned subsidiary of the Senior Notes Issuer, with respect to no less than 75% of the share capital of Labco S.A.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Senior Secured Notes*" means the €685.0 million aggregate principal amount of Additional Senior Secured Notes that will be issued by the Senior Secured Notes Issuer pursuant to the Existing Senior Secured Notes Indenture upon the exchange of the Temporary Senior Secured Notes as described in "*Description of the Temporary Senior Secured Notes*", consisting of €400.0 million aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 and €285.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling", "controlled by" and "under common control with" have correlative meanings.

"*Agreed Security Principles*" means the Agreed Security Principles set out in the annex to the Senior Notes Indenture, as applied reasonably and in good faith by the Senior Notes Issuer.

"*Applicable Premium*" means, with respect to a Senior Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Senior Note; or

(2) the excess of:

   (a) the present value at such redemption date of (i) the redemption price of the Senior Note at July 1, 2018, (such redemption price being set forth in the table appearing above under the caption "*—Optional Redemption*") plus (ii) all required interest payments due on the Senior Note through July 1, 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

   (b) the principal amount of the Senior Note.

For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Registrar or the Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Senior Notes Issuer or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or

substantially all of the assets of the Senior Notes Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Senior Notes Indenture described above under the caption "*—Repurchase at the Option of Holders—Change of Control*" and/or the provisions described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" and not by the provisions described under the caption "*—Repurchase at the Option of Holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Senior Notes Issuer or any of its Restricted Subsidiaries of Equity Interests in any of the Senior Notes Issuer's Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than the greater of €10.0 million and 1.0% of Total Assets;

(2) a transfer of assets, claims or Equity Interests between or among the Senior Notes Issuer and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Senior Notes Issuer or to a Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, inventory, trading stock, communications capacity and other assets (including any real or personal property) in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Senior Notes Issuer, no longer economically practicable to maintain or useful in the conduct of business of the Senior Notes Issuer and its Restricted Subsidiaries taken as a whole);

(5) licenses and sublicenses by the Senior Notes Issuer or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Liens*";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment or, solely for purposes of the second paragraph of the covenant described above under the caption "*Repurchase at the Option of Holders—Asset Sales*", dispositions, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Senior Notes Issuer or any Restricted Subsidiary to such Person) related to such assets;

(13) any sale or other disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(14) any sale, transfer or other disposition of receivables in connection with any CICE Financing, Receivables Financing, CIR Financing and factoring or similar arrangements or otherwise in the ordinary course of business;

(15) any exchange of assets (including a combination of assets and Cash Equivalents) for assets related to a similar business of comparable or greater market value or usefulness to the business of the Senior Notes Issuer and its Restricted Subsidiaries as a whole, as determined in good faith by the Senior Notes Issuer;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Senior Notes Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition; and

(17) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the covenant described under "*—Repurchase at the Option of Holders—Asset Sales*".

"*Asset Sale Offer*" has the meaning assigned to that term in the Senior Notes Indenture governing the Senior Notes.

"*Associate*" means (i) any Person engaged in a Permitted Business of which the Senior Notes Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Senior Notes Issuer or any Restricted Subsidiary of the Senior Notes Issuer.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act; *provided* that any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any other person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock. The terms "*Beneficially Owns*" and "*Beneficially Owned*" have a corresponding meaning.

"*Biologist Shareholders*" means holders of Capital Stock of the Senior Notes Issuer or any of its Restricted Subsidiaries that (i) devote their professional activity to the development of the business of the Senior Notes Issuer or any of its Restricted Subsidiaries and (ii) are subject to restrictions on their ability to carry out professional activities other than in respect of the business of the Senior Notes Issuer or any of its Restricted Subsidiaries, as determined by the Board of Directors of the Senior Notes Issuer in good faith.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 1, 2018 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding

principal amount of the Senior Notes, as applicable, and of a maturity most nearly equal to July 1, 2018; *provided*, *however*, that, if the period from such redemption date to July 1, 2018 is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Senior Notes Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Senior Notes Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Senior Notes Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Senior Notes Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date.

"*Business Day*" means a day (other than a Saturday, Sunday) on which banking institutions are open in London and Paris and which is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Senior Notes Issuer's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *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-2" or higher by Moody's or A or higher by S&P or the equivalent rating category of another internationally recognized rating agency, as of the date of the investment;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P on the date of the investment and, in each case, maturing within one year after the date of investment; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Senior Notes Issuer and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act) other than one or more Permitted Holders); or

(2) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" as defined above) other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Senior Notes Issuer measured by voting power rather than number of shares,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Change of Control Offer*" has the meaning assigned to that term in the Senior Notes Indenture governing the Senior Notes.

"*CICE*" means the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) provided for in article 244 quater C of the French Tax Code (*Code général des impôts*).

"*CICE Financing*" means Indebtedness under an agreement pursuant to which current or future CICE payments or claims of the Senior Notes Issuer or any Restricted Subsidiary are assigned.

"*CIR*" means the research tax credit (*crédit d'impôt recherche*) provided for in article 244 quater B of the French Tax Code (*Code général des impôts*).

"*CIR Financing*" means Indebtedness under an agreement pursuant to which current or future CIR payments or claims of the Senior Notes Issuer or any Restricted Subsidiary are assigned.

"*Clearstream, Luxembourg*" means Clearstream Banking, *société anonyme*.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income, profits and pursuant to the *Cotisation sur la valeur ajoutée des enterprises*, in each case of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles (including goodwill) and other long-lived assets and the impact of purchase accounting on the Senior Notes Issuer and its Restricted Subsidiaries for such period) of the Senior Notes Issuer and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) (a) any income or charge attributable to a post-employment benefit scheme (including the current service costs) and any past service costs and curtailments and settlements attributable to the scheme and; *plus*

(5) (a) the amount of management, monitoring, consulting and advisory fees, termination payments and related expenses paid to the Sponsor (or any accruals relating to such fees and related expenses) during such period to the extent permitted by the covenant described under "*—Certain Covenants—Transactions With Affiliates*" and (b) the amount of expenses relating to payments made to option holders (or employees holding other rights tied to the equity value of the Senior Notes Issuer or any Parent Entity) of the Senior Notes Issuer or any Parent Entity in connection with, or as a result of, any distribution being made to shareholders of such Person or its direct or indirect Parent, which payments are being made to compensate such option holders as though they were shareholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Senior Notes Indenture; *plus*

(6) any fees, expenses, charges (including non-cash charges) or other costs related to the Transactions, the issuance of any Capital Stock, any Investment, acquisition, disposition, recapitalization, listing or the incurrence or repayment of Indebtedness or Hedging Obligations permitted to be incurred under the Senior Notes Indenture (including refinancing thereof) whether or not successful, including (i) such fees, expenses, charges or other costs related to any incurrence of Indebtedness and (ii) any amendment or other modification of any incurrence; *plus*

(7) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Receivables Financing, CIR Financing representing, in the Senior Notes Issuer's reasonable determination, the implied interest component of such discount for such period; *plus*

(8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *plus*

(9) any losses due to outsourcing contracts under which the Senior Notes Issuer or its Restricted Subsidiaries provide services within the 24-month period following the signing of such outsourcing contracts (as calculated in good faith by a responsible financial or chief accounting officer of the Senior Notes Issuer); *provided that* such losses will be limited to 5% of Consolidated EBITDA; *plus*

(10) all adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" and "Estimated *Pro Forma* Adjusted EBITDA" as set forth in footnotes (2) and (3) of "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Data*" contained in the offering memorandum relating to the Existing Senior Secured Notes applied in good faith to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (16) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

For the purpose of clause (1) of the definition of "Permitted Debt", Consolidated EBITDA shall be measured on the basis of the most recent four full fiscal quarters for which internal financial statements are available immediately preceding any incurrence of Indebtedness pursuant to such clause and shall be adjusted as provided under the second paragraph of the definition of "Consolidated Leverage Ratio".

"*Consolidated Leverage*" means, as of any date of determination, the sum of the total amount of Indebtedness of the Senior Notes Issuer and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors)).

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (a)(i) the Consolidated Leverage of the Senior Notes Issuer and its Restricted Subsidiaries on a consolidated basis on such date, less (ii) cash and Cash Equivalents that are stated on the balance sheet of the Senior Notes Issuer and its Restricted Subsidiaries on such date on a consolidated basis, to (b) the Consolidated EBITDA of the Senior Notes Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Senior Secured Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (for the purpose of this definition, the "*Calculation Date*"), then the Consolidated Senior Secured Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Senior Notes Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on or substantially concurrently at the time of the Calculation Date or with all or a portion of the proceeds of any Indebtedness incurred on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(5) the difference between: (i) the total *pro forma* consolidated amount received or receivable pursuant to CICE for the four quarter period as determined on the basis of CICE applicable to all relevant entities of the Group as at the end of the period, and (ii) the total amount received or receivable pursuant to CICE already included in Consolidated EBITDA for that period, shall be added to Consolidated EBITDA.

For the purposes of this definition and the definitions of Consolidated EBITDA, Fixed Charges and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Senior Notes Issuer (including in respect of anticipated expense and cost reductions and expense and cost synergies as though the full effect of such expense and cost reductions and expense and cost synergies were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Senior Notes Issuer) of cost savings programs, business optimization programs or other restructurings or reorganizations that have been initiated by a member of the Group as though programs, restructurings or reorganizations had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and expense and cost reduction and expense and cost synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and expense and cost synergies and cost savings are reasonably anticipated to be realized within 24 months after the consummation of the cost savings program, business optimization program, restructuring, reorganizations or any operational change or the purchase or sale which is expected to result in such anticipated expense and cost reductions and synergies and cost savings), and *further provided* that any synergies directly related to acquisitions completed in the 24-month period prior to the Calculation Date shall be subject to a 20% discount and (b) in determining the amount of Indebtedness outstanding on any date of determination and Fixed Charges for the relevant period, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

For the avoidance of doubt, the Consolidated EBITDA and all outstanding Indebtedness of any company or business to be acquired pursuant to a signed purchase agreement (which may be subject to one or more conditions precedent) may be given *pro forma* effect for the purpose of calculating the Fixed Charge Cover Ratio of the Senior Notes Issuer *provided* that (A) if the company or business to be acquired has a Fair Market Value in excess of €25.0 million, the proceeds of any Indebtedness incurred for the purpose of financing such acquisition or refinancing Indebtedness of any such company or business are deposited in an escrow account and are to be later released (x) to pay, in whole or in part, the purchase price of such acquisition, (y) to repay, redeem or refinance existing Indebtedness of such company or business and/or (z) to pay any related costs in connection with any such acquisition or refinancing; (B) the release of such Escrowed Proceeds shall be conditional upon such acquisition or refinancing to occur and (C) if such acquisition or refinancing does not occur, the Senior Notes Issuer or any of its Restricted Subsidiaries shall be required to make a mandatory redemption of the Indebtedness the proceeds of which were deposited in such escrow account.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) any net after-tax extraordinary, non-recurring or exceptional gains or losses or income, expenses or charges (less all fees and expenses related thereto), including (a) any start-up costs associated with the launch of new operations by the Senior Notes Issuer or any of its Restricted Subsidiaries, (b) any one-off charge in respect of the acquisition of, establishment of, or opening of, new laboratories, distribution centers, or depots, (c) any net loss realized upon the sale, abandonment or other disposition of any laboratory, (d) any losses due to a variation of the earnout or other deferred payment relating to an acquisition or disposition of any business, assets, Person or any Equity Interests of a Subsidiary resulting from a change in the fair value of such earnout or deferred payment, (e) any business optimization expenses and other restructuring or reorganization charges, expenses, accruals or reserves (which shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), (f) any costs associated with non-ordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing, (g) or any charges or reserves in respect of any severance expenses and expenses, charges, fees or other costs related to any Equity Offering and the transactions will be excluded;

(2) the net income or loss of any Person that is not a Restricted Subsidiary or that is accounted for under the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain Covenants—Restricted Payments*", any net income or loss of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Senior Notes Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable), by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Notes or the Senior Notes Indenture, (c) restrictions not prohibited by the covenant described under "*—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" and (d) contractual restrictions in effect on the Senior Notes Issue Date with respect to such Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders of the Senior Notes than such restrictions in effect on the Senior Notes Issue Date), except that the Senior Notes Issuer's equity

in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Senior Notes Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(4) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations will be excluded;

(5) any net gain (or loss) realized upon the revaluation, sale or other disposition of any asset or disposed operations of the Senior Notes Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Senior Notes Issuer) will be excluded;

(6) (i) any one time non-cash charges or (ii) any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition, or merger or consolidation with, of another Person or business or resulting from any reorganization or restructuring involving the Senior Notes Issuer or its Subsidiaries will be excluded;

(7) the cumulative effect of a change in accounting principles will be excluded;

(8) any Permitted Biologist Payments will be included;

(9) 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 will be excluded;

(10) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, grants and sales of stock, stock appreciation or similar rights, stock options or other equity interests or rights of officers, directors and employees of such Person or any of its Restricted Subsidiaries will be excluded;

(11) any goodwill or other intangible asset impairment charges and the amortization of intangibles arising from the application of IFRS (excluding any non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period except to the extent such item is subsequently reversed) will be excluded;

(12) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment, forgiveness or termination of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid) and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;

(13) any non-cash interest expense, including non-cash interest expense associated with Subordinated Shareholder Debt, and any non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the earlier of the maturity date of the Senior Notes and the date on which all the Senior Notes cease to be outstanding will be excluded;

(14) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Senior Notes Issuer or any Restricted Subsidiary owing to the Senior Notes Issuer or any Restricted Subsidiary, any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies and any unrealized foreign currency transaction gains or losses deriving from the purchase of raw materials will be excluded;

(15) to the extent covered by insurance and actually reimbursed, or, so long as the Senior Notes Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed

within 365 days), losses with respect to business interruption and other liability and/or casualty insurance will be excluded; and

(16) any (a) relocation costs or expenses relating to officers and employees, (b) one-time non-cash compensation charges, (c) the costs and expenses related to employment of terminated officers or employees and (d) costs or expenses realized in connection with or resulting from stock appreciation or similar rights under management equity or stock options plans or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, stock options or other equity interests or rights of officers or directors, in each case of such Person or any of its Restricted Subsidiaries will be excluded.

"*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.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facilities*" means, one or more debt facilities, instruments or arrangements incurred by the Senior Notes Issuer or any Restricted Subsidiary or any Finance Subsidiary (including the Revolving Credit Facility and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), 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 trustees or other banks or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facilities*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Senior Notes Issuer as additional borrowers, issuers 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 Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-cash Consideration*" means the Fair Market Value of non-cash consideration received by the Senior Notes Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the sixth month anniversary of the date that the Senior Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Notes Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Equity Contribution*" means the equity contribution to be made by the Sponsor to the Senior Secured Notes Issuer in connection with the Original Transactions as described in the offering memorandum relating to the Existing Senior Secured Notes.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Investors*" means the Sponsor and any funds, co-investment vehicles or partnerships owned, managed, sponsored or advised, directly or indirectly by the Sponsor or an Affiliate thereof, and solely in their capacity as such, any limited partner of any such partnership, co-investment vehicle or fund.

"*Equity Offering*" means any public or private sale of (i) Capital Stock (x) that is a sale of Capital Stock of the Senior Notes Issuer (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions, or (y) the proceeds of which are lent as Subordinated Shareholder Debt or contributed to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Senior Notes Issuer or any of its Restricted Subsidiaries or (ii) Subordinated Shareholder Debt.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "*Escrowed Proceeds*" shall include any interest earned on the amounts held in escrow.

"*Excluded Contributions*" means the net cash proceeds or property received by the Senior Notes Issuer after the Original Senior Secured Notes Issue Date from:

(1) contributions to its common equity capital; and

(2) the sale (other than to a Subsidiary of the Senior Notes Issuer) of Capital Stock (other than Disqualified Stock) of the Senior Notes Issuer,

in each case designated as "*Excluded Contributions*" pursuant to an Officer's Certificate of the Senior Notes Issuer (which shall be designated no later than the date on which such Excluded Contribution has been received by the Senior Notes Issuer), the net cash proceeds of which or property are excluded from the calculation set forth in the clause (c)(ii) of the covenant described under "*—Certain Covenants—Restricted Payments*" hereof; *provided that* to the extent any Excluded Contributions so designated are not utilized to make a Restricted Payment, such Excluded Contribution may be reclassified so as to allow the incurrence of Indebtedness incurred under clause (16) of the second paragraph of the covenant described above under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

"*Existing Senior Secured Notes*" means the €800.0 million aggregate principal amount of Senior Secured Notes issued by the Senior Secured Notes Issuer pursuant to the Existing Senior Secured Notes

Indenture, consisting of €500.0 million aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2022 (the "*Existing Senior Secured Fixed Rate Notes*") and €300.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2022.

"*Existing Senior Secured Notes Indenture*" means the indenture dated June 17, 2015 between, among others, the Senior Secured Notes Issuer and U.S. Bank Trustees Limited, as the trustee and the security agent, pursuant to which the Senior Secured Notes Issuer issued the Existing Senior Secured Notes.

"*Euroclear*" means Euroclear Bank SA/NV.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Union, and for the payment of which such member state of the European Union pledges its full faith and credit.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Senior Notes Issuer's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Senior Notes Issuer.

"*Finance Subsidiary*" means a wholly owned subsidiary that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Senior Notes Issuer or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid, capitalized or accrued (but excluding such interest on and expense associated with Subordinated Shareholder Debt), including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*

(2) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries to the extent actually paid by such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(3) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any Disqualified Stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Senior Notes Issuer or a Restricted Subsidiary, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current applicable tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Senior Notes Issuer.

In addition, for the purposes of calculating Fixed Charges, see the definition of Consolidated Leverage Ratio.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowing) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Senior Notes Issuer's Chief Financial Officer or a responsible financial or accounting officer of the Senior Notes Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, however, that the *pro forma* calculation shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*," or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions of business entities or property and assets constituting a division or line of business of any Person, acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by the Senior Notes Issuer's Chief Financial Officer or Chief Accounting Officer) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries which are Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest and such Indebtedness is to be given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

For the avoidance of doubt, the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness Incurred on the dates of determination pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

"*German Acquisition*" means the acquisition of the German Target by German BidCo pursuant to the German Acquisition Agreement.

"*German Acquisition Agreement*" means the sale and purchase agreement dated 27 June, 2015 by and among certain sellers identified therein and Ephios Acquisition GmbH, an indirect wholly-owned subsidiary of the Senior Notes Issuer, with respect to no less than 72.15% of the share capital of synlab Holding GmbH.

"*German Equity Contribution*" means the equity contribution to be made by the Sponsor to the Senior Notes Issuer in connection with the German Acquisition as described in this offering memorandum.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantors*" means the German Completion Date Guarantors, the Post-Completion Guarantors, the German Post-Completion Guarantors and any Person that subsequently becomes a Guarantor in accordance with the terms of the Senior Notes Indenture; *provided* that upon the release or discharge of such Person from its Senior Note Guarantee in accordance with the Senior Notes Indenture, such Person ceases to be a Guarantor unless such Person is required to provide a guarantee under the covenant described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*".

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means International Financial Reporting Standards as endorsed by the European Union and in effect on the date of any calculation or determination required hereunder.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than twelve months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

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 IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person to the extent guaranteed by such Person; *provided*, *however*, that in the case of Indebtedness secured by a Lien, the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith) by the Senior Notes Issuer and (b) the amount of such Indebtedness of such other Person.

The term "Indebtedness" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease of property which would be considered an operating lease under IFRS and any guarantee given by the Senior Notes Issuer or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Senior Notes Issuer or a Restricted Subsidiary under any operating lease;

(3) Contingent Obligations incurred in the ordinary course of business;

(4) in connection with the purchase by the Senior Notes Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on

the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 180 days thereafter;

(5) the avoidance of doubt, any contingent 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;

(6) deferred or prepaid revenues;

(7) obligations under or in respect of CICE Financing, Receivables Financings and CIR Financing and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due;

(8) prepayments of deposits received from clients or customers in the ordinary course of business;

(9) obligations under any license or permit or (or guarantees given in respect of such obligations) incurred prior to the Senior Notes Issue Date or in the ordinary course of business;

(10) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(11) Indebtedness in respect of the Incurrence by the Senior Notes Issuer or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Senior Notes Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond;

(12) Indebtedness incurred by the Senior Notes Issuer or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Senior Notes Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness;

(13) for the avoidance of doubt, any amounts payable to Oséo, Bpifrance Financement or other French governmental entities for CICE subsidies received; and

(14) any liability for Taxes.

"*Initial Public Offering*" means the first Public Offering of common stock or common equity interests of the Senior Notes Issuer or any Parent Entity (the "*IPO Entity*") following which there is a Public Market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Original Senior Secured Notes Issue Date made between, among others, the Senior Notes Issuer, the Trustee, Natixis, as facility agent under the Revolving Credit Facility, the lenders under the Revolving Credit Facility, and U.S. Bank Trustees Limited, as Security Agent, as amended, restated or otherwise modified or varied from time to time.

"*Investment Grade Status*" shall occur when the Senior Notes are rated Baa3 or better by Moody's and BBB− or better by S&P (or, if either such entity ceases to rate the Senior Notes, the equivalent investment grade credit rating from any other Rating Agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Senior Notes Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests 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 Senior Notes 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 Senior Notes Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". The acquisition by the Senior Notes Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Senior Notes Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". Except as otherwise provided in the Senior Notes Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*IPO Market Capitalization*" means an amount equal to (1) the total number of issued and outstanding shares of the common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (2) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*Management Advances*" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, managers, employees or consultants of the Senior Notes Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €5.0 million in the aggregate outstanding at any time.

"*Management Group*" means the group consisting of (i) any shareholders of the Target who reinvested in the Senior Notes Issuer or any Parent Entity all or part of its investment in the Target and (ii) persons who are or become officers or management personnel of Target or any Parent Entity, as applicable, and its Subsidiaries following the Completion Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "Permitted Holders"), or (in each case) family members thereof, or trusts, partnerships or limited liability companies for the benefit of any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Equity Interests of UK TopCo.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds received by the Senior Notes Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any Designated Non-cash Consideration or other consideration received in non-cash form or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale of such Designated Non-cash Consideration or other consideration received in non-cash form, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Senior Notes Issuer or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"*New Transactions*" means the transactions contemplated by the German Acquisition Agreement and as described in this offering memorandum under the heading "*Summary—The Transactions—The Synlab Acquisition*," including the issuance of the Senior Notes, entry into the amendment and restatement of the Revolving Credit Facility and the payment of related fees and expenses.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Senior Notes Issuer nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, the Chief Executive Officer, Chief Financial Officer, President, any manager, director, Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary of such Person or any other person that the board of directors of such Person shall designate for such purpose.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Senior Notes Issuer or any of its Subsidiaries.

"*Original Senior Secured Notes Issue Date*" means June 17, 2015.

"*Original Transactions*" means the transactions contemplated by the Acquisition Agreement and as described in this offering memorandum under the heading "*Summary—The Transactions—The Labco Acquisition*," including the issuance of the Existing Senior Secured Notes, entry into the Revolving Credit Facility and the payment of related fees and expenses.

"*Parent Entity*" means any direct or indirect parent company or entity of the Senior Notes Issuer.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) incurred by any Parent Entity in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Notes Indenture or any other agreement or instrument relating to Indebtedness of the Senior Notes Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the U.S. Securities Act or the U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Senior Notes Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Senior Notes Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent Entity in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Senior Notes Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, of the Senior Notes Issuer and its Restricted Subsidiaries by any Parent Entity, (c) any Taxes and other fees and expenses required to maintain such Parent Entity's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Entity and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Entity;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Senior Notes Issuer and its Subsidiaries or any Parent Entity or any other Person established for purposes of or in

connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Debt of the Senior Notes Issuer, in an amount not to exceed € 1.0 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Senior Notes Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; provided, however, that the amount of such payments in any fiscal year do not exceed the amount that the Senior Notes Issuer and its Subsidiaries would be required to pay in respect of such Taxes on a consolidated basis on behalf of an affiliated group consisting only of the Senior Notes Issuer and such Subsidiaries; and

(8) expenses incurred by any Parent Entity in connection with any public offering or other sale of Capital Stock or Indebtedness (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Senior Notes Issuer or a Restricted Subsidiary; (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Senior Notes Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Debt*" means (a) any Indebtedness of the Senior Notes Issuer that ranks equally in right of payment with the Senior Notes or (b) any Indebtedness of a Guarantor that ranks equally in right of payment to its Senior Note Guarantee.

"*Permitted Biologist Payments*" means the amount of dividends paid in cash in respect of the relevant period to Biologist Shareholders.

"*Permitted Business*" means (i) any business, services or activities engaged in by the Senior Notes Issuer or any of its Restricted Subsidiaries (including the Target and its Subsidiaries) on the Completion Date, and (ii) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof.

"*Permitted Collateral Liens*" means (x) Liens on the Senior Notes Collateral that are described in one or more of clauses (2), (3), (5), (6), (7), (8), (9), (14), (18) and (28) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the security interest in the Senior Notes Collateral; (y) Liens on the Senior Notes Collateral to secure the Senior Notes or the Senior Note Guarantees (including any Additional Senior Notes or guarantees of Additional Senior Notes) or any "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents; and (z) Liens on any Senior Debt or any Pari Passu Debt permitted to be incurred under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*", and any Permitted Refinancing Indebtedness in respect of such Indebtedness; *provided, however*, that, in each case, such Lien ranks equal or junior to Liens securing the Senior Notes and the Senior Note Guarantees (and junior to Liens securing the Senior Notes and the Senior Note Guarantees if the Lien secures Subordinated Indebtedness of the Senior Notes Issuer or the relevant Guarantor) (in each case including, for the avoidance of doubt, to distributions of proceeds from enforcement of the Senior Notes Collateral), except that (1) Liens on the Senior Notes Collateral (other than the SUN Only Collateral) in favor of Senior Debt incurred under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" may rank senior to Liens securing the Senior Notes and the Senior Note Guarantees, (2) a Lien securing Indebtedness ("*Refinancing Indebtedness*") need not rank equally with Liens in favor of other Indebtedness if such Refinancing Indebtedness was incurred to refinance Indebtedness and such unequal ranking is due solely to operation of law arising as a consequence of such refinancing and (3) lenders under any Credit Facilities may provide for any ordering of payments under the various tranches of such Credit Facilities. Permitted Collateral Liens shall include any extension, renewal or replacement, in whole or in part, of any Lien described in the immediately preceding sentence; *provided* that any such extension, renewal or replacement will be no more restrictive in any material respect than the Lien so extended, renewed or replaced and will not extend in any material respect to any additional property or assets. For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Senior Notes Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"*Permitted Holders*" means each of (i) the Equity Investors and any Affiliate or Related Person of any of them, (ii) the Management Group, and (iii) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which the Persons described in clauses (i) and/or (ii) are members; *provided* that, without giving effect to the existence of such group or any other group, the Persons described in clauses (i) and/or (ii), collectively, beneficially own Voting Stock representing more than 50% of the total voting power of the Voting Stock of the Senior Notes Issuer or any of its Parent Entities held by such group. Any Person or group, together with its Affiliates, whose acquisition of Beneficial Ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates (other than any Affiliate that is an operating portfolio company of any Person that is a financial sponsor), constitute an additional Permitted Holder.

"*Permitted Investments*" means:

(1) any Investment in the Senior Notes Issuer or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Senior Notes Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Senior Notes Issuer or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the Option of Holders—Asset Sales*";

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Senior Notes Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(6) Investments in receivables owing to the Senior Notes Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any CICE Financing, Receivables Financings and CIR Financing, including any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person;

(7) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(8) Investments in the Senior Notes (including any Additional Senior Notes) and any other Indebtedness of the Senior Notes Issuer or any Restricted Subsidiary;

(9) any guarantee of Indebtedness or performance and surety bonds not prohibited by the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" and loans, guarantees, keepwells and similar arrangements in the ordinary course of business, including guarantees of the obligations of, and loans to, franchisees;

(10) any Investment existing on, or made pursuant to binding commitments existing on, the Senior Notes Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Senior Notes Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Senior Notes Issue Date or (b) as otherwise permitted under the Senior Notes Indenture;

(11) Investments acquired after the Original Senior Secured Notes Issue Date as a result of the acquisition by the Senior Notes Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Senior Notes Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" after the Original Senior Secured Notes Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(12) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(13) any Investment to the extent made using as consideration Capital Stock of the Senior Notes Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity;

(14) Management Advances;

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of €35.0 million and 3.0% of Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause;

(16) Investments in joint ventures of the Senior Notes Issuer or any of its Restricted Subsidiaries not to exceed at any one time in the aggregate outstanding, the greater of €30.0 million and 2.5% of Total Assets; *provided*, that if any Investment pursuant to this clause (16) is made in any Person that is not a Restricted Subsidiary of the Senior Notes Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Senior Notes Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (16) for so long as such Person continues to be a Restricted Subsidiary; and

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), (a) minority Investments in any Person engaged in a Permitted Business and (b) Investments in joint ventures that conduct a Permitted Business; *provided that*, on the date of any such Restricted Investment, the Consolidated Leverage Ratio for the Senior Notes Issuer and its Restricted Subsidiaries does not exceed 4.25 to 1.0 on a *pro forma* basis after giving effect thereto.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Senior Notes Issuer will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

"*Permitted Liens*" means:

(1) Liens in favor of the Senior Notes Issuer or any of the Restricted Subsidiaries;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into, consolidated with, amalgamated with or otherwise combined with (including pursuant to any acquisition of assets and assumptions of related liabilities) the Senior Notes Issuer or any Restricted Subsidiary or Liens securing Indebtedness in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided* that such Liens do not extend to any assets other than those of the Person

that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Senior Notes Issuer or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers' compensation obligations, leases, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(5) (a) Liens existing on, or provided for or required to be granted under written agreements existing on, the Senior Notes Issue Date, after giving *pro forma* effect to the use of the proceeds of the Senior Notes and the Transactions as described in this offering memorandum and the offering memorandum relating to the Existing Senior Secured Notes or (b) with respect to the Target and its Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Completion Date;

(6) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as will be required in conformity with IFRS will have been made;

(7) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(8) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens created for the benefit of (or to secure) the Senior Notes (or any Senior Note Guarantee);

(10) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Senior Notes Indenture (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (26) of this definition); *provided*, *however*, that:

   (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

   (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under other applicable jurisdictions) in connection with operating leases in the ordinary course of business;

(14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Senior Notes Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Senior Notes Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(20) Liens on Receivables Assets or related assets incurred in connection with any CICE Financing, Receivables Financings and CIR Financing;

(21) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(23) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(24) 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;

(25) Liens on property at the time the Senior Notes Issuer, the Target or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Senior Notes Issuer, the Target or any Restricted Subsidiary; *provided* that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition and do not extend to any other property owned by the Senior Notes Issuer, the Target or any Restricted Subsidiary;

(26) Liens incurred with respect to Indebtedness that does not exceed the greater of €25.0 million and 2.0% of Total Assets at any one time outstanding;

(27) any interest or title of a lessor under any operating lease;

(28) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(29) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Senior Notes Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Senior Notes Issuer or any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by the Senior Notes Issuer or any Restricted Subsidiary; and

(30) Liens securing any Senior Debt.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Senior Notes Issuer will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Senior Notes Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Senior Notes Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Senior Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Senior Notes or any Senior Note Guarantee, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Senior Notes or such Senior Note Guarantee, as the case may be, on terms at least as favorable to the holders of Senior Notes or the Senior Note Guarantee, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(4) if the Senior Notes Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Senior Notes Issuer, a Finance Subsidiary or by a Guarantor.

"*Permitted Reorganization*" means (a) any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization (including reorganization of the shareholding structure of the Restricted Subsidiaries), winding up or corporate reconstruction involving the Senior Notes Issuer or any of its Restricted Subsidiaries (a "*Reorganization*") that is made on a solvent basis; *provided* that (1) any payments or assets distributed in connection with such Reorganization remain within the Senior Notes Issuer and its Restricted Subsidiaries and (2) if any shares or other assets form part of the Senior Notes Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Senior Notes Collateral and (b) any transaction contemplated by the Tax Structure Report, including any optional step.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pre-Expansion European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the U.S. Securities Act or (b) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the U.S. Securities and Exchange Commission ("*SEC*") for public resale.

"*Public Market*" means any time after:

(1) a Public Offering of the IPO Entity has been consummated; and

(2) at least 20% of the total issued and shares of common stock or common equity interests of the IPO Entity has been distributed to investors other than the Permitted Holders or their Related Parties or any other direct or indirect shareholders of the Senior Notes Issuer as of the Senior Notes Issue Date.

"*Public Offering*" means, with respect to any Person, a bona fide underwritten primary public offering of the shares of common stock or common equity interests of such Person, either:

(1) pursuant to a flotation on the main market of the London Stock Exchange or any other nationally recognized regulated stock exchange or listing authority in a member state of the Pre-Expansion European Union; or

(2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Senior Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Senior Notes Issuer as a replacement agency.

"*Receivables Assets*" means any assets (including receivables pursuant to CICE) that are or will be the subject of a Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any CICE Financing, Receivables Financing and CIR Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Senior Notes Issuer or any of its Subsidiaries pursuant to which the Senior Notes Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Restricted Subsidiary or a Receivables Subsidiary (in the case of a transfer by the Senior Notes Issuer or any of its Subsidiaries), or (b) any other Person, or may grant a security interest in, Receivables Assets, any accounts receivable (and related assets) (whether now existing or arising in the future) of the Senior Notes Issuer or any of its Subsidiaries, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions or invoice discounting involving accounts receivable, asset securitizations and invoice discounting facilities, and any Hedging Obligations entered into by the Senior Notes Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a CICE Financing, Receivables Financing and CIR Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary of the Senior Notes Issuer (or another Person formed for the purposes of engaging in a CICE Financing, Receivables Financing or CIR Financing with the Senior Notes Issuer in which the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer makes an Investment and to which the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer transfers Receivables Assets, accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Senior Notes Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Senior Notes Issuer (as provided below) as a Receivables Subsidiary.

"*Related Party*" means:

(1) any controlling stockholder, partner or member, or any 50% (or more) owned Subsidiary, or immediate family member (in the case of an individual), of any Equity Investor; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Senior Notes Issuer or any of the Senior Notes Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Debt;

(c) being a Holding Company, directly or indirectly, of the Senior Notes Issuer or any of the Senior Notes Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Senior Notes Issuer or any of the Isuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Senior Notes Issuer is permitted to make payments to any Parent Entity pursuant to "*—Certain Covenants—Restricted Payments*".

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Senior Notes Issuer that is not an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the credit agreement for an amount of up to €140.0 million entered into on or about the Original Senior Secured Notes Issue Date among, *inter alios*, the Senior Notes Issuer, certain lenders party thereto, and Natixis, as facility agent, as amended, restated or otherwise modified or varied from time to time and to which the Target and certain of its Subsidiaries will accede as "borrower" or "guarantor" on or after the Completion Date.

"*S&P*" means Standard & Poor's Ratings Group.

"*Security Documents*" means the security documents, pledge agreements and other instruments and documents executed and delivered pursuant to the Senior Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Senior Notes Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Senior Notes and the Trustee or notice of such pledge, assignment or grant is given.

"*Senior Debt*" means, whether outstanding on the Senior Notes Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, that Senior Debt will not include:

(a) any Indebtedness incurred in violation of the Senior Notes Indenture;

(b) any obligation of any Guarantor to any Restricted Subsidiary;

(c) any liability for taxes owed or owing by any Guarantor;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, guarantee or obligation of any Senior Notes Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of such Guarantor;

(f) Pari Passu Debt, Subordinated Indebtedness or Subordinated Shareholder Debt; or

(g) any Capital Stock.

"*Senior Note Guarantee*" means a guarantee by each Guarantor of the Senior Notes Issuer's obligations under the Senior Notes Indenture and the Senior Notes, executed pursuant to the provisions of the Senior Notes Indenture and subject to the provisions of the Intercreditor Agreement.

"*Senior Notes Collateral*" means the rights and assets securing the Senior Notes and the Senior Note Guarantees as described in the section entitled "*—Security*" and any rights or assets over which a Lien has been granted to secure the Obligations of the Senior Notes Issuer and the Guarantors under the Senior Notes, the Senior Note Guarantees and the Senior Notes Indenture.

"*Senior Notes Issue Date*" means August 6, 2015.

"*Senior Secured Notes*" means any notes issued by the Senior Secured Notes Issuer from time to time under the Senior Secured Notes Indenture.

"*Senior Secured Notes Indenture*" means the indenture dated June 17, 2015, between, among others, the Senior Secured Notes Issuer and U.S. Bank Trustees Limited, as the trustee and the security agent, as amended from time to time.

"*Senior Secured Notes Issuer*" means Ephios Bondco PLC.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Senior Notes Issuer or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Senior Notes Issuer.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; provided that giving *pro forma* effect thereto, the Consolidated Leverage Ratio (calculated on a gross basis) of the Senior Notes Issuer and the Restricted Subsidiaries would have been less than (1) 6.2 to 1.0 for any Change of Control occurring on or prior to the 18 month anniversary of the Completion Date or (2) 5.7 to 1.0 for any Change of Control occurring thereafter.

"*Sponsor*" means one or more investment funds advised or managed by Cinven Capital Management (V) Limited Partnership Incorporated in its capacity as general partner of such investment funds, acting through its general partner Cinven Capital Management (V) General Partner Limited, in each case (whether individually or as a group), Affiliates of the foregoing (but excluding any operating portfolio companies of the foregoing).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Senior Notes Issuer or any Subsidiary of the Senior Notes Issuer which are reasonably customary in securitization of receivables transactions.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Original Senior Secured Notes Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means (a) with respect to the Senior Notes Issuer, any Indebtedness of the Senior Notes Issuer which is by its terms subordinated in right of payment to the Senior Notes and (b) with respect to a Guarantor, any Indebtedness of such Guarantor which is by its terms subordinated in right of payment to its Senior Note Guarantee, *provided that* Subordinated Shareholder Debt is excluded from this definition.

"*Subordinated Shareholder Debt*" means, collectively, any debt provided to the Senior Notes Issuer by any direct or indirect parent of the Senior Notes Issuer or any Permitted Holder or Related Party, 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 Stated Maturity of the Senior Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Senior Notes Issuer (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 Stated Maturity of the Senior Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders 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 Stated Maturity of the Senior Notes;

(4) is not secured by a lien on any assets of the Senior Notes Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Senior Notes Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Senior Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets or pursuant to its terms or the terms of the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Senior Notes or compliance by the Senior Notes Issuer with its obligations under the Senior Notes and the Senior Notes Indenture;

(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 Senior Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Senior Notes Issuer,

provided, *however*, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Senior Notes Issuer, 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, *société d'exercice libéral* 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 of directors, managers or trustees 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); *provided that* any corporation, association or other business entity shall also be considered a Subsidiary if either (a)(i) such corporation, association or other business entity is organized under the laws of the Republic of France and is subject to limitations on the amount of 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 of directors, managers or trustees of the corporation, association or other business entity that may be held by persons other than laboratory doctors and (ii) such Person owns an amount equal to at least the lesser of 45% and the maximum percentage that such Person is permitted to hold under applicable law 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 of directors, managers or trustees of such corporation, association or other business entity, or (b) such corporation, association or

other business entity is consolidated in the financial statements of such Person according to the full consolidation method in accordance with applicable IFRS; and

(2) any partnership or limited liability company (other than entities covered by clause (1) of this definition) 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.

"*Tax*" means any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax) imposed by any government or other taxing authority.

"*Taxes*" and "*Taxation*" shall be construed to have corresponding meanings.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement (such as a French tax consolidation agreement (*convention d'intégration fiscale* relating to an *intégration fiscale* in accordance with article 223 A et seq. of the French *Code général des impôts*) with customary or arm's-length terms entered into with any Parent Entity or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Notes Indenture, and any arrangements or transactions made between the Senior Notes Issuer and/or any of its Subsidiaries and any Parent Entity in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent Entity to enable a Parent Entity to compensate the Senior Notes Issuer or such Subsidiary for losses incurred which may need to be compensated by a Parent Entity under any profit and loss pooling agreement).

"*Tax Structure Report*" means the tax structure memo dated June 9, 2015 and entitled "Project Zeus— Structure Report".

"*Temporary Senior Secured Notes*" means the €685.0 million aggregate principal amount of Temporary Senior Secured Notes that will be issued by the Senior Secured Notes Issuer pursuant to the Temporary Senior Secured Notes Indenture, consisting of €400.0 million aggregate principal amount of 6.25% Temporary Senior Secured Fixed Rate Notes due 2022 and €285.0 million aggregate principal amount of Temporary Senior Secured Floating Rate Notes due 2022.

"*Temporary Senior Secured Notes Indenture*" means the indenture dated the Senior Notes Issue Date between, among others, the Senior Secured Notes Issuer and U.S. Bank Trustees Limited, as the trustee and the security agent (in such capacity, the "*Security Agent*"), pursuant to which the Senior Secured Notes Issuer will issue the Temporary Senior Secured Notes.

"*Total Assets*" means the consolidated total assets of the Senior Notes Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Senior Notes Issuer, and may give *pro forma* effect to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition of "Consolidated Leverage Ratio".

"*Transactions*" means, collectively, the Original Transactions and the New Transactions.

"*UK TopCo*" means the entity defined as such elsewhere in this offering memorandum.

"*Unrestricted Subsidiary*" means any Subsidiary of the Senior Notes Issuer (other than the Senior Notes Issuer or any successor to the Senior Notes Issuer) that is designated by the Board of Directors of the Senior Notes Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that at the time of such designation such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—*Certain Covenants—Transactions with Affiliates*", is not party to any agreement, contract, arrangement or understanding with the Senior Notes Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Senior

Notes Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Senior Notes Issuer; and

(3) is a Person with respect to which neither the Senior Notes Issuer nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

"*Working Capital Intercompany Loan*" means any loan to or by the Senior Notes Issuer or any of its Restricted Subsidiaries to or from the Senior Notes Issuer or any of its Restricted Subsidiaries from time to time (1) for purposes of consolidated cash and tax management and working capital management and (2) for a duration of less than one year; *provided* that if such Working Capital Intercompany Loan exceeds the greater of €5.0 million and 0.5% of Total Assets, it shall be expressed to be Subordinated Indebtedness.

BOOK-ENTRY; DELIVERY AND FORM

General

Each series of Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Notes"). Each series of Notes sold outside the United States in reliance on Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Global Notes will be deposited, on the closing date, with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream, Luxembourg.

Ownership of interests in the Rule 144A Global Notes (the "Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Euroclear and Clearstream, Luxembourg will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book- Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, Luxembourg (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indentures. In addition, participants must rely on the procedures of Euroclear and Clearstream, Luxembourg, and indirect participants must rely on the procedures of Euroclear and Clearstream, Luxembourg and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indentures.

None of us, the Paying Agent, the Transfer Agent, the Registrar or the Trustees will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Definitive Registered Notes

Under the terms of the Indentures, owners of the Book-Entry Interests will receive definitive registered Notes in certificated form ("Definitive Registered Notes") only:

(1) if either Euroclear or Clearstream, Luxembourg notifies the relevant Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the relevant Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream, Luxembourg following an event of default under the applicable Indentures and enforcement action is being taken in respect thereof under such Indentures.

Euroclear and Clearstream, Luxembourg have advised the Issuers that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the relevant Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream, Luxembourg or the relevant Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the applicable Indenture, unless that legend is not required by the applicable Indentures or applicable law.

To the extent permitted by law, each of the Issuers, the Trustees, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of each of the Issuers, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, Luxembourg, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book- Entry Interests will be equal to the amount received by Euroclear and Clearstream, Luxembourg, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, Luxembourg, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream, Luxembourg will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate (including the pool factor); *provided, however, that* no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

Each of the Issuers will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the common depositary or its nominee for Euroclear and Clearstream, Luxembourg. The common depositary will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Senior Secured Notes—Additional Amounts*" and "*Description of the Senior Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Senior Secured Notes—Additional Amounts*" and "*Description of the Senior Notes—Additional Amounts*," we will pay additional amounts as may be necessary in order for the net amounts received after such deduction or withholding to equal the net amounts that would have otherwise been received, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indentures, each of the Issuers, the Trustees, the Transfer Agent, the Registrar and the Paying Agent will treat the registered holders of the Global Notes (i.e., the common depositary for Euroclear or Clearstream, Luxembourg (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the Trustee, the Paying Agent, the Transfer Agent or the Registrar, or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear or Clearstream, Luxembourg or any participant or indirect participant or for maintaining, supervising or reviewing the records of Euroclear or Clearstream, Luxembourg or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matters relating to the actions and practices of Euroclear, Clearstream, Luxembourg or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream, Luxembourg in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream, Luxembourg have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream, Luxembourg will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream, Luxembourg, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream, Luxembourg will be effected in accordance with Euroclear and Clearstream, Luxembourg's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream, Luxembourg and in accordance with the procedures set forth in the Indentures.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indentures) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indentures) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only as described under "*Description of the Senior Secured Notes—Transfer and Exchange*" and "*Description of the Senior Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indentures) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream, Luxembourg

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, Luxembourg, as applicable. We have provided the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we, the Initial Purchasers, the Trustee, the Paying Agent, the Registrar nor the Transfer Agent are responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream, Luxembourg: Euroclear and Clearstream, Luxembourg hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book- entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream, Luxembourg participant, either directly or indirectly.

Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream, Luxembourg system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream, Luxembourg systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream, Luxembourg participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream, Luxembourg currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuers, any Guarantor, the Initial Purchasers, the Trustees, the Transfer Agents, the Registrars or the Paying Agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream, Luxembourg and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Trustee's Powers

In considering the interests of the holders of Notes, while title to the Notes is registered in the name of a nominee of a clearing system, the relevant Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Notes and may consider such interests as if such accountholders were the holders of the Notes.

Enforcement

For the purposes of enforcement of the provisions of the Indentures against the relevant Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set forth in the Indentures to the extent of the principal amounts of their interests in the Notes set forth in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby or the Notes.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S.

We have not registered and will not register the Notes or the Guarantees under the U.S. Securities Act and, therefore, the Notes 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, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States in offshore transactions in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuers and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable state securities laws, and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, 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 state securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) It is not an "affiliate" (as defined in Rule 144) of the Issuers or acting on behalf of the Issuers and it is either:

(i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A, and the acquisition of Notes will be for its own account or for the account of another QIB; or

(ii) it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that none of the Issuers, the Guarantors, the Trustees, the Paying Agents, the Transfer Agents, the Registrars or the Initial Purchasers, or any person representing any of them, have made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us, the Issuers and its subsidiaries and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuers and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to

offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year after the later of the Issue Date and the last date on which the Issuers or any of their affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuers, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuers' and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) or (v) above to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Global Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF, AGREES 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 AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUERS, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE

FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE; AND AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(7) It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuers and the Registrar that the restrictions set forth therein have been complied with.

(8) It acknowledges that the Issuers, the Initial Purchasers, the Trustees, the Transfer Agents, the Registrars and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(9) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuers, any of the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

CERTAIN TAX CONSIDERATIONS

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE 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.

Tax Residents

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

Taxation if the Notes are held as private assets (Privatvermögen)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

Income

The Notes should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("ITA"—*Einkommensteuergesetz*).

Accordingly, payments of interest on the Notes should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than euro, the acquisition costs will be converted into euro at the time of acquisition, the sales proceeds will be converted into euro at the time of sale and the difference will then be computed in euro. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated October 9, 2012, as amended on, inter alia, December 9. 2014, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*) (i.e., should an Issuer become insolvent) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. The same shall apply where, based on an agreement with the depositary institution, the transaction costs are calculated on the basis of the sale proceeds taking into account a deductible amount.

German withholding tax (Kapitalertragsteuer)

With regard to savings earnings (*Kapitalerträge*) (e.g., interest or capital gains) German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "German Disbursing Agent") and such German Disbursing Agent credits or pays out the earnings.

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law (e.g., if the Notes had been transferred from a non-EU custodial account prior to the sale), withholding tax is applied to 30% of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (negative *Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

German withholding tax will be levied by a German Disbursing Agent at a flat withholding tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax. Church tax, if applicable, will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the tax return and will then be assessed to church tax.

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is €801 (€1,602 in the case of jointly assessed investors). Similarly, no withholding tax will be levied if the investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuers are not obliged to levy German withholding tax in respect of payments on the Notes.

Tax assessment

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and replace the investor's income taxation. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the tax return for church tax purposes.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375%—including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed investors the application can only be filed for savings income of both investors.

When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of €801 (€1,602 in the case of jointly assessed investors) will be deducted. The deduction of the actual income related expenses, if any, is excluded. That holds true even if the investor applies to be assessed on the basis of its personal tax rate.

Taxation if the Notes are held as business assets (Betriebsvermögen)

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductible.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

Non Tax Residents

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident person.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

Certain European Taxation Considerations

EU Savings Directive

On June 3, 2003, the European Council of Economic and Finance Ministers adopted Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "Savings Directive"). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States are required, since July 1, 2005, to provide to the tax authorities of another Member State, among other things, details of payments of interest within the meaning of the Savings Directive (interest, premium or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident or certain limited types of entities established in that other Member State (the "Disclosure of Information Method").

For these purposes, the term "paying agent" is defined widely and includes, in particular, any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of individuals. In the case at hand (i) the Issuer, (ii) Euroclear and Clearstream, Luxembourg, (iii) Euroclear's and Clearstream, Luxembourg's common depositary, (iv) Euroclear's and Clearstream, Luxembourg's common depositary's nominee or (v) another entity may be considered a paying agent within the meaning of the Savings Directive depending on (a) the legal status of (ii), (iii) and (iv) and (b) the modalities of the payments made to the holders of the Notes.

However, for a transitional period, Luxembourg and Austria, instead of using the Disclosure of Information Method used by other Member States, decided to withhold an amount of interest payments unless the relevant beneficial owner of such payment elects otherwise for the Disclosure of Information Method or the tax certificate procedure. As Luxembourg decided to apply automatic exchange of information as from January 1, 2015, Austria is the last Member State applying the withholding tax system. The rate of this withholding tax is currently 35%. A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information).

On March 24, 2014, the Council of the European Union adopted the EU Council Directive 2014/48/EU amending the Savings Directive and broadening the scope of the requirements described above. Member States are required to implement national legislation necessary to comply with this amending directive before January 1, 2016 and to apply these new requirements from January 1, 2017 (except Austria which has until January 1, 2018 to apply these new requirements). The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach may apply to payments made to or by, or secured for or by, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

Furthermore, the Council of the European Union gave a mandate to the EU Commission to negotiate amended savings tax agreements with Switzerland, Liechtenstein, Monaco, Andorra and San Marino to ensure that these five countries continue to apply measures that are equivalent to the Savings Directive, as amended. In March 2014, the European Council asked the EU Commission to continue the negotiations with a view to concluding them until the end of year 2014. The negotiations are still ongoing.

On October 14, 2014, the Council of the European Union agreed on a draft EU Council Directive extending the scope for the mandatory automatic exchange of information between tax administrations, in the form of an amendment to the existing EU Council Directive 2011/16/EU on administrative cooperation in the field of direct taxation.

On December 9, 2014, the Council of the European Union adopted the EU Council Directive 2014/107/EU (the "DAC Directive") amending the existing EU Council Directive 2011/16/EU on administrative cooperation. The DAC Directive brings interest, dividends and other income, as well as account balances and sales proceeds from financial assets, within the scope of the automatic exchange of information and intends to mirror the global standard of automatic information exchange agreed by the G20. Member States will have to begin the automatic exchange of information under the DAC Directive no later than end of September 2017. The DAC Directive entered into on January 5, 2015. Member States shall adopt and publish by December 31, 2015, their local laws, regulations and administrative provisions necessary to comply with the DAC Directive and apply it as from January 1, 2016. Given that the DAC Directive covers a wide scope of income and capital, including most of that covered by the Savings Directive, the Commission, as requested by the Council of the European Union, previously stated that they will now consider the repeal of the Savings Directive. However, depending on the timing of events, there may be a period where institutions need to report the same income under both directives.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

The Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

Prospective investors should inform themselves of, and where appropriate take advice from tax advisers on, the impact of the Savings Directive prior to taking an investment decision in the Notes.

The Proposed Financial Transactions Tax ("FTT")

On February 14, 2013, the European Commission published a proposal (the "Commission's proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "Participating Member States").

The Commission's proposal has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

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

Joint statements issued by ten of the Participating Member States indicate an intention to implement the FTT by January 1, 2016, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by January 1, 2016.

On October 31, 2014 and December 4, 2014 the President of the Council of the European Union issued reports addressed to such Council on the progress that has been made in relation to the project of introducing the FTT in the Participating Member States since the ECOFIN Council Meeting held on May 6, 2014. These reports include, *inter alia*, proposals for: (i) an exemption for transactions in listed shares of smaller companies which fall below a market capitalization threshold calculated by reference to the Participating Member State in question and (ii) the ability for Participating Member States to opt to tax transactions in non-listed shares of companies located in their jurisdiction (which would otherwise fall outside the FTT regime), marking progress towards introducing the tax on share transactions initially.

However, they acknowledge no consensus among Participating Member States on the types of derivatives which would fall within the FTT or on the application of the key "issuance" and "residence" principles in the collection of the FTT and in revenue allocation between Participating Member States.

The FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

General—Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under the Notes) it is possible that such payments may be subject to withholding tax at applicable rates, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Certain United Kingdom Taxation Considerations

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes and the stamp duty and stamp duty reserve tax considerations on the issue or transfer of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Holders of the Notes who are in any doubt as to their tax position should consult their professional advisors. Holders of the Notes who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Notes. In particular, holders of the Notes should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

For the purpose of the following summary, references to Notes are to the Temporary Senior Secured Notes, the Additional Senior Secured Notes, the Existing Senior Secured Notes and the Senior Notes.

UK Withholding Tax on UK Source Interest

Notes Listed on a Recognised Stock Exchange

The Notes issued by the Issuers which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. While the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the UK official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in EEA states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Global Exchange Market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

All Notes

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of UK income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on Notes issued by the Issuer (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the exemption described above.

Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

Other Rules Relating to United Kingdom Withholding Tax

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of UK income tax, holders of the Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" in the above mean "interest" as understood in UK tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Holders of the Notes should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in UK tax law. Where a payment on a Note does not constitute (or is not treated as) interest for UK tax purposes, and the payment has a UK source, it would potentially be subject to UK withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for UK tax purposes. In such a case, the payment may fall to be made under deduction of UK tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

The above description of the UK withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

Stamp Duty and Stamp Duty Reserve Tax

Provided that the Notes do not carry and will not at any time carry (i) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital and (ii) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, no UK stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on a transfer of, or agreement to transfer, full legal and beneficial ownership of any Note. The statement in relation to the transfer of, or agreement to transfer, the Notes assumes that neither legal nor covenant defeasance has been exercised at the time of the transfer of, or agreement to transfer, such Notes.

No UK stamp duty or stamp duty reserve tax should be payable on the automatic exchange, as set out in "*Description of the Temporary Senior Secured Notes*," of the Temporary Senior Secured Notes for Additional Senior Secured Notes on completion.

Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes and of the automatic exchange of the Temporary Senior Secured Notes for Additional Senior Secured Notes, and except for the discussion below under "*—Additional Notes*" and "*—Foreign Account Tax Compliance Act*," is only addressed to investors that are U.S. holders (as defined below). This discussion does not purport to be a complete analysis of all potential tax effects relating to an investment in the Notes. This summary deals only with Notes that are held as capital assets (generally, property held for investment) by an investor who acquires Notes upon original issuance at their "issue price," which is set out on the cover page of this offering memorandum).

For purposes of this discussion, a "U.S. holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations (the "Treasury Regulations") to be treated as a U.S. person.

This summary is based upon provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed Treasury Regulations promulgated thereunder, judicial authority, published administrative positions and procedures of the U.S. Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date of this offering memorandum. Changes in such rules, or new interpretations thereof, may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary and there can be no assurance that the IRS or a court will agree with our statements and conclusions or that a court would not sustain any challenge by the IRS in the event of litigation.

This summary is general in nature and does not purport to address all aspects of U.S. federal taxation or all tax considerations that may be relevant to a U.S. holder in light of its particular circumstances. In addition, it does not address the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, banks, financial institutions, individual retirement and other tax-deferred accounts, regulated investment companies, real estate investment trusts, S corporations, mutual funds, investors in partnerships or other pass-through entities for U.S. income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to a U.S. holder of the Notes whose "functional currency" is not the U.S. dollar;
- tax consequences to U.S. expatriates or entities covered by the U.S. anti-inversion rules;
- tax consequences to persons who are not U.S. holders (except for the discussion below under "*—Additional Notes*" and "*—Foreign Account Tax Compliance Act*");
- persons who are resident in any jurisdiction other than the United States or have a taxable presence therein;
- alternative minimum tax consequences, if any; or
- any U.S. federal tax consequences other than income taxation or any state, local or non-U.S. tax consequences.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partner and the partnership. If you are a partner of a partnership holding Notes, you should consult your own tax advisor.

The following discussion is for informational purposes only and is not a substitute for careful tax planning and advice. If you are considering the purchase of Notes, you should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under any other federal tax laws, under the laws of any other taxing jurisdiction or due to changes in tax law.

The automatic exchange of the Temporary Senior Secured Notes for Additional Senior Secured Notes will not be a taxable event for U.S. federal income tax purposes.

Additional Payments

We may be required to pay additional amounts if certain taxes are withheld or deducted from payments on the Notes (as described under "*Description of the Senior Secured Notes—Additional Amounts*" and "*Description of the Senior Notes—Additional Amounts*") or make additional payments in redemption of the Notes in addition to their stated principal amount and accrued interest (as described under "*Description of the Senior Secured Notes—Repurchase at the Option of Holders—Change of Control*" and "*Description of the Senior Notes—Repurchase at the Option of Holders—Change of Control*" and "*Description of the Senior Secured Notes—Optional Redemption*" and "*Description of the Senior Notes—Optional Redemption*"). Although the issue is not free from doubt, we intend to take the position that the possibility of paying such additional amounts, or making additional payments in redemption of the Notes, does not result in the Notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. If we become obligated to pay additional amounts, then we intend to take the position that such amounts will be treated as ordinary interest income and taxed as described under "*—Payments of Stated Interest*" below. If we become obligated to make additional payments in redemption, then we intend to take the position that such payments will be treated as additional proceeds and taxed as described under "*—Sale, Exchange or Retirement of Notes*." These positions will be based in part on our determination that, as of the date of the issuance of the Notes, the possibility that additional amounts will have to be paid, or additional payments in redemption of the Notes will have to be made, was a remote or incidental contingency within the meaning of the applicable Treasury Regulations.

Our determination that these contingencies are remote or incidental is binding on a holder, unless the holder explicitly discloses to the IRS on its tax return for the year during which such holder acquires the

Notes that it is taking a different position. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, a holder may be required to accrue interest income on the Notes based upon a comparable yield, regardless of its method of accounting. The "comparable yield" is the yield at which we would issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the Notes. In addition, any gain on the sale, exchange, redemption or other taxable disposition of the Notes would be recharacterized as ordinary income. Each holder should consult its own tax advisor regarding the tax consequences of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Payments of Stated Interest

Subject to the discussion below under "*—Pre-issuance Accrued Interest*" and "*—Amortizable Bond Premium*," stated interest on a Note will be included in the gross income of a U.S. holder as ordinary income at the time that such interest is accrued or received, in accordance with the holder's method of accounting for U.S. federal income tax purposes.

If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income the U.S. dollar value of the amount of stated interest received on the Notes, determined by translating the euros received at the "spot rate" on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. Under applicable Treasury Regulations, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency on the nearest conventional settlement date, generally two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate.

If you use the accrual method of accounting for U.S. federal income tax purposes or are otherwise required to accrue interest prior to receipt, you may determine the amount of income recognized with respect to such stated interest on the Notes in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the stated interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate stated interest income at the spot rate on (i) the last day of the accrual period, (ii) if the accrual period straddles your taxable year, the last day of the taxable year with respect to each partial accrual period or (iii) the date on which the stated interest payment is received if such date is within five business days of the end of the accrual period. This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the IRS. You should consult your own tax advisor as to the availability and advisability of making such election.

Upon receipt of a stated interest payment on a Note (including the receipt of proceeds that include amounts attributable to accrued interest previously included in income), a U.S. holder that uses the accrual method of accounting for tax purposes or is otherwise required to accrue interest prior to receipt generally will recognize U.S. source ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the euros received at the "spot rate" on the date such payment is received) and the U.S. dollar value of the stated interest income you previously included in income with respect to such payment.

You may be entitled to deduct or credit foreign taxes, if any, imposed on stated interest (including any additional amounts), subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your other applicable foreign taxes for a particular tax year). Stated interest income (including any additional amounts and without reduction for any amounts withheld) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. You generally will be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex and this paragraph discusses those rules only at a high level of generality. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Pre-Issuance Accrued Interest

A portion of the price paid for the Temporary Senior Secured Notes may be allocable to interest that accrued prior to the date the Note is purchased (the "**pre-issuance accrued interest**"). The Senior Secured Issuer intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to the pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the Note. Based on this treatment, a U.S. holder's basis in the Note will not include the portion of the purchase price allocable to the pre-issuance accrued interest and, amounts treated as a return of pre-issuance accrued interest should not be taxable when received (except that a U.S. holder generally would be required to recognize exchange gain or loss, as discussed below, in an amount equal to the difference, if any, between the U.S. dollar value of the pre-issuance accrued interest at the time of purchase and at the time the payment of such pre-issuance accrued interest is received, as determined at the spot rate in effect on each such date). U.S. holders should consult their tax advisors with regard to the tax treatment of the pre-issuance accrued interest on the Notes.

Amortizable Bond Premium

If a U.S. holder purchases a Note for an amount (not including any amount paid for pre-issuance accrued interest, as discussed above) that exceeds the amount payable at maturity, the U.S. holder will be considered to have purchased the Note with amortizable bond premium equal in amount to such excess. The U.S. holder may elect to amortize this premium, using a constant yield method, over the remaining term of the Note as an offset to stated interest. A U.S. holder who elects to amortize bond premium may recognize exchange gain or loss each period equal to the difference between the U.S. dollar value of bond premium with respect to such period determined on the date the interest attributable to such period is received and the U.S. dollar value of such amortized bond premium determined on the date of the acquisition of the relevant Notes. A U.S. holder who elects to amortize bond premium must reduce its tax basis in the 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 U.S. holder and may be revoked only with the consent of the IRS. If a U.S. holder does not elect to amortize bond premium, that premium will decrease the gain or increase the loss such U.S. holder would otherwise recognize on the disposition of the Note.

The Notes are subject to call provisions at our option at various times. A U.S. holder will calculate the amount of amortizable bond premium based on the amount payable on an applicable call date if the use of the call price and the call date results in a smaller amortizable bond premium for the period before the call date. In the event that we do not exercise our call rights on such call date, solely for purposes of calculating amortizable bond premium, the Note generally should be treated as reissued on the call date for the call price, and the U.S. holder will recalculate the amount of any amortizable bond premium on such Note pursuant to the principles described above. The foregoing rules may eliminate, reduce or defer any amortization deductions.

You should consult your own tax advisor regarding the existence of bond premium and the application of these rules.

Additional Notes

Each Issuer may issue additional Notes as described under "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*." These Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the additional Notes may be considered to have original issue discount which may affect the market value of the original Notes, if the additional Notes are not otherwise distinguishable from the original Notes.

Sale, Exchange or Retirement of Notes

If you sell or exchange a Note, or if a Note that you hold is retired, you generally will recognize gain or loss equal to the difference between the amount you realize on the transaction (less any amount attributable to accrued but unpaid interest which, to the extent you have not previously included it in income, will be subject to tax in the manner described under "*—Payments of Stated Interest*" and any amount attributable to pre-issuance accrued interest) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note generally will equal the U.S. dollar value of your purchase price for the Note on the date of such purchase decreased by any bond premium previously amortized on the Note and by the portion of the purchase price allocable to any pre-issuance accrued interest and by the aggregate amount of any payments (other than stated interest) on such Note previously made to you. If you sell or exchange a Note for euros, or receive euros on the retirement of a Note, the amount you will realize for U.S. federal income tax purposes generally will be the U.S. dollar value of the euros that you receive on the date of such sale, exchange or retirement. If the Note is traded on an established securities market, a cash-basis U.S. holder (or, if it so elects, an accrual-basis U.S. holder) will determine the U.S. dollar value of euros paid or received by translating such amount at the spot rate of exchange on the settlement date of the purchase. Any such election made by an accrual-basis U.S. holder must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to foreign currency gain or loss, any gain or loss that you recognize on the sale, exchange or retirement of a Note generally will be U.S.-source capital gain or loss, and will be long-term capital gain or loss if you have held the Note for more than one year on the date of disposition. Long-term capital gains of individuals generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Despite the foregoing, gain or loss that you recognize on the sale, exchange or retirement of a Note generally will be treated as U.S.-source ordinary income or loss to the extent that the gain or loss is exchange gain or loss with respect to the principal of such Note. For these purposes, the principal amount of the Note is your purchase price and the amount of exchange gain or loss recognized generally will be equal to the difference between (i) the U.S. dollar value of your purchase price for the Note, decreased by any amortized bond premium, calculated in euros as of the date of such sale, exchange or retirement and (ii) the U.S. dollar value of your purchase price for the Note, decreased by any amortized bond premium, calculated as of the date you purchased the Note (or, in the case of a cash-basis or electing accrual-basis U.S. holder, the settlement dates of such purchase and taxable disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). The amount of exchange gain or loss (including with respect to accrued interest) will be limited to the amount of overall gain or loss realized on your disposition of the Note.

Exchange of Foreign Currencies

A U.S. holder's tax basis in the euro received as interest on a Note will be the U.S. dollar value of such euro at the spot rate in effect on the date that the euro are received. On the sale, exchange or retirement of a Note, if the Notes are traded on an established securities market, a cash-basis or electing accrual-basis U.S. holder will have a basis in the euro received equal to the U.S. dollar value of such euro at the spot rate in effect on the settlement date of such sale, exchange, or retirement (that is, the same date that the euro are valued for purposes of determining the amount realized on the Note). In all other cases, since the amount realized is based on the spot rate in effect on the date of the sale, exchange or retirement of the Note, (i) the U.S. holder will realize foreign exchange gain or loss to the extent the U.S. dollar value of the euro received (based on the spot rate in effect on the date of receipt) differs from the U.S. dollar value of the euro on the date of the sale, exchange, or retirement of the Note, and (ii) the U.S. holder's basis in the euro received will equal the U.S. dollar value of the euro, based on the spot rate in effect on the date of receipt. Any gain or loss recognized by a U.S. holder on a sale, exchange or other disposal of the euro will be ordinary income or loss and generally will be U.S. source income or loss for U.S. foreign tax credit purposes.

Reportable Transactions

You may be subject to reporting requirements with respect to your investment in the Notes on IRS Form 8886 (Reportable Transaction Disclosure Statement) if you recognize foreign currency exchange loss that exceeds certain threshold amounts. You are urged to consult your own tax advisor to determine the reporting obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886.

Foreign Financial Asset Reporting

Certain U.S. holders (including individuals) are subject to reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts. The Notes are expected to constitute foreign financial assets subject to these requirements, unless the Notes are held in an account at certain financial institutions. U.S. holders should consult their tax advisors regarding the application of this legislation.

Medicare Contribution Tax

Certain U.S. holders that are individuals, estates or trusts will be required to pay up to an additional 3.8% tax on interest and capital gains. You are urged to consult your own tax advisor regarding the effect, if any, of such additional tax on your ownership and disposition of the Notes.

Backup Withholding and Information Reporting

Payments in respect of the Notes that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding at a rate of 28% unless you (i) properly establish you are a corporation or other exempt recipient or (ii) in the case of backup withholding, provide an accurate taxpayer identification number and certify that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability. You may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on debt instruments and the gross proceeds from the disposition of such debt instruments, unless the recipient of payments or gross proceeds establishes an exemption from such tax. However, the application of these rules is not clear. If the Issuers were treated as a foreign financial institution, Notes issued on or prior to the date that is six months after the date on which applicable final regulations are filed generally would be "grandfathered" unless materially modified after such date. No such regulations have yet been issued. Accordingly, even if withholding under FATCA were otherwise potentially applicable to payments on or with respect to the Notes, such withholding will not apply to those payments under the grandfathering rules, unless the Notes were materially modified after the applicable date. However, if additional Notes are issued after the expiration of the grandfathering period, such additional Notes have the same ISIN or common code as the Notes, and such additional Notes are subject to withholding under FATCA, then withholding agents may treat all Notes, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that may alter the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

Set forth below is a summary of certain limitations on the enforceability of the guarantees and the security interests, and a summary of certain insolvency law considerations in each of the jurisdictions in which the Issuers and Guarantors are organized. This is a summary only, and bankruptcy, insolvency or similar proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the guarantees and the security interests on the Collateral.

European Union

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, as amended from time to time (the "EU Insolvency Regulation"), the court that shall have jurisdiction to open main insolvency proceedings in relation to a company is the court of the EU Member State 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 EU Member States may have differing and even conflicting views (note that the EU Regulation does not apply in Denmark).

The term "centre of main interests" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "centre of main interests" in the EU 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 where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests."

If the "centre of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Main insolvency proceedings opened in one EU Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States. Under Article 3(2) of the EU Insolvency Regulation, the courts of an EU Member State where the company does not have its "center of main interest" have jurisdiction to open "territorial proceedings" or "secondary proceedings" only in the event that such debtor has an "establishment" in the territory of such other EU Member State. The effects of secondary proceedings are restricted to the assets of the debtor situated in the territory of such other EU Member State. If the company does not have an establishment (within the meaning of Article 2(h) of the EU Insolvency Regulation) in any other EU Member State, no court of any other EU Member State has jurisdiction to open territorial or secondary proceedings in respect of such company under the EU Insolvency Regulation. In the event that any one or more of the Issuers, the Guarantors or any of the Issuer's subsidiaries experience financial difficulties, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuers and the Guarantors.

Where main proceedings have been opened in the EU Member State in which the company has its "centre of main interests" any proceedings opened subsequently in another EU Member State in which the company has an establishment (secondary proceedings) are limited to "winding-up proceedings" listed in Annex B of the EU Insolvency Regulation. Where main proceedings in the EU Member State in which the company has its "centre of main interests" have not yet been opened, territorial insolvency proceedings can only be opened in another EU Member State where the company has an establishment where either (i) insolvency proceedings cannot be opened in the EU Member State in which the company's "centre of main interests" is situated under that EU Member State's law; or (ii) the territorial insolvency proceedings are opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other EU Member State where the establishment is situated or whose claim arises from the operation of that establishment.

The courts of all EU Member States must recognize the judgment of the court opening main proceedings which will be given the same effect in the other EU Member States so long as no territorial proceedings have been opened there. The liquidator appointed by a court in a EU Member State that has jurisdiction to open main proceedings (because the company's "centre of main interests" is there) may exercise the powers conferred on him or her by the law of that EU Member State in another EU Member State (such as to remove assets of the company from that other EU Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other EU Member State nor any preservation measure to the contrary has been taken there further to a request for the opening of insolvency proceedings in that other EU Member State.

The EU Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "New EU Insolvency Regulation") which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017. The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, in the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in another member state than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other member state. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

Austria

Insolvency

Certain Guarantors are organized under the laws of Austria and may have their centre of main interest in Austria or assets located in Austria (each, an "Austrian Guarantor"). Consequently, any insolvency proceedings with respect to these Guarantors will therefore likely be opened in Austria and governed by the Austrian Insolvency Code (*Insolvenzordnung, IO*). The insolvency laws of Austria and, in particular, the provisions of the Austrian Insolvency Code, may not be as favorable to creditors as the insolvency laws of other jurisdictions, and hence may limit the ability of creditors 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 Austria.

The Austrian Insolvency Code

The Austrian Insolvency Code regulates (i) bankruptcy proceedings (*Konkursverfahren*) in which the debtor's assets or business as a whole are sold and the proceeds are distributed among its creditors, after the deduction of the costs of the proceedings and the insolvency administrator, and (ii) restructuring proceedings (*Sanierungsverfahren*) which enable the debtor to discharge its liabilities by quota payments and to continue its activities under certain conditions.

A court is required to open insolvency proceedings upon application by the debtor or a creditor, if it can be satisfactorily shown that the relevant company is (i) insolvent (*zahlungsunfähig*), i.e., in principle, unable to pay its debts as and when they fall due, or (ii) over-indebted in terms of insolvency law (*insolvenzrechtlich überschuldet*), which is generally the case, if the company's liabilities exceed its assets at liquidation values under Austrian GAAP on a standalone basis and if there is a negative forecast on the company's future survival (negative going-concern prognosis (*negative Fortbestehensprognose*)), provided that the insolvency estate's value is sufficient to cover at least the costs of the insolvency proceedings. A court may also open restructuring proceedings (*Sanierungsverfahren*), if the risk of the debtor's inability to pay its debts is at least imminent (*drohende Zahlungsunfähigkeit*) and the debtor files an application for the opening of such proceedings.

Depending on whether or not an acceptable restructuring plan (*Sanierungsplan*) is presented together with the application for the opening of insolvency proceedings, the court will designate the insolvency proceedings as restructuring proceedings (*Sanierungsverfahren*) or bankruptcy proceedings (*Konkursverfahren*). If the debtor applies for the opening of insolvency proceedings in the form of restructuring proceedings and presents an acceptable restructuring plan (*Sanierungsplan*) that offers a quota of at least 20% to the unsecured creditors payable within a maximum of two years (in case of entrepreneurs), the insolvency proceedings will be designated as restructuring proceedings. A debtor may also present a restructuring plan in the course of bankruptcy proceedings; however, if the restructuring plan is presented after the opening of the proceedings, the relevant proceedings will continue to be designated as bankruptcy proceedings. If the debtor applies for the opening of insolvency proceedings and presents qualified documents together with a restructuring plan offering a quota of at least 30% to the unsecured creditors payable within a maximum of two years, it is entitled to self-administration (*Sanierungsverfahren mit Eigenverwaltung unter Aufsicht eines Verwalters*). The entitlement may be withdrawn, if, for example, negative effects on the creditors' positions can be expected.

A restructuring plan generally intends to discharge the debtor from a portion of its debts (up to 80%) and to enable the debtor to continue its business activities. The restructuring plan requires the approval of a qualified simple majority of the unsecured creditors (*Insolvenzgläubiger*) (i.e., the majority of all unsecured creditors present at the hearing, provided that the total sum of these creditors' claims amounts to more than 50% of the unsecured claims present at the hearing). If the restructuring plan is accepted by the creditors, confirmed by the court and fulfilled by the debtor, the latter is released from the remainder of its debts. If the implementation of a restructuring plan fails, the insolvency proceedings will be continued as bankruptcy proceeding.

Unless the debtor meets the requirements for self-administration, the debtor may no longer dispose of the assets subject to insolvency, i.e., the insolvency estate (*Insolvenzmasse*), following the opening of the insolvency proceedings. In this case, the court appoints an insolvency administrator (*Insolvenzverwalter*), and, if necessary in light of the specifics or size of the debtor's business or in case certain legal requirements are met (e.g., the intended sale of the entire business of the debtor), a creditors' committee (*Gläubigerausschuss*) to assist the insolvency administrator. The opening of the proceedings takes effect as of 0:00 a.m. on the day following the publication of the insolvency order (*Insolvenzedikt*) in the Austrian electronic Insolvency Register (*Ediktsdatei*). Following the opening of insolvency proceedings without self-administration (i.e., bankruptcy proceedings or restructuring proceedings without self-administration), any legal acts of the debtor in relation to its estate take no effect towards creditors and only the insolvency administrator is entitled to act on behalf of the debtor's estate. The insolvency administrator's main task is to administer and realize the assets of the insolvent's estate. The insolvency administrator is generally required to continue the debtor's business in order to enable a potential reorganization of the debtor's business either by implementing the debtor's restructuring plan or by a sale of the debtor's business or assets. If neither a restructuring plan nor the sale of the debtor's business or assets is possible, the insolvency administrator will dissolve the company and the bankruptcy proceedings will ultimately lead to the sale and distribution of the debtor's assets, with the debtor remaining liable for its residual debts.

If the debtor meets the requirements for self-administration, the debtor is monitored by a court appointed restructuring administrator (*Sanierungsverwalter*). Certain transactions are reserved to the restructuring administrator.

Unsecured creditors must file their claims with the competent court within the time period prescribed by the court order regarding the opening of insolvency proceedings. At the so-called examination hearing (*Prüfungstagsatzung*), which is held at the competent court, the insolvency administrator is required to declare whether he acknowledges or contests the filed claims. If the insolvency administrator acknowledges a creditor's claim, the relevant creditor is entitled to participate in the insolvency proceedings, which means that the creditor will finally receive the quota that is distributed to the unsecured creditors. If the insolvency administrator contests a creditor's claim, the creditor is required to assert its claim in civil proceedings in order to maintain its right to participate in the insolvency proceedings.

In the insolvency proceedings, claims of unsecured creditors that were created before the opening of the proceedings rank *pari passu*. Wages and salaries are not, as such, privileged or preferential claims under Austrian insolvency law, and the same generally applies to taxes and social security contributions. Any claims against the debtor's estate that lawfully came into existence after the opening of the proceedings (including the costs of the insolvency proceedings), so-called privileged claims (*Masseforderungen*), or claims that are secured by collateral (such as by a mortgage, a pledge over bank accounts or shares, a pledge or an assignment of receivables for security purposes or a pledge or security transfer of moveable assets), as well as so-called preferential claims (*Absonderungsrechte*), enjoy priority in the insolvency proceedings.

Creditors who are entitled to preferential treatment may only participate in the pro rata distribution to the extent that (i) the proceeds from the realization of the assets charged to them do not cover their claims or (ii) they have waived their right to preferential treatment. Secured creditors do not have a voting right on the restructuring plan to the extent their claim is covered by security.

Generally, creditors who have a right to request the separation of assets (*Aussonderungsberechtigte*), such as creditors who have retained title to assets of the debtor (*Eigentumsvorbehalt*) in a situation where the insolvency administrator does not choose to perform the contract, remain unaffected by the opening of insolvency proceedings. They may, however, be barred from exercising their rights for a maximum period of six months following the opening of the insolvency proceedings, if the exercise of such rights would endanger the continuance of the debtor's business (unless the ban causes severe personal or economic damage to the privileged creditor and the monetization of other assets of the debtor has not (or is likely to not) fully satisfy such creditor's claims). The same applies to secured creditors of preferential claims (*Absonderungsberechtigte*).

Once formal proceedings have been opened, it is no longer possible to obtain an execution lien. All execution proceedings against the debtor are stayed (*Vollstreckungssperre*). Execution liens obtained within the last 60 days before formal proceedings were opened expire.

Section 25a paragraph 1 of the Austrian Insolvency Code provides that, for a period of six months from the opening of the insolvency proceedings, contractual partners of the debtor may only terminate contracts for cause. In this context, the deterioration of the economic situation or the lack of timely performance by the debtor prior to the opening of insolvency proceedings is not considered as sufficient cause. This restriction only applies if the termination of a contract would jeopardize the continuation of the debtor's business. No restrictions apply in certain circumstances, including if the termination of a contract is necessary to prevent the other party from suffering severe personal or economic damage or if the debtor fails to timely perform its contractual obligations after the opening of the insolvency proceedings.

Pursuant to section 25b paragraph 2 of the Austrian Insolvency Code, a contractual provision that entitles the other party to withdraw from an agreement or that provides for automatic termination in the event of the opening of insolvency proceedings is not enforceable (with the exception of close-out netting arrangements).

Powers of attorney granted by the insolvent debtor terminate automatically upon the opening of insolvency proceedings.

The Right of Avoidance (Contestation) in the Event of Insolvency Proceedings

Legal actions and legal transactions that were made within certain suspect periods prior to the opening of insolvency proceedings may be subject to an avoidance claim pursuant to the avoidance rules of the Austrian Insolvency Code. In general, the requirements for avoidance are: (i) the avoidance must result in an increase of the insolvency estate (*Befriedigungstauglichkeit*); (ii) the challenged legal action or challenged legal transaction must have caused a direct or indirect discrimination of the other creditors (*Gläubigerbenachteiligung*); and (iii) the avoidance claim generally must be filed by the insolvency administrator within one year after the opening of the insolvency proceedings at the latest.

In particular, the following legal transactions and legal acts are voidable:

- Avoidance on the grounds of intent to discriminate (*Anfechtung wegen Benachteiligungsabsicht*): Transactions within 10 years prior to the opening of insolvency proceedings that were made with the intention to discriminate other creditors may be challenged if the other party was aware of the debtor's intention to discriminate other creditors. If the other party was not aware but should have been aware of the debtor's intention to discriminate its other creditors, the period is shortened to two years prior to the opening of the insolvency proceedings. If the legal act was concluded with or for the benefit of a close relative (relatives, in-laws), the affected relative must either evidence that the debtor did not intend to discriminate its creditors, or that the close relative itself was neither aware nor should have been aware of any such intention. If the debtor is a legal entity that can sue and be sued, members of its management and supervisory bodies, shareholders with unlimited liability as well as shareholders pursuant to section 5 of the Austrian Act on Equity Replacements (*Eigenkapitalersatzgesetz, EKEG*) (i.e., in particular shareholders controlling the debtor or holding a stake of at least 25% or other persons who are not shareholders but exercise a dominant influence comparable to a majority shareholder) are deemed to be close relatives. The same applies to any person who was a "relative" in the year preceding the opening of insolvency proceedings.
- Avoidance on the grounds of squandering assets (*Anfechtung wegen Vermögensverschleuderung*): Certain contracts, including purchase, supply and exchange contracts, entered into by the debtor within one year prior to the opening of insolvency proceedings, that are considered a squandering of assets at the expense of other creditors, may be challenged if the counterparty to the contract was or should have been aware of such squandering. Squandering of assets is assumed if an obvious incongruity exists between performance and consideration.
- Avoidance of transactions with no consideration and analogous transactions (*Anfechtung wegen unentgeltlicher und ihnen gleichgestellter Verfügungen*): Dispositions of the debtor that were made free of charge or are equivalent to such dispositions within two years prior to the opening of insolvency proceedings may be challenged. A disposition free of charge requires that the disposing person acts with the intention to not receive any consideration in return. The disposition amounts to a sacrifice by the debtor. Examples for such dispositions are: donations, acknowledgement of a debt, security for liabilities, and payment of someone else's debt.
- Avoidance on the grounds of preferential treatment (*Anfechtung wegen Begünstigung*): The payment of a creditor's claims or the granting of security to a creditor (*Befriedigung oder Sicherstellung*) by the insolvent debtor (i) after its material insolvency or (ii) after the filing of an application for the opening of insolvency proceedings or (iii) within 60 days prior to each may be avoided if (i) the creditor obtained a security or satisfaction to which it was not (or was not in that way or at that time) entitled to, unless it was not favored by this transaction in comparison to other creditors (objective preferential treatment) or (ii) the transaction was entered into for the benefit of a close relative (as described above), unless such relative did not know and should not have known of the debtor's intention of preferential treatment or (iii) the transaction was entered into for the benefit of any other creditor who knew or should have known of the debtor's intention to favor him or her (subjective preferential treatment). Material insolvency means inability to pay debts as and when they fall due (*Zahlungsunfähigkeit*) or over-indebtedness in terms of insolvency law (*insolvenzrechtliche Überschuldung*). Objective preferential treatment does not require any subjective elements on part of the counterparty. In particular, the counterparty's knowledge of the debtor's financial condition is irrelevant. Subjective preferential treatment requires the debtor's intention and the creditor's knowledge of the debtor's intention to favor a creditor. Transactions carried out more than one year before the opening of the insolvency proceedings may not be contested on the grounds of preferential treatment. In case of transactions to the benefit of close relatives, the insolvency administrator, in particular, benefits from certain reliefs regarding burden of proof.
- Avoidance on the grounds of knowledge of insolvency (*Anfechtung wegen Kenntnis der Zahlungsunfähigkeit*): Any of the following actions carried out by an insolvent debtor after becoming effectively insolvent or filing for the opening of insolvency proceedings may be challenged: (i) payment by the debtor of claims of a close relative or a particular insolvency creditor or the granting of a security to any of these persons and (ii) transactions concluded with any other person or a close relative that are considered disadvantageous to other creditors. A transaction is considered disadvantageous if it reduces the likelihood that other creditors' claims will be satisfied.

Each of the above-mentioned actions may be challenged if the debtor's counterparty knew or should have known that the debtor was effectively insolvent or that an insolvency petition was pending. However, if a transaction is only indirectly disadvantageous to creditors (*mittelbare Nachteiligkeit*), the disadvantageous nature of the transaction to the insolvency estate must have also been objectively foreseeable at the time of the transaction. Objective foreseeability is assumed, in particular, if the transaction involves a restructuring plan that is obviously flawed (*offensichtlich untaugliches Sanierungskonzept*). A transaction is considered indirectly disadvantageous if the transaction is objectively balanced, i.e., not directly disadvantageous but the transaction nonetheless lowers the recovery rate of creditors. If the debtor's counterparty is a close relative of the debtor, the burden of proof lies with such close relative. Transactions carried out more than six months before the opening of the insolvency proceedings may not be contested on the grounds of knowledge of insolvency.

In addition to the possibility of the insolvency administrator avoiding transactions in accordance with the Austrian Insolvency Code, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any transactions in accordance with the Austrian Avoidance Act (*Anfechtungsordnung, AO*) outside of formal insolvency proceedings. The conditions for such action vary to a certain extent from the rules described above, and the avoidance periods are calculated from the date when such other creditor exercises its rights of avoidance in the courts.

The Austrian Business Reorganization Act

The rights of creditors may also be affected by the Austrian Business Reorganization Act (*Unternehmensreorganisationsgesetz, URG*). The Austrian Business Reorganization Act regulates the reorganization of companies in temporary financial distress in order to enable them to continue to do business after having undergone a reorganization procedure. Only the relevant company itself may apply for the opening of a reorganization procedure, provided, however, that it is still solvent at the time of its application. The relevant criteria for the opening of a business reorganization procedure are (i) an equity ratio (*Eigenmittelquote*) of less than 8% and a fictitious duration of debt redemption (*fiktive Schuldentilgungsdauer*) of more than 15 years, in each case as defined in the Business Reorganization Act. Pursuant to the Austrian Business Reorganization Act, a contractual provision that entitles the other party to withdraw from an agreement or that provides for its automatic termination in the event of the opening of reorganization proceedings is not enforceable.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

The granting and enforcement of a guarantee or a security interest by an Austrian limited liability company (*Gesellschaft mit beschränkter Haftung*) or Austrian stock corporation (*Aktiengesellschaft*) is limited by strict capital maintenance rules imposed by Austrian corporate law, including the Austrian Act on Limited Liability Companies (*Gesetz über Gesellschaften mit beschränkter Haftung, GmbHG*) and the Austrian Stock Corporation Act (*Aktiengesetz, AktG*). These rules protect the assets of an Austrian corporation for the benefit of its respective creditors. The entire set of corporate assets, including those exceeding the stated capital, is subject to the capital maintenance rules. Disbursments of assets to shareholders by an Austrian corporation may only be made in explicitly specified circumstances. The most important of these explicitly specified exceptions is the shareholders' right to receive dividends up to the amount of net profits set forth in the approved annual standalone financial statements under Austrian GAAP and provided that (i) such payments are not prohibited by law or by the respective company's articles of association and (ii) the shareholders have resolved on the disbursement of such dividend payment. An Austrian company may not make any other asset-reducing payments to a group company (not being a direct or indirect 100% subsidiary), except (i) in the context of repayments within the scope of stated capital decreases, or (ii) payments and other consideration within the scope of permitted arm's length transactions. Any contribution or payment to an affiliated company (other than a direct or indirect 100% subsidiary) or to a third party for the benefit of such an affiliated company without an adequate consideration would be considered as a violation of the Austrian capital maintenance rules.

A violation of Austrian capital maintenance rules by an Austrian company would, as a prohibited repayment of equity (*verbotene Einlagenrückgewähr*), generally result in the invalidity and unenforceability of the relevant transaction between that subsidiary and the shareholder or, as applicable, affiliated company in question and, under certain circumstances, in the invalidity and unenforceability of the relevant transaction between an Austrian company and the third party (e.g., financing bank) in case an Austrian company has provided an upstream or cross stream guarantee or a security interest for the benefit of such third party for the financing to the parent company. According to established case law and unanimous doctrine, the creation of personal security (such as guarantees) or security interest (such as a pledge over shares or bank accounts) securing obligations of other group companies constitutes such a benefit for the third party (e.g., financing bank) within the meaning of the above interpretation and may, hence, violate Austrian capital maintenance rules.

Under the Austrian Supreme Court case law upstream and cross-stream guarantees/collateral would only be in compliance with the Austrian capital maintenance rules provided that the corporate bodies of an Austrian corporation are satisfied, acting reasonably, that such up-stream and cross-stream "financial assistance" is in the best interest of the Austrian company and fully justified by a business purpose, i.e., a corporate benefit (*betriebliche Rechtfertigung)* from the standalone perspective of the Austrian entity. The Austrian Supreme Court has not yet defined the meaning of "corporate benefit."

There remains the risk that the granting of a Guarantee and/or Collateral by an Austrian Guarantor violates the Austrian capital maintenance rules (due to a lack of corporate benefit). Potential consequences of a violation of Austrian capital maintenance rules include the invalidity of the granting of a Guarantee and/or Collateral by an Austrian Guarantor as such or the limitation of the enforceability of such Guarantee and/or Collateral to an amount corresponding to the monetary corporate benefit received by the Austrian Guarantor from the financing transaction (from a standalone perspective).

In order to mitigate such risk, it is market standard to provide for limitations on any guarantee that is intended to secure obligations of other group companies. The Guarantees and other Collateral granted by the Austrian entities contain standard limitation language stating that, inter alia, all obligations thereunder shall be limited to the maximum amount permitted under Austrian capital maintenance rules (which amount may be zero or close to zero). It should be noted that while this approach is customary in comparable Austrian transactions, there is no case law or legal writing supporting this approach.

We cannot assure you that future court rulings may not further limit the validity and enforceability of the up-stream and cross-stream Guarantees and other Collateral granted by Austrian Guarantors, which could negatively affect our ability to make payment on the Notes offered hereby or the ability of the subsidiaries to make payments on the guarantees.

Parallel Debt

Under Austrian law, certain accessory security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The holders of the Senior Secured Notes will not be party to the security documents relating to the Collateral. In order for the holders of the Senior Secured Notes to benefit from security interests under accessory Collateral, the Intercreditor Agreement or a Debtor Accession Deed applicable to a given Debtor provide for the creation of a parallel debt. Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes and the Guarantees. The pledges governed by Austrian law will directly secure the parallel debt. The parallel debt concept as such is not known under Austrian law and a parallel debt governed by a foreign law (such as UK law) has not been tested under Austrian law, and there is no certainty that it will be held enforceable under Austrian law.

England and Wales

The Issuers are companies incorporated under the laws of England and Wales. It is envisaged that the Issuers' shares will be held directly or indirectly by UK Holdco I, an entity also incorporated under the laws of England and Wales. One or more companies incorporated in England and Wales, or which have their centre of main interests in England and Wales, may be Guarantors. Any insolvency proceedings by or against the Issuers, their parent and an English Guarantor would likely under English insolvency laws. However, pursuant to the EU Insolvency Regulation, where a company incorporated under English law has its "centre of main interests" in a member state of the European Union other than England and Wales the main insolvency proceedings for that company may be opened in the EU Member State in which the company's centre of main interest is located and be subject to the laws of that EU Member State. (see "—*European Union*").

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or creditor making an application for administration, in or out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Administration

Assuming that the company's centre of main interests is in England and Wales, the company, its directors or the holder of a "qualifying floating charge" may appoint an administrator using an out of court route. Different procedures apply according to the identity of the appointer. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. The holder of a qualifying floating charge may appoint an administrator if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. An administrator can also be appointed by the English courts in respect of a company with its centre of main interests in England in certain circumstances. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve one of three statutory purposes. The court may, upon the petition of a creditor, place a company into liquidation, and the company and its directors may resolve to place the company into liquidation, if the company it unable to pay its debts.

Under section 123 of the Insolvency Act 1986, as amended (the "Insolvency Act"), a company is insolvent if it is unable to pay its debts. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order).

There is a general prohibition against the appointment of an administrative receiver to an English company by the holder of a debenture or floating charge. Exceptions to that prohibition are if the qualifying floating charge is contained in a security document which pre-dates 15 September 2003 or falls within one of the exceptions in the Insolvency Act as amended by the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company under the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, and is generally a rated, listed or traded debt instrument).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property, must resign if required to do so by the administrator.

English insolvency laws and other limitations could limit the enforceability of a Guarantee against a Guarantor and the enforceability of security interests over the Collateral, to the extent that those security interests are subject to English law or have been granted by an English incorporated company or a company which has its centre of main interests in England and Wales (an "English Guarantor"). The Issuers' parent will provide security in respect of its shareholding in the Issuers and the Issuers will in turn provide security in respect of its shareholding in BidCo (together, the "Share Pledges"). Further security interests may be provided by the Issuers and/or the English Guarantor. The following is a brief description of certain aspects of English insolvency law relating to certain limitations on a Guarantee provided by an English Guarantor (an "English Guarantee"), the Share Pledges and any other security interests provided by the English incorporated entities. The application of these laws could adversely affect investors, their ability to enforce their rights under the English Guarantee, the Share Pledges and/or other security in respect of the Notes and an English guarantee and therefore may limit the amounts that investors may receive in an insolvency of an English Guarantor and the Issuers.

Fixed and Floating Charges

Fixed charge security, as the Share Pledges may be (but see the next paragraph concerning the recharacterization of fixed charges as floating), has a number of advantages over floating charge security: (a) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge over assets, even if created after the date of a floating charge over the assets, will rank prior to the floating charge over the same charged assets providing that the floating charge has not crystallized at the time the fixed charge was granted; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of floating charge assets to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law (see "*—Grant of Floating Charge*"); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring-fenced amount of the proceeds (see "*—Moratoria and Other Considerations*").

Under English law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Moratoria and Other Considerations

As stated above, an administrator can be appointed in respect of a company with its centre of main interests in England. An administrator must perform his or her functions in order to achieve the purpose of administration. The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than if the company went into immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby realizing property, to make a distribution to secured or preferential creditors.

During the administration, in general no proceedings or other legal process may be commenced or continued against such company, or security enforced over such company's property, except with permission of the court or the consent of the administrator. This moratorium does not, however, apply to a "security financial collateral arrangement" (such as a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (the "Financial Collateral Arrangements Regulations"). During the administration of a company, a creditor would not be able to enforce any security interest (other than valid security financial collateral arrangements) including in respect of a guarantee granted by it (although a demand for payment could be made under such guarantee) without the consent of the administrator or the permission of the court. In addition, a secured creditor cannot appoint an administrative receiver while an administrator is in office although, in certain circumstances (principally where one of the exceptions to the general prohibition on the appointment of an administrative receiver applies as set out in the Insolvency Act or pursuant to a debenture dated earlier than 15 September 2003), the holder of a floating charge can block the appointment of an administrator where it can appoint an administrative receiver.

A moratorium is also available pursuant to Schedule A1 to the Insolvency Act for "small companies" that are proposing a company voluntary arrangement with creditors, which can be for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Trade and Industry may, by order, extend or reduce the duration of either period). Small companies are those which meet eligibility criteria as regards the number of employees, turnover and balance sheet total as set out in section 382 of the Companies Act 2006. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company." Accordingly, a company may, at any given time, come within the ambit of the "small companies" provisions, such that the company may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement. This moratorium is not available to companies which have entered into certain capital market arrangements (whereby the company has incurred or is expected to incur a debt of at least £10 million and the arrangement involves the issue of a capital market investment) as detailed in Schedule A1 to the Insolvency Act. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State for Trade and Industry may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible. Further, a company voluntary arrangement itself cannot bind secured creditors without their permission. However, if the small companies' moratorium were to apply to the company, its effects would include prohibitions on enforcement of security that are similar to those that arise upon an administration moratorium. Therefore, to the extent the small companies' moratorium applies, there would be a moratorium on legal proceedings and execution or other legal process being commenced or continued and the levy of distress, against the company or its property (except with the permission of the court). No other steps may be taken to enforce any security over the company's property except with the permission of the court. The company may dispose of charged property if the holder of the security consents or the court gives permission. Further, the company may not make any payment or disposal of its own property unless there are reasonable grounds for believing that the disposal will benefit the company and the payment or disposal is approved by the committee (if established) or, where there is no such committee, by the nominee of the company voluntary arrangement.

Liquidation

Liquidation is a procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. At the end of the liquidation process the company will be dissolved. A liquidator has the power to bring or defend legal proceedings on behalf of the company; to carry on the business of the company as far as it is necessary for its beneficial winding up; to sell the company's property and execute documents in the name of the company; and to challenge antecedent transactions.

In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected). In proceedings where the company or its directors has resolved to place the company into liquidation, the liquidator (or creditor or shareholder) can apply to the court for an order that no proceedings or other actions may be commenced or continued against the company.

Priority of Claims

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract pursuant to which all the obligations have been performed nor can it be used to disturb accrued rights and liabilities.

Under English insolvency laws, the liabilities of any English Guarantor under its guarantee would be paid only after certain of its other debts which are entitled to priority under English law, as set out below.

The general priority of claims on insolvency is as follows (in descending order of priority):

- *First*-ranking claims: holders of fixed charge security and creditors with a proprietary interest in assets of the debtor;
- *Second*-ranking claims: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);
- *Third*-ranking claims: preferential creditors and the Prescribed Part (as defined below). Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date. As between one another, preferential debts rank equally;
- *Fourth*-ranking claims: holders of floating charge security, according to the priority of their security. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured;
- *Fifth*-ranking claims: unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the officeholder can only use realization from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall unless the Prescribed Part is sufficient to pay out all unsecured creditors;
- *Sixth*-ranking claims: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

An administrator, receiver (including an administrative receiver) or liquidator of the company will be required to ring fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (the "Prescribed Part"). Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. The obligation on such insolvency officeholder to set aside the Prescribed Part for unsecured parties does not apply if the net floating charge realizations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The Prescribed Part will apply to all floating charges created on or after September 15, 2003 regardless of whether they fall within one of the exceptions in the Insolvency Act as amended by the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting by an English company or a company whose centre of main interests is in England and Wales of security and guarantees can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to a company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuers cannot be certain that, in the event of the onset of an English Guarantor's or Issuer's insolvency that is within any of the requisite time periods set forth below, the grant of any security, such as the Share Pledges, or the English Guarantee will not be challenged or that a court would uphold the transaction as valid.

Transaction at an Undervalue

Under English insolvency law, (pursuant to section 238 of the Insolvency Act), a liquidator or administrator of a company could apply to the court for an order to set aside a security interest (in certain cases) or a guarantee granted by the company (or give other relief) on the grounds that the creation of such security interest or guarantee constituted a transaction at an undervalue. The grant of a security interest or guarantee will only be a transaction at an undervalue if the transaction constitutes a gift or is made on terms that provide that the company receives no consideration or if the company receives consideration of significantly less value, in money or in money's worth, than the consideration given by such company. For a challenge to be made, the guarantee or security must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the Insolvency Act and discussed further below). In addition, the company must be "unable to pay its debts" (as defined by section 123 of the Insolvency Act, as explained above) when it grants the security or become unable to pay its debts as a result of the granting of security.

A court will not make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside any security interests granted or guarantees although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the Insolvency Act and discussed further below), in which case there is a presumption that the company was unable to pay its debts and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction.

Preference

Under English insolvency law (pursuant to section 239 of the Insolvency Act), a liquidator or administrator of a company could apply to the court for an order to set aside a security interest or a guarantee granted by such company (or give other relief) on the grounds such security interest or such guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the security interest or guarantee had not been granted. For a challenge to be made, the decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the Insolvency Act and discussed further below) if the beneficiary of the security interest or the guarantee is not a connected person or two years if the beneficiary is a connected person. In addition, the company must have been "unable to pay its debts" at the time it gave the preference or become unable to pay its debts as a result. A company's inability to pay its debts in this context has the same meaning as in the case of a transaction at an undervalue save that, in the case of a preference, there is no presumption of insolvency if the parties are connected. A court will not make an order in respect of a preference of a person unless it is satisfied that the company in deciding to give the preference was influenced by a desire to put that person in a better position. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the security interests or guarantees). There is protection for a third party that benefits from the transaction and acted in good faith and for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Grant of Floating Charge

Under English insolvency law, if a company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in section 245 of the Insolvency Act and discussed further below). The floating charge, however, will be validated to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge plus interest payable on such amounts. Where the floating charge is granted to a "connected person" (as discussed further below), the charge can be challenged if given within two years of the onset of insolvency and the prerequisite to challenge that the company is unable to pay its debts does not apply. However, if the floating charge qualifies as a "security financial collateral arrangement" under the Financial Collateral Arrangements Regulations, as explained further above, the floating charge will not be subject to challenge as described in this paragraph.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question. In administration the onset of insolvency is the date on which (a) the court application for an administration order is issued or (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect. In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be as for the initial administration.

Connected Persons

A connected person for the purposes of transactions at an undervalue, preferences and invalid floating charges, is a party who is a director, shadow director, an associate of such director, or an associate, of the relevant company. A party is associated with an individual if a relative of the individual or the individual's husband, wife or civil partner, or the husband, wife or civil partner of a relative of the individual or the individual's husband, wife or civil partner. A party is associated with a company if employed by that company. A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

Transaction Defrauding Creditors

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a "victim" of the relevant transaction can apply to the court pursuant to section 423 of the Insolvency Act for an order to set aside a security interest or guarantee granted by that company on the grounds the security interest or guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue (as outlined above) and the court is satisfied the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

If the court determines that the transaction was a transaction defrauding creditors, then it may make such order as it may deem fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting aside the security interest or guarantees) but there is protection for a third party acting in good faith and for value without notice of the relevant circumstances. Any "victim" of the transaction (with the permission of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings and the relevant company does not need to have been unable to pay its debts at the time of the transaction.

Extortionate Credit Transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company up to three years before the day on which the English company entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Post-Petition Interest

Any interest accruing under or in respect of amounts due under the Notes or an English Guarantee to which an English Guarantor is a party in respect of any period after the commencement of administration or liquidation proceedings would only be recoverable by the Noteholders from any surplus remaining after payment of all other debts proved in an English Guarantor's insolvency proceedings and accrued and unpaid interest up to the date of the commencement of those proceedings *provided that* such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

Dispositions in Winding-up

Under section 127 of the Insolvency Act, any dispositions of a company's property made after a winding-up has commenced are, unless the court orders otherwise, void. The compulsory winding-up of a company by the court is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date on which the court makes the winding-up order (if any), other than in limited circumstances. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms.

Limitation on Enforcement

The grant of a guarantee or security by the Issuers or an English Guarantor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with the Issuers or an English Guarantor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the Issuers or an English Guarantor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the Issuers or an English Guarantor, as the case may be, for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Under the Companies Act 2006, any security (including where not governed by English law) granted by the Issuers or the English Guarantor (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21 days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21-day period, will be deemed to be void against a liquidator, administrator and a creditor of the Issuers or the English Guarantor. Further, failure to register also means that the debt which was intended to be secured is deemed to have become immediately payable.

In the event where the relevant security document is not registered, the Issuers or the English Guarantor may be required to enter into a new security document and register that with Companies House within 21 days of its creation.

Alternatively it may be possible to apply to the English courts for an order to rectify the position and allow the charge to be registered after the 21 day period has expired. This application can be made by the Issuers or the English Guarantor or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it "just and expedient" to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security created on or after October 1, 2011 by overseas companies over assets in England and Wales do not need to be registered with the Registrar of Companies (although they may still need to be registered with the applicable asset registry).

Guarantees and security granted by the Issuers or the English Guarantor are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act 2006.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than British Pounds (such as euro in the case of the Notes) must be converted into British Pounds at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines.

Schemes of Arrangement

Pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction the compromise of a company's liabilities where such company (i) is liable to be wound-up under the Insolvency Act and (ii) has "sufficient connection" to the English jurisdiction.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on a detailed debt compromise. Such compromise can be proposed by the company or its creditors. If 75% by number and 50% by value of those creditors present and voting at the creditor meeting(s) vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement.

France

Insolvency

Various companies of our group conduct a part of their business activity in France and, to the extent that the center of our main interests ("COMI") of any company of the group (such as French Guarantors) is deemed to be in France, such company could be subject to French main insolvency proceedings affecting creditors, including "safeguard" or "accelerated safeguard" or "accelerated financial safeguard" proceedings (*sauvegarde* or *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*). Similarly, any company of our group having an establishment in France and its COMI in another EU Member State could be subject to French territorial insolvency proceedings. Any company of the group having its registered office or an establishment in France could also be subject to court-assisted pre-insolvency proceedings, namely *mandat ad hoc* or *conciliation* proceedings, both of which however do not fall within the scope of the EU Insolvency Regulation. In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the Notes and/or the guarantees granted by the French Guarantors and corresponding security interests.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Grace Periods

In addition to and independently of insolvency laws discussed below, you could, like any other creditors, be subject to Article 1244-1 *et seq.* of the French Civil Code (*Code civil*).

Pursuant to these provisions, French courts may, in any civil proceeding involving the debtor, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1244-1 of the French Civil Code will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the grace period ordered by the relevant judge. When the debtor benefits from a conciliation proceeding, these statutory provisions shall be read in combination with Article L. 611-7 of the French Commercial Code (see below).

Insolvency Test

Under French law, a company is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its debts as they fall due with its available assets taking into account available credit lines, existing debt rescheduling agreements and moratoria.

If judicial reorganization or liquidation proceedings are commenced, the date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency is important because it marks the beginning of the suspect period (see below).

Court-Assisted Pre-insolvency Proceedings

A French company facing difficulties may request the opening of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to help the company reach an agreement with its main creditors and stakeholders, thanks to the support of a court-appointed mediator (the *mandataire ad hoc* in *mandat ad hoc* and the *conciliateur* in *conciliation*). *Mandat ad hoc* and *conciliation* are informal proceedings which can only be initiated by the debtor and are carried out under the supervision of the president of the relevant court, which do not involve any stay of the pending proceedings. As a consequence, creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they usually accept not to do so for a certain period of time, to try to negotiate a consensual solution with the company.

Mandat ad hoc and conciliation proceedings may also be used at the request of the debtor, and after the opinion of the participating creditors has been sought, to prepare the sale of all or part of the business of the debtor with a view to implementing such sale in a subsequent insolvency proceeding, in a so-called *plan de cession*.

Contractual provisions modifying the terms of an outstanding contract, by diminishing the rights or increasing the obligations of the debtor (such as an acceleration of the debts) solely by reason of the appointment of a *mandataire ad hoc* or the opening of *conciliation* proceedings, are deemed null and void.

Equally, contractual provisions that would, as the sole result of the opening of *a mandat ad hoc* proceedings or the opening of *conciliation* proceedings, make the debtor bear the fees of the creditor's counsel relating to such proceedings for the portion that would exceed three quarters of the total fee of the relevant counsel are null and void.

French law does not provide for detailed rules in respect of *mandat ad hoc*. In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic or financial nature but are not insolvent (*en état de cessation de paiements*). *Mandat ad hoc* proceedings are confidential (save for their disclosure to statutory auditors if any) and are not limited in time. The agreement reached by the parties (if any) with the help of the court-appointed mediator (*mandataire ad hoc*, whose name can be suggested by the debtor) can be reported by the latter to the President of the court but is not sanctioned by the court and as a consequence the agreement does not have the force of a judicial decision. The restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement.

Conciliation proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which is not insolvent (*en cessation des paiements*) or has been insolvent for less than 45 days. The debtor petitions the President of the relevant court for the appointment of a "conciliator" (whose name he can suggest) in charge of assisting the debtor in negotiating with all or part of its creditors and/or other stakeholders an agreement providing for the restructuring of its indebtedness.

Conciliation proceedings are confidential (save for their disclosure to statutory auditors if any and subject to the below) and may last up to five months. During the proceedings, creditors may continue to sue individually the debtor for payment of their claims but they usually accept not to do so for a certain period of time, to try to negotiate a consensual solution with the company.

The debtor retains the right to petition the President of the relevant court for a grace period that may last up to two years pursuant to Article 1244-1 of the Civil Code. Pursuant to Article L. 611-7 of the French Commercial Code, the judge having opened conciliation proceedings has jurisdiction to grant such a grace period *provided that* the debtor has received a formal notice requesting payment or faces enforcement measures. This judge also has jurisdiction to grant such a grace period during the implementation of the conciliation agreement (i.e., after the end of the conciliation proceedings), in relation to claims of creditors (other than public creditors) who were asked to participate in the conciliation but refused to sign the restructuring agreement (*provided that* this agreement has been either acknowledged or approved by a court decision, as described below).

The agreement (a "conciliation agreement") can be either:

- upon all parties' request, acknowledged (*constaté*) by the President of the court, which makes it immediately enforceable. This acknowledgement decision is not made public; or
- upon the debtor's request, approved (*homologué*) by the relevant court if (i) the debtor is not insolvent at the time or if the rescheduling agreement has the effect of putting an end to the debtor's insolvency, and (ii) the agreement effectively ensures that the company will survive as a going concern and (iii) the agreement does not infringe upon the rights of the non-signatory creditors. All the terms of the agreement are not made public but (i) the existence of the court decision approving the agreement is made public and (ii) this court decision discloses the guarantees or security interests granted to the parties and the claims that benefit from the so-called new money privilege, if any (see below).

  Approval (*homologation*) by the court entails several consequences, including in particular the following:

  (i) a "new money privilege," granting a priority of payment over all pre-opening and post-opening claims (except as regards certain pre-opening employment claims and post-opening procedural costs) in the event of subsequent safeguard, judicial reorganization or liquidation proceedings, can be granted in favor of creditors who provided new money, goods or services designed to ensure the continuation of the business of the distressed company in the course of conciliation proceedings leading to an approved conciliation agreement or in accordance with an approved conciliation agreement (other than shareholders providing new equity in the context of a capital increase);

  (ii) in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (*date de cessation des paiements*) cannot be set by the courts at a date earlier than the date of the approval of the agreement, except in case of fraud; and

  (iii) in the event of subsequent safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or liquidation proceedings, the payment date of claims benefiting from the new money privilege may not be rescheduled by the court without their holders' consent (however, it is debated whether such claims could be rescheduled or restructured in the framework of creditor's committees, in accordance with the process described below).

While an acknowledged or approved agreement is being implemented, (i) any individual proceedings by creditors with respect to the claims included in the agreement are suspended and (ii) accrued interest of the claims governed by the restructuring agreement cannot bear themselves interest (notwithstanding Article 1154 of the French Civil Code).

A third party having granted a guarantee (*sûreté personnelle*) or a security interest (*sûreté réelle*) can benefit from the grace periods granted to the debtor during conciliation proceedings as well as from the provisions of the approved or acknowledged agreement.

In the event of a breach of the agreement, any party to the agreement can petition the court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover any claims and security interests that they accepted to waive in the conciliation agreement, but will be entitled to retain any amounts already paid to them.

Conciliation proceedings, in the context of which a draft restructuring plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated safeguard and accelerated financial safeguard proceedings as described below.

Court-Administered Pre-insolvency and Insolvency Proceedings—Safeguard, Reorganization and Liquidation Proceedings

Court-administered insolvency proceedings may be initiated:

- in the event of safeguard proceedings, accelerated safeguard and accelerated financial safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization (*redressement judiciaire*) or liquidation, upon petition by the debtor, any creditor or the public prosecutor.

The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. Accelerated safeguard or accelerated financial safeguard proceedings may be opened although the debtor is already insolvent, *provided that* it was not insolvent for more than 45 days when it initially requested the opening of the preliminary conciliation proceedings.

The debtor is required to petition for the opening of either judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of the date upon which the insolvency (*cessation des paiements*) occurred, unless it requested within this period of time the opening of conciliation proceedings. 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 judicial reorganization) up 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 six months, which may be extended once for another six months, plus an additional six months under exceptional circumstances. During the observation period, a court-appointed administrator (whose name can be suggested by the debtor and the public prosecutor in case of safeguard proceedings, and by the public prosecutor in case of a judicial reorganization), investigates the business of the company. In safeguard proceedings, the administrator's mission is limited to either supervising or assisting the debtor's management and assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which may include a business continuation plan (similar to a safeguard plan) and/or the sale of all or part of the company's business to a third party, in the framework of a *plan de cession*. In judicial reorganization, the court may also decide that the administrator will manage the company alone by replacing the debtor's management.

At the end of the observation period, if it considers that the company can survive as a going concern, the court can adopt a safeguard or reorganization plan which will entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor's assets and businesses (a sale of the entire business is not possible in a safeguard plan). At any time during safeguard proceedings, the court may convert such proceedings into reorganization proceedings (i) if the debtor appears to have been insolvent (*en état de cessation des paiements*) before the opening of the proceedings, or (ii) if the debtor has become insolvent (*en état de cessation des paiements)* after the opening of the proceedings, or (iii) in case no plan has been adopted by the creditors' committees and, if any, the bondholders' assembly (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings be closed. At any time during safeguard or reorganization proceedings (and subject to the same conditions), the court may also convert such proceedings into liquidation proceedings rather than into reorganization proceedings, if recovery of the debtor is manifestly impossible.

There is no observation period in the case of judicial liquidation proceedings being opened *vis à vis* the debtor. A court-appointed liquidator becomes the company's sole legal representative. The outcome of these proceedings, which is decided by the court without a vote of the creditors, may be a sale of the business as a going concern (i.e., a *plan de cession*) and/or a piecemeal sale of the debtor's assets in order to discharge the debtor's liabilities. In case a plan for the sale of the business is considered, the court can authorize a temporary continuation of the business for a maximum period of three months (renewable once at the Public Prosecutor's request).

Any contractual provision imposing the automatic termination of a contract or the anticipated maturity of unmatured debts or imposing tougher terms and conditions upon the opening of insolvency proceedings, is deemed null and void.

Creditors' Committees and Adoption of the Safeguard or Reorganization Plan

In safeguard and judicial reorganization proceedings, in the case of large companies (i.e., if the debtor (a) has more than 150 employees or a turnover greater than €20 million and (b) its accounts are certified by a statutory auditor or carried out by a certified public accountant), or where authorized by the supervising judge for smaller companies, two creditors' committees must be established: one for credit institutions and "similar entities" having a claim against the debtor, and the other for suppliers of goods and services having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers.

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 assembly"). The Notes constitute *obligations* for the purposes of a safeguard or reorganization proceeding.

These two committees and the bondholders' general assembly will be consulted on the safeguard or reorganization plan drafted by the debtor's management, together with the judicial administrator, during the observation period. In addition, any member of a committee may also submit an alternative safeguard or reorganization plan to the vote of the committees and bondholders general assembly it being specified that these alternative plans are subject (i) to the preparation of a report for each alternative plan from the administrator and (ii) to the same two-thirds majority vote in each committee and in the bondholders' general assembly (although the bondholders are not permitted to present their own alternative plan) for their approval.

A safeguard or reorganization plan may notably include debt rescheduling and debt write-offs as well as debt-to-equity swaps. The plan may provide for a different treatment of creditors if the differences in their situations so justify. The plan submitted to the creditors' committees and the bondholders' general assembly must take into account intercreditor subordination agreements entered into prior to the opening of the proceedings.

Each creditor member of a creditors committee and each note holder must, if applicable, inform the judicial administrator of the existence of any agreement which makes the exercise of its vote subject to any conditions or whose purpose is the full or total payment by a third party of its claim as well as of any subordination agreement. The judicial administrator shall then submit to the creditor/note holder a proposal for the computation of its voting rights in the creditors' committee/bondholders general meeting. In the event of a disagreement, the creditor/note holder or the judicial administrator may request that the matter be decided by the president of the applicable court in summary proceedings (*en référé*).

The plan must firstly be approved by each of the two creditors' committees. 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 that participated in such vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two thirds of the amount of the *obligations* held by creditors who voted in the bondholders' general assembly.

Those creditors whose repayment terms are not affected by the draft safeguard or reorganization plan, or for which the draft plan provides for full repayment in cash upon endorsement of the plan or admission of their claims, are not consulted and do not vote.

Following approval by the creditors' committees and the bondholders' general assembly, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify 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 assembly will be binding on all the members of the creditors' committees and all bondholders (including those who voted against the adoption of the plan).

In the event the safeguard or reorganization plan has not been approved by both the committees and the bondholders' general assembly within the first six months of the observation period (it being noted that this 6 months period may be extended by the court at the request of the judicial administrator to the extent it does not exceed the duration of the observation period), either because they do not vote on the plan or because they reject it, the plan will not be approved by the court and a consultation of the creditors on an individual basis will take place. Creditors will be asked whether they accept debt deferrals, write-offs and/or debt-for-equity swaps provided for in the draft plan. Where the consultation is in writing, the creditor is deemed to have accepted the debt rescheduling and/or write-offs proposal if he or she fails to respond within 30 days from the receipt of the court-appointed creditors' representative's letter (however, with respect to debt-to-equity swap proposals, the creditors' representative must obtain the agreement of each individual creditor in writing). With respect to creditors rejecting the debt restructuring proposals made under the draft plan, the court may impose uniform debt deferrals over a maximum period of 10 years (but it cannot impose debt reductions). The first payment must be made within a year of the judgment adopting the plan. In the third and subsequent year, the amount of each annual installment must be at least of 5% of the total amount of the debt (subject to specific rules regarding loans whose maturity date falls after the first installment of the restructuring plan or after the end of the restructuring plan).

In the judgment adopting the plan, the court may mandate the administrator to convene the shareholders' general meeting, in order to vote on the modifications of the articles of association provided by the plan. In such a case, the administrator may decide that the general meeting will rule on first convening, by the majority of the votes held by the shareholders attending the meeting or represented at the meeting, *provided that* said shareholders hold at least half the shares with voting rights. On second convening, the common law provisions relating to the quorum and majority requirements shall apply.

In judicial reorganization proceedings, if certain (restrictive) conditions are met, the administrator may request the appointment of an official that will be entitled to (i) convene a shareholders' meeting to vote on a share capital increase in favor of persons that undertake to comply with the plan and (ii) to exercise the voting rights of certain shareholders that are opposed to such a share capital increase.

Accelerated Safeguard Proceedings and Accelerated Financial Safeguard Proceedings

Envisaged as a means of facilitating "pre-pack" insolvency proceedings in France, accelerated safeguard and accelerated financial safeguard proceedings permit a debtor, the majority but not all of the creditors (or financial creditors in case of fast track financial safeguard proceedings) of which support a conciliation agreement, to begin safeguard proceedings, allowing a restructuring plan to be rapidly approved by the two-thirds vote of the creditors' committees and bondholders' general meeting applicable in safeguard proceedings. The regime applicable to accelerated safeguard or accelerated financial safeguard proceedings is roughly the regime applicable to the regular safeguard proceeding to the extent compatible with the accelerated timing of the proceedings; i.e., a maximum of three months for accelerated safeguard proceedings and two months for accelerated financial safeguard proceedings.

In accelerated financial safeguard proceedings, only financial creditors are subject to a stay of their claims and actions and subsequently affected by such a restructuring plan (i.e., in particular it does not entail suspension of payments to suppliers or public creditors), as opposed to accelerated safeguard proceedings, which affect all creditors.

To be eligible to accelerated safeguard or accelerated financial safeguard proceedings, the debtor must fulfill the following conditions:

- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the opening of the accelerated safeguard or accelerated financial safeguard proceedings;
- the debtor must not have been insolvent for more than 45 days when it initially requested the opening of *conciliation*;
- as is the case for regular safeguard proceedings, the debtor must face difficulties that it is not in a position to overcome;
- in the context of *conciliation* proceedings, the debtor must have prepared a draft safeguard plan that aims to protect its operations in the long run and which is likely to be supported, within the group of those creditors who will be affected by the accelerated safeguard proceedings, by a sufficiently large majority of them to allow a likely adoption of the plan by the relevant creditors' committees and bondholders' general assembly if any within the duration of the procedure;
- the debtor must (i) have its accounts certified by a statutory auditor or established by an accounting expert and have either (x) more than 20 employees; or (y) a turnover greater than €3 million excluding any applicable taxes; or (z) total assets in its balance sheet greater than €1.5 million or (ii) establish consolidated financial statements in accordance with Article L. 233-16 of the French Commercial Code.

Judicial Reorganization or Liquidation Proceedings

Judicial reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*) may be initiated against or by a company only if it is insolvent (*en cessation des paiements)* and, for the liquidation proceedings only, if the company's recovery is manifestly impossible (see above).

The possible outcomes of reorganization proceedings are either the adoption of a reorganization plan (see above for the conditions of its adoption) or a plan for the sale of the business (*plan de cession*), whereby the court orders the sale of all or part of the business as a going concern (and therefore the transfer of assets, contract and employees) to a third party. At any time during the observation period, if the adoption of a viable restructuring plan proves impossible, the court can order the liquidation of the company.

The two possible outcomes of liquidation proceedings are either a plan for the sale of the business (*plan de cession)*, or a piecemeal sale of the assets (via auction sales or through a private sale upon authorization of the insolvency judge).

Status of Creditors During Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions that would accelerate the payment of the company's obligations upon the occurrence of the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings, or reorganization proceedings are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of all of a company's obligations unless the continued operation of the business with a view to the adoption of a plan for the sale of the business (*plan de cession*) is ordered by the court (for up to three months, renewable once), in which case the acceleration of the obligations will only occur on the date of the court decision adopting the plan for the sale of the business or on the date on which the continued operation of the business ends. Contractual provisions pursuant to which the opening of the proceedings constitutes an event of default are not enforceable against the debtor, as well as, according to a decision of the French Supreme Court dated 14 January 2014, no. 12-22.909, "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings" (which should also apply in case of safeguard, accelerated safeguard or accelerated financial safeguard proceedings).

The court-appointed administrator or liquidator may elect not to continue performing ongoing contracts (*contrats en cours*), and he or she may also request the supervisory judge (*juge-commissaire*) to terminate such ongoing agreements, *provided that* certain conditions are met. On the contrary, he or she may require the continuation of such contracts *provided that* the company fully performs its post-opening contractual obligations. During reorganization proceedings, when the ongoing contract involves the payment of a sum of money, this payment no longer benefits from any payment terms, unless the administrator obtains extended payment deadlines from the contractual partner of the debtor (whereas in safeguard proceedings, payment terms still apply).

In addition, after the opening of the insolvency proceedings:

- accrual of interest is suspended as a matter of principle, except in respect of loans providing for a term of at least one year or contracts providing for a payment that is differed by at least one year (but in any case, accrued interests cannot bear themselves interest, notwithstanding Article 1154 of the French Civil Code).
- the debtor is prohibited from paying (i) debts arising prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the supervising judge to recover assets for which recovery is justified by the continued operation of the business and (ii) debts arising after the opening of the proceedings if such debts are not useful to the proceedings (post-opening, non-privileged debts); and
- 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 nonpayment of pre-opening amounts owed to the creditor; or
- to enforce the creditor's rights against any assets of the debtor (except under specific circumstances, in particular where such asset—whether tangible or intangible, movable or immovable—is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the French insolvency proceedings, in accordance with the terms of Article 5 of EC Regulations 1346/2000).

In accelerated financial safeguard, the above rules only apply to the creditors that are subject to the accelerated financial safeguard (i.e., credit institutions and similar entities that are eligible to the credit institutions' committee, and bondholders, which are eligible to the bondholders' general assembly described above).

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a proof of claim with the creditors' representative within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales* (by exception, the deadline starts upon receipt of an individual notification for those creditors whose claim arose out of a published contract or who benefit from a published security interest); this period is extended to four months for creditors domiciled outside France. Where the debtor has informed the creditors' representative of the existence of a claim and no proof of claim has been filed yet, such claim is deemed filed with the creditors' representative. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to limitations and are preferential creditors under French law.

In accelerated safeguard and accelerated financial safeguard proceedings, the debts held by creditors that took part in the conciliation negotiation are listed by the debtor and certified by its statutory auditor (or, in its absence, its accountant). Although such creditors can file proofs of claim pursuant to the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth on the list prepared by the debtor (within the two or four months' time limit). Those creditors who did not take part in the conciliation proceeding and are subject to the accelerated safeguard or accelerated financial safeguard proceedings would have to file their proofs of claim within the aforementioned legal time limit.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

In either judicial liquidation proceedings or in judicial reorganization proceedings (in the latter case, if no restructuring plan is drafted or if the draft restructuring plans appears obviously incapable of restoring the debtor's viability), the court may also decide to adopt a so-called *plan de cession* (i.e., plan for the sale of the business (together with a certain number of employees and contracts) to a third party) without any need to obtain the consent of either the debtor, creditors or co-contractors. Any third party may make a bid to that effect as from the opening of judicial reorganization of judicial liquidation proceedings. If such a plan is adopted, the proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of their claims. The sale price is frequently significantly lower than the aggregate value of the assets, as the courts tend to give priority to the preservation of jobs over the repayment of creditors.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of managing the company, selling the assets of the company and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business plan is considered, the court will usually appoint a judicial administrator to manage the company and organize the sale process.

French insolvency law assigns a certain order of priority to the payment of certain preferred creditors (i.e., certain pre-opening employee claims, post-opening legal costs (essentially, fees of the officials appointed by the insolvency court), creditors who, as part of an approved *conciliation* agreement, have provided new money or goods or services (the "new money privilege"), creditors having security over real estate assets (in case of judicial liquidation only; in case of judicial reorganization, they rank behind post-opening creditors), post-opening creditors whose claims meet certain criteria (such claims being subject to a specific order of priority among themselves), and the other pre-opening or post-opening creditors, whose order of priority among themselves depends on various factors (in particular, the French State and other public institutions benefit from a favorable ranking with respect to taxes and social charges)). Some creditors may nevertheless bypass this order or priority, (e.g., if they benefit from a retention right over certain assets).

The "Suspect Period" in Judicial Reorganization and Liquidation Proceedings

The insolvency date (*date de cessation des paiements*) is generally deemed to be the date on which the judicial reorganization or liquidation proceedings are commenced, but the court may declare that a debtor's insolvency date occurred up to 18 months prior to the commencement date of such proceedings. This marks the beginning of the "suspect period" (*période suspecte*). Certain transactions entered into by the debtor during the suspect period are automatically void or voidable by the court.

Automatically void transactions include in particular 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. Such transactions or payments must be set aside by the court if a claimant (such as an insolvency officer or the public prosecutor) so requests. These include, notably, transfers of assets for no consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner that is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional measures (unless the right of attachment or seizure predates the date of cessation of payments), the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement (*fiducie*) that dedicates assets or rights as a guaranty of pre-existing debts.

Transactions voidable by the court include any payments made on accrued debts, transfers of assets for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the suspect period, and more generally any agreement entered into with the debtor, if the court determines that the creditor knew of the cessation of payments of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when made during the six-month period preceding the suspect period. Unlike with respect to void transactions, which must be set aside by the court if so requested, the court has discretion to decide whether or not it appropriate to set aside transactions that are only "voidable."

See *"Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—The insolvency laws of France, Germany and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantees and the Security Interests, including fraudulent conveyance statutes, may adversely affect their validity and enforceability" and "—Fraudulent Conveyance."*

Creditors' Liability

Pursuant to Article L. 650-1 of the French Commercial Code, where insolvency proceedings (including safeguard proceedings) have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if evidence is brought (i) of either a fraud; or (ii) of a wrongful interference with the management of the debtor; or (iii) that the security or guarantees taken to support the facilities are disproportionate to such facilities. Case law has recently set out that this liability would also require that the granting of the facility be deemed to be wrongful. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable can be cancelled or reduced by the court.

Limitations on Enforcement

Limitations on Guarantees

The liabilities and obligations of each French Guarantor under its Note Guarantee are subject to:

- certain exceptions, including to the extent any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French *Code de Commerce* or infringement of the provisions of Articles L. 241-3, L. 242-6 or L. 244-1 of the French *Code de Commerce*; and
- a financial limitation corresponding to an amount equal to the proceeds from the Offerings of the Notes (including any additional Notes) which the Issuers have (i) applied for the direct or indirect

benefit of each French Guarantor or its controlled subsidiaries through the intercompany loans or similar arrangements or (ii) used to refinance (directly or indirectly) any indebtedness previously on-lent directly or indirectly to a French Guarantor or its controlled subsidiaries through the intercompany loans or similar arrangements and that are, in each case, outstanding on the date a payment is requested to be made by such French Guarantor.

Accordingly, the guarantees by the French Guarantors are limited to amounts that represent either (i) the amounts of such proceeds made available to such French Guarantor, and the controlled subsidiaries of that French Guarantor, via intra-group loan agreements or otherwise or (ii) the amount of the proceeds of the Notes used to refinance any indebtedness previously on-lent directly or indirectly to a French Guarantor or its controlled subsidiaries. Consequently, in the absence of any proceeds from the Senior Notes made available to any French Guarantor or its controlled subsidiaries by way of intra-group loan agreements, the Senior Note Guarantee granted by each French Guarantor will have no monetary value and therefore the amount of any such Senior Note Guarantee will be equal to zero. See "*Description of the Senior Secured Notes—The Senior Secured Note Guarantees*" and "*Description of the Senior Notes—The Senior Note Guarantees*."

In case the proceeds of the Notes are used to refinance (directly or indirectly) any indebtedness previously on-lent directly or indirectly to a French Guarantor or its controlled subsidiaries through the intercompany loans, such intercompany loans would be maintained (and their termination date would be extended) due to the incurrence by such French Guarantor of obligations and liabilities under its Note Guarantee. Any payment made by such French Guarantor under its Guarantee in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans due by such French Guarantor or its subsidiaries under the intercompany loan arrangements referred to above.

The purpose of those limitations is to mitigate the risk that the granting of a Guarantee by a French Guarantor could be viewed to fall outside its corporate benefit. However, the existence of corporate benefit is a factual matter which is determined on a case-by-case basis, and we cannot be certain as to the standard a French court would use to determine the French Guarantor's corporate benefit, any limit on the applicable Note Guarantee or whether such Note Guarantee would be deemed void.

In light of the foregoing, the contractual liabilities of a French Guarantor under its Note Guarantee (as the same is limited in accordance with the above description) could be materially reduced or eliminated.

It is also possible that a French Guarantor, or a creditor of a French Guarantor, or the bankruptcy trustee in the case of a bankruptcy of a French Guarantor, may contest the validity and enforceability of the French Guarantor's Note Guarantee on any of the above grounds and that the applicable court may determine that such Note Guarantee should be limited or voided.

In addition, if a French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French Guarantor would obtain in a transaction entered into on an arm's-length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

Limitations on enforcement of security interests and cash amount (soulte)

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*pacte commissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt under the pledge, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt under the pledge. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

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

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

In addition, in view of the area of activity of the Group or certain members of the Group, it should be noted that foreign investments in companies or businesses which operate in certain sectors (notably where their activities relate to equipment, products or services which are critical to the interests of France in terms of public order, public safety or national security, in particular in the areas of energy and water supply, public health, public transport and electronic communication) may require the prior authorization of the French authorities. This requirement may interfere with the enforcement of the Collateral consisting of shares or a business.

Where any of the above sectors are involved, the following shall constitute foreign investments which are subject to the prior authorization procedure:

A transaction as a result of which a non-EU investor (i) acquires the control (within the meaning of Article L. 233-3 of the French Commercial Code), (ii) acquires all or part of a business (*branche d'activité*) or (iii) crosses the threshold of 33.33% of the share capital, in each case of a company whose registered office is located in France.

A transaction as a result of which an EU investor (i) acquires the control (within the meaning of Article L. 233-3 of the French Commercial Code) or (ii) acquires all or part of a business, in either case of a company whose registered office is located in France.

A transaction as a result of which a French investor under non-French control acquires all or part of a business of a company whose registered office is located in France.

When a foreign investment is subject to the authorization of the French authorities as above, the transaction cannot be completed prior to authorization. The foreign investor must submit a formal application for prior authorization to the French authorities which must render a decision within two months of receipt of the application (failing which authorization shall be deemed to have been granted).

Parallel Debt

Under French law, certain "accessory" security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary under Article 2011 of the French Civil Code or as security agent under Article 2328-1 of the French Civil Code. The beneficial holders of interest in the Senior Secured Notes from time to time will not be parties to the Security Documents. The Intercreditor Agreement provides for the creation of a "parallel debt" in favor of the Security Agent directly. Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture and the Intercreditor Agreement. The pledges governed by French law will directly secure the parallel debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Although the enforceability in France of certain rights (the filing of claims in safeguard proceedings) of a security agent benefiting from a parallel debt was recognized for the first time by the French Supreme Court (*Cour de Cassation*) on September 13, 2011, there is no assurance that such a structure will be effective in all cases before French courts. Indeed, such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt. To the extent that the security interests in the Collateral created under the parallel debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Collateral.

Further, under a parallel debt structure, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the parallel debt.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of "trust" has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. 13 September 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while certain comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, and two *réponses ministérielles* dated January 24, 2008 and January 8, 2009 indicated its reluctance to do so to avoid conflicts between the "trust" and the French *fiducie,* so that the concept of "trust" has not been generally recognized under French law.

Recognition of Intercreditor Arrangements by French Courts

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Article L. 626-30-2 of the French Commercial Code which states that, in the context of safeguard proceedings, the safeguard plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard proceedings. As a consequence, except to the extent referred to above (which, as at the date of this offering memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

Lower-Ranking Security in France

The Intercreditor Agreement and the Security Documents provide for a mechanism allowing the implementation of second or lower ranking pledges.

The creation and enforcement of lower-ranking pledges over certain assets (such as receivables) has not been tested before French courts, and there can be no assurance that lower-ranking pledges would be upheld if tested. Accordingly, there is a risk that a lower-ranking pledge over such assets may held void or unenforceable by a French court, but this would not affect the validity and enforceability of a prior-ranking security granted over the same assets. Although there is no express prohibition under French law on granting a lower-ranking pledge over a securities account in which the shares or other securities of a French company are registered, some legal commentators have queried whether a lower-ranking pledge is legally permissible to the extent that a pledge of a securities account is deemed, under French law, to confer a retention right (*droit de rétention*) over the securities credited on the securities account, thereby preventing such grantor from granting a further lower-ranking pledge thereon. Consequently, no assurance can be given that a court would concur with the view that a lower ranking pledge over securities account is valid. Therefore, there is a risk that the second or lower ranking pledge over the securities account in which the shares of such company are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Notes or Notes Guarantees (as applicable) following an enforcement event.

A pledge over the shares of a stock company (*société par actions*) governed by French law is a pledge over the relevant securities account (*nantissement de compte de titres financiers*) in which the shares of such company are registered. In France, no lien searches are available for security interests which are not registered, such as pledges over securities accounts (*nantissements de comptes de titres financiers*). As a result, no assurance can be given on the priority of a pledge over a securities account in which the shares of such a company are registered.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of insolvency proceedings, called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged either (a) in insolvency proceedings of the relevant debtor by the insolvency officers of the relevant debtor, or (b) in or outside insolvency proceedings by any of the creditors of such debtor who was prejudiced in its means of recovery as a consequence of the act, and may be declared unenforceable against third parties if: (i) the debtor performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the debtor's insolvency, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the grant of the security interests in the Collateral or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor that lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Notes, the guarantees or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes, the security interests in the Collateral or the guarantees could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuers or the Guarantors as a result of the fraudulent conveyance.

Spain

Insolvency of the Spanish Guarantors

In the event of insolvency of a Guarantor incorporated under the laws of the Kingdom of Spain (a "Spanish Guarantor"), insolvency proceedings may proceed under, and be governed by, the Spanish Insolvency Act (*Ley 22/2003, de 9 de Julio, concursal*), as amended (the "Spanish Insolvency Act").

The following is a brief description of certain aspects of the insolvency laws of Spain.

Concept and Petition for Insolvency

In Spain, insolvency proceedings are only triggered in the event of a debtor's insolvency (either imminent or current insolvency). A debtor is deemed insolvent when it becomes unable to meet regularly its obligations as they become due and payable (current insolvency) or when it expects that it will shortly be unable to do so (imminent insolvency). The insolvency proceedings may be initiated either by the debtor ("voluntary insolvency") or by any of its creditors ("compulsory insolvency") (*provided that* it has not acquired the credit within the six months prior to the filing of the petition for insolvency, for *inter vivos* acts, on a singular basis and once the credit was mature) or by certain other interested third parties. However, only the debtor may file a petition for insolvency on the basis of its imminent insolvency. Whether insolvency proceedings are voluntary or compulsory will affect the basis for the insolvency, as well as impact upon the debtor's capacity.

Voluntary Insolvency

A debtor is required to apply for insolvency proceedings when it is not able to regularly meet its current obligations and is entitled (but not obliged) to apply when it expects that it will shortly be unable to do so in the near future (i.e., imminent insolvency). If the debtor files the insolvency petition, it must prove its current or imminent insolvency. The debtor is obligated to file a petition for a declaration of insolvency within two months after it becomes aware, or should have become aware, of the insolvency situation. It is presumed that the debtor becomes aware of its state of insolvency, unless otherwise proved, if any of the circumstances that qualify as the basis for a petition for compulsory insolvency occur.

A debtor may file for insolvency, or may file with the insolvency court a communication under Article 5.*bis* of the Spanish Insolvency Act (a "pre-insolvency notice") informing that it has started negotiations with its creditors to seek support for either (i) a collective refinancing agreement in the terms of article 71.*bis*.1 of the Spanish Insolvency Act, (ii) a Spanish "scheme of arrangements" provided under the 4th Additional Provision of the Spanish Insolvency Act, (iii) an early composition agreement (*convenio anticipado*), or (iv) an out-of-court repayment agreement under Articles 231 *et seq.* of the Spanish Insolvency Act. In such scenario, it will have a three-month additional grace period in which the obligation to file for insolvency is stayed, and one more month to file for insolvency if it does not reach an agreement with its creditors, *provided that* it files the pre-insolvency notice before the court within two months of becoming insolvent.

In the event of the debtor failing to file a petition for insolvency within the time period established by law, it may be unable to exercise certain courses of action (including, among others, the possibility of submitting a proposed settlement in advance) and the personal liability of the members of the management body is increased.

Compulsory Insolvency

If a creditor requests the insolvency, it must provide evidence of the debtor's insolvency in the terms and by the means stated under Section 2.4 of the Spanish Insolvency Act, such as (i) a generalized default on payments by the debtor, (ii) the occurrence of generalized attachments on the debtor's assets, (iii) a hasty or loss-making liquidation of assets, or (iv) a generalized default on certain tax, social security and employment obligations during the applicable statutory period (three months). Upon receipt of an insolvency petition by a creditor, the insolvency court may issue provisional interim measures to protect the assets of a debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

The debtor will be entitled to file an opposition to such petition, and will have to prove that it is not insolvent. The court will then summon the parties to a hearing, and will finally render a court ruling either dismissing the application filed by the creditor, or declaring the insolvency proceeding of the debtor.

Conclusion of Insolvency: Proposal of Agreement or Liquidation

The Spanish Insolvency Act provides that insolvency proceedings conclude following either the implementation of an agreement between the creditors and the debtor, the liquidation of the debtor, or payment of the total debt to the debtor's creditors.

Effects of the Insolvency for the Debtor

The insolvency court will issue a court order either rejecting the petition or declaring the insolvency. In the event of declaration of insolvency, the insolvency court order will appoint a court administrator or receiver (*administración concursal*) and will order the publication of such declaration of insolvency in the State Official Gazette (*Boletín Oficial del Estado*). The declaration of insolvency shall also be filed in the Commercial Registry (*Registro Mercantil*) and in the Public Registry of Insolvency (*Registro Público Concursal*).

As a general rule, and subject to certain exceptions, if the insolvency is voluntary, the debtor's directors retain their power to manage and dispose of the business, albeit under supervision by the insolvency administrator and in case the insolvency is compulsory, then the debtor's directors are removed from their power over the company's assets, which become subject to management by the insolvency administrator. However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator request, the court has the power to swap the intervention regime for a suspension regime or *vice versa*.

Actions carried out by the debtor that breach any required supervision of the insolvency administrator may be declared null and void.

Enforcement and Termination in a Pre-insolvency Scenario

The obligations under the Notes, the guarantees and/or the security interest might not necessarily be enforced in accordance with their respective terms in every circumstance, such enforcement being subject to, *inter alia*, the nature of the remedies available in the Spanish Courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Law on Civil Procedure (*Ley 1/2000, de 7 de enero, de Enjuiciamento Civil*) regarding remedies and enforcement measures available under Spanish law, the provisions of the Spanish Insolvency Law and other principles of law of general application. In this regard:

- Spanish law does not expressly recognize the concept of an indemnity. Section 1,152 of the Spanish Civil Code establishes that any penalty (*cláusula penal*) agreed by the parties in an agreement will substitute damages (*indemnización de daños*) and the payment of interest (*abono de intereses*) in an event of breach, unless otherwise agreed. Spanish courts may modify the penalty agreed on an equitable basis if the debtor has partially or irregularly performed its obligations, unless the penalty (liquidated damages) was aimed at such partial performance. There is doubt as to the enforceability in Spain of punitive damages.

- Where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the applicable jurisdiction.

- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties.

- Spanish law, as applied by the Spanish Supreme Court, precludes an agreement being terminated on the basis of a breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main undertakings foreseen under the relevant agreement (such as payment obligations under financing agreements), and allows Spanish courts not to enforce any such termination.

- Under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply.

Effects of the Insolvency on Contracts

Under Section 61 of the Spanish Insolvency Act, all clauses that entitle any party to terminate an agreement with reciprocal obligations based solely on the other party's declaration of insolvency are deemed void. The declaration of insolvency does not affect agreements with reciprocal obligations pending performance by either the insolvent or the other party and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. However, the insolvency administrator (together with the insolvent or by their sole discretion if the insolvent is not allowed to carry on its business) may request the court to terminate the relevant contract (on the grounds of convenience in the insolvency proceedings) or at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the insolvent debtor having to return and indemnify damages to its counterpart against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency administrators' request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall be entitled to seek specific performance against the insolvency estate (pre-deductible claim from the estate). There are cases in which the Spanish law expressly allows to establish an agreement for termination in the event of insolvency (e.g., agency contracts).

In addition, the declaration of insolvency determines that interest accrual is suspended, except credit rights secured with an *in rem* right, in which case interest accrues up to the value of the security, and except for any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding Law of the State Budget (*Ley de Presupuestos del Estado*).

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings which can have an effect on the estate (excluding enforcement proceedings with regard to financial collateral (as defined in Royal Decree Law 5/2005). When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Act extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor, or administrative law).

The enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (*in rem* securities) is prohibited until the earlier of: (i) an arrangement of a composition agreement being reached, *provided that* the composition agreement does not affect such right; or (ii) one year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase. Nevertheless, shares/quota shares held by an insolvent debtor in another company whose only activity is the holding of a material asset and servicing the financing provided in connection with the acquisition of that asset, are not considered to be an asset necessary for the debtor's business activity as long as the foreclosure of the relevant security interest that has been granted over such shares/quota shares does not bring about an early termination or amendment of the contractual relations permitting the economic exploitation of the relevant asset.

Rules on Priority of Creditors

Creditors are required to report their claims to the insolvency administrators within one month from the day following the last official publication of the court order declaring the insolvency, providing documentation to justify such claims. Based on the documentation provided by the creditors and documentation held by the debtor, the court administrators draw up a list of acknowledged creditors/ claims and classify them according to the categories established in the Spanish Insolvency Act.

Under the Spanish Insolvency Act, claims are classified in two groups:

- Estate Claims (*créditos contrala masa*): Section 84 of the Spanish Insolvency Act sets out the so-called "estate claims" which are pre-deductible claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnity in cases of voluntary termination or breach by the insolvent debtor, (iv) those that derive from the exercise of a claw-back action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor following the declaration of insolvency; (vii) in case of liquidation, the credit rights granted to the debtor under a composition agreement in accordance with Section 100.5 of the Spanish Insolvency Law, (viii) 100% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Law, *provided that* such arrangement has been entered into after 9 March 2014 and (ix) 100% of the new funds lent by the debtor itself or by persons being in a special relationship with the debtor in the context of a refinancing arrangement entered into in compliance with the requirements set forth in Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Law, *provided that* such arrangement has been entered into after 9 March 2014 and *provided further that* such new funds do not result from a share capital increase. From 2 October 2016, only 50% of the new funds referred to in subsection (viii) will be considered as claims against the insolvency estate, and funds referred to in subsection (ix) will no longer be considered as claims against the insolvency estate, unless granted by a special related person. As an exception, new money granted pursuant to an out-of-court workout regulated under Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Act, which also contemplates a debt-for-equity swap executed before the granting of fresh money, shall not be subordinated under Section 92.5° of the Spanish Insolvency Act. This is an incentive to promote fresh money and debt- for-equity swaps in order to remove insolvency out-of-court. These claims are preferred to all others except for specially privileged claims specifically with regard to the assets subject to the relevant security interest or special privilege.
- Insolvency Claims: Insolvency claims are classified as follows:
  - Specially Privileged Claims: Creditors benefiting from special privileges, representing security over certain assets (*in rem* securities) up to the amount of the value of their security, *provided that* such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value of the secured asset minus those claims that hold higher ranking security over such asset). The part of the claim exceeding the value of their security will be

classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year and certain additional limitations set forth in the Spanish Insolvency Law. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Law, the insolvency administrator has the option to pay the relevant claims against the insolvency estate under specific payment rules.

- Generally Privileged Claims: Creditors benefiting from a general privilege, including, among others, specific labour claims and specific claims brought by public entities or authorities are recognized for half their amount, and claims held by the creditor taking the initiative to apply for the insolvency proceedings, for up to 50% of the amount of such debt. From 2 October 2016, new funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.*bis* of the Spanish Insolvency Law in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges.
- Ordinary Claims: Ordinary creditors (non-subordinated and non- privileged claims) are paid *pro rata* once estate claims and privileged claims have been paid.
- Subordinated Claims: Subordinated creditors (thus classified by virtue of an agreement or pursuant to law), include, among others: credits communicated late (outside the specific one-month period mentioned above); credits which are contractually subordinated *vis-à-vis* all other credits of the debtor; credits relating to unpaid interest claims (including default interest) except for those credits secured with an *in rem* right up to the secured amount; fines; and claims of creditors which are "specially related parties" to the insolvent debtor. In the case of individuals, this includes their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators. In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any special related party to these shareholders, as described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed); or (iii) directors (either *de jure* or *de facto*) insolvency liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Section 71.*bis* or the 4th Additional Provision of the Spanish Insolvency Law shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. Claims related to accrued and unpaid interest unless and to the extent they are secured by an *in rem* right are also subordinated. Subordinated creditors are second- level creditors; they may not vote on a composition agreement and have limited chances of collection. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared open.

Limitations to Enforcement by Unsecured and Secured Creditors

From the moment a pre-insolvency notice is submitted and during the pre- insolvency period, court or out-of-court enforcement proceedings may not be initiated for the enforcement of assets or rights necessary for the continuation of the debtor's professional or business activity, and proceedings already initiated will be stayed.

Furthermore, individual enforcements sought by holders of financial liabilities cannot be initiated (or, if they have already been initiated, will be stayed) when it is justified that a percentage not lower than 51%

of creditors holding financial liabilities have supported the start of negotiations of a refinancing agreement, undertaking not to initiate enforcements in the meantime.

Enforcements of *in rem* securities can be commenced after the aforementioned pre-insolvency notice is submitted, but such enforcement becomes stayed for the time explained above. On the contrary, enforcement of claims subject to Public Law are not affected by the submission of this pre- insolvency notice.

Enforcement is also stayed in case a refinancing agreement submitted for homologation is admitted by the Court, until the time the Court decides to homologate it or not.

Upon the court declaration of insolvency, as a general rule, the enforcement rights of unsecured creditors are stayed. Unsecured creditors cannot initiate any enforcement proceedings against the debtor company's assets after the declaration of insolvency.

Notwithstanding the rules on priority mentioned in "*Rules on Priority of Creditors*" above, in the event of the debtor's insolvency and in accordance with the provisions of the Spanish Insolvency Act, the ability of a secured creditor to enforce the collateral is limited if the asset is necessary for the continuation of the debtor's professional or business activity.

In such instances, the enforcement or realization of security may not be commenced until (a) either (i) a composition is approved (the content of which does not affect this right except in certain cases) or (ii) one year elapses from the insolvency declaration without liquidation taking place, and (b) unless at the time of the insolvency declaration, the announcements to auction the collateral had been published. The stay will only be lifted when the court hearing the insolvency proceedings determines that the asset is not necessary for the survival of the debtor's professional or business activities.

When it comes to determining which assets of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets. In particular, the Spanish Insolvency Act establishes that the shares or quotas of companies exclusively destined to hold assets and the liabilities necessary for their financing will not be consider necessary for the continuation of the debtor's business, *provided that* the enforcement of the security over the shares or quotas does not constitute a cause of termination or modification of those contractual relationships of the company that allow the debtor to continue exploiting such assets.

Settlement

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to reach an agreement regarding payment of the insolvent party's debts. This agreement may be proposed either by the debtor or by the creditors, and it shall set forth how, when and up to what amount creditors are to be paid. Once executed, this agreement must be honored by the debtor and respected by the creditors.

The settlement or composition should contain proposals for write-off and grace period. It may contain alternative proposals for all creditors or for certain classes, including conversion of the credit into shares or into profit- sharing credits. It may also include proposals for allocation of all assets or of certain assets to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the settlement.

The proposals in the settlement shall include a payment schedule.

In order for a settlement or composition to be deemed approved by the creditors, the following majorities shall be met at the creditors' meeting:

(a) If creditors whose claims amount to at least 50% of the unsecured liabilities (ordinary creditors and privileged creditors who waive their privilege) have voted for such settlement or composition, they shall be subject to write-offs equal to or less than 50% of the claims; to deferrals in the payment of principal, interest or any other outstanding amount, for a period not exceeding five years; or, in the case of creditors other than those related to the public administration or employment matters, to the conversion of debt into profit-sharing loans over the same period. Notwithstanding the above, a vote by creditors representing a portion of the unsecured liabilities that is greater than the vote against will suffice when the settlement consists of (i) full payment of ordinary or unsecured claims within a period not exceeding three years or (ii) immediate repayment of outstanding ordinary unsecured claims applying a write-off of less than 20%.

(b) If the creditors whose claims amount to 65% of the unsecured liabilities (ordinary creditors and privileged creditors who waive their privilege) vote for the settlement or composition, they shall be subject to deferrals of more than five years, but in no case more than ten; to write- offs in excess of 50% of the claims; and, in the case of creditors other than those related to the public administration or employment matters, to the conversion of debt into profit-sharing loans over the same period and subject to certain measures.

The holders of subordinated credits and those specially related to the debtor company are not entitled to vote, but they will have to abide to the terms of the settlement reached by ordinary creditors. However, in their case, the deferral period will commence to run once the settlement in relation to ordinary creditors has been fully complied with.

Although in principle secured creditors are not subject to an approved settlement or composition, there is an exception: the effects of an approved composition can be extended to secured and preferential creditors (in respect of the part of the claim covered by the reasonable value of the security), *provided that* the relevant composition of creditors has been approved by the following majorities of creditors: (a) when 60% of the preferential creditors, vote in favor of the composition in cases where the composition consists of a write-off (or debt discharges) equal to or less than 50% of the claim, deferrals for a period no longer than five years and conversion of debt into profit-sharing loans, also for a period no longer than five years (in the case of creditors different from public and employment creditors); and (b) when 75% of the preferential creditors, vote in favor of the composition of creditors in cases where the composition consists of write-off (or debt discharges) of more than 50% of the claim; deferrals (for a period between five and ten years) and conversion of debt into profit-sharing loans, also for a period between five and ten years (in the case of creditors different from public and employment creditors).

A special case arises with an advance proposal for settlement. This has two main advantages: (i) in terms of time—it may be submitted along with the petition for voluntary insolvency or until the conclusion of the term for creditors to send their statements of claim to the court receivers, allowing for it to be accepted prior to the settlement phase, and it may be approved by the court upon conclusion of the common phase; and (ii) in terms of content—if the proposed settlement requires a write-off or grace period in excess of those allowed by Spanish law, the court may allow such legal limits to be exceeded. There is a condition, however, whereby the proposal must be submitted with the prior support of at least 20% of the total debt (or 10%, if submitted along with the voluntary insolvency petition) and it may only be submitted by diligent debtors (i.e., not those affected by legal prohibitions).

Liquidation

Liquidation is conceived as an outcome subsidiary to settlement. It operates where a composition is not reached or when it is decided upon by the debtor. The debtor is also obligated to file a petition for liquidation if, during the period while the settlement is in force, it becomes aware that it is no longer able to meet the payment commitments and obligations undertaken after the approval of such settlement. If the debtor is a company, its dissolution will be declared, as well as the removal of its directors and liquidators. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The insolvency administrator (who at this stage replaces the debtor's directors if this has not happened yet) is required to prepare a liquidation plan that must be approved by the court. The aim of the Spanish Insolvency Act is to preserve companies or production units through their allocation as a block, except where it is more protective for the interests of the insolvency proceedings to divide them up or sell some or all the elements separately, with preference given to the alternatives allowing the continuity of the business.

The insolvency administrator is required to report quarterly on the liquidation and has one year to complete it. If the liquidation is not completed within one year, the court may appoint a different insolvency administrator.

Limitations on Enforcement

Under Spanish law, claims may become time-barred (15 years being the general term established for obligations *in personam* under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defence of set-off or counterclaim.

The terms "enforceable," "enforceability," "valid," "legal," "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms.

Enforcement before the courts will in any event be subject to:

- the nature of the remedies available in the courts; and
- the availability of defence such as (without limitation) set-off (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

Under Spanish law there are some provisions on capitalization which have to be taken into account when security interests are enforced. For example, when the enforcement of the security interests cause the amount of the relevant Spanish subsidiary net equity (*patrimonio neto*) to fall below half of its share capital, the Spanish subsidiary will need to be wound up (*disolverse*), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and *provided that* it is not required to declare its insolvency.

Spanish law prohibits financial assistance for publicly held limited liability companies (*sociedades anónimas*) in relation to the acquisition of their own shares or the shares of any direct or indirect parent company. Therefore, any guarantee or indemnity granted or assumed pursuant to the Indenture by any Guarantor incorporated under the laws of Spain shall not extend to any payment obligation incurred by the Issuers for the purpose of acquiring the shares of such Guarantor or the shares of its direct or indirect parent company, to the extent that such guarantee or indemnity would constitute unlawful financial assistance within the meaning of Article 149 or 150 of Spanish Decree 1/2010 dated 2 July 2010 on Spanish Corporations (*Ley de Sociedades de Capital*). Furthermore, any guarantee or indemnity granted or assumed pursuant to the Indenture by any Spanish Guarantor shall not apply to the extent the proceeds are used to repay existing indebtedness of the Issuers if such existing indebtedness was used for the purposes described above. No whitewash procedures are available.

For the purposes of the paragraph above, a reference to a "parent company" of an Spanish Guarantor shall mean the company which, directly or indirectly, owns the majority of the voting rights of such Spanish Guarantor or that may have a dominant influence on such Spanish Guarantor. It shall be presumed that one company has a dominant influence on another company when:

(i) any of the scenarios set out in section 1 of Article 42 of the Spanish Commercial Code (*Código de Comercio*) are met; or

(ii) when at least half plus one of the members of the managing body of the Spanish Guarantor are also members of the managing body or top managers (*altos directivos*) of the dominant company or of another company controlled by such dominant company.

Spanish law is based, among other things, on the principle of specialty (*principio de especialidad*), by virtue of which a security interest can secure only a main obligation and its ancillary obligations, such as interest, costs, etc. As a general principle, where two different main obligations are to be secured, two different security interests must be created.

Security interests subject to Spanish law

(A) Principle of specialty (*principio de especialidad*).

Spanish law is based, inter alia, on the principle of specialty ("*principio de especialidad*"), by virtue of which a security interest can secure only one main obligation and its ancillary obligations, such as interest, costs, etc. As a general principle, where two different main obligations are to be secured, two different security interests must be created.

Whilst there is no express legal recognition of the grant of two or more pledges over the same asset or right, its permissibility has been based on the acceptance of the application by analogy of the provisions under the article 153 bis. of the Decree of February 8, 1946, approving the Spanish Mortgage Act (*Decreto de 8 de febrero de 1946, por el que se aprueba la nueva redacción oficial de la Ley Hipotecaria*), which sets forth that certain mortgages may be created as security for more than one obligation. Although it is a widespread market practice and is generally considered acceptable in Spanish academic literature, there are significant doubts (in particular as regards security documents governed by the regional laws of

Catalonia (*Derecho Civil Catalán*)) about the validity and enforceability of simultaneous first-ranking pledges over the same assets, as such structures are yet to be scrutinized before the Spanish courts. On the one hand, second and subsequent pledges are expressly prohibited by the Law 5/2006 of 10 May of the Fifth Book of the Catalonian Civil Code relating to the rights in rem (unless they are created for the benefit of the same creditors and the secured obligations are split among them).

Given the above, a court ruling may come to the conclusion that any security interest governed by the laws of Spain (particularly if governed by the regional laws of Catalonia (*Derecho Civil Catalán*), may secure only one obligation and, therefore, may consider such security interest to be void and null.

(B) Security agency structure—Spanish formalities.

Security interests must be granted in favor of each and every one of the secured parties under the relevant security document, and each secured party must accept said security interest.

Spanish law neither expressly recognizes the concept of security agent nor the concept of trustee and, therefore, the security agency or security trustee structure may not be recognized by Spanish courts. Therefore, in those cases where an entity acts as security agent of the actual beneficiaries of the security interest or a guarantee (i.e. the creditors of the secured obligations), such security agent must be duly empowered for that purpose at the time it acts as security agent. Otherwise the security interest or guarantee will not be validly created in favor of its purported beneficiaries.

The holders of the Notes, from time to time, shall be the beneficial holders of any Spanish law security interests, however, it is envisaged that they will not be parties to the Spanish law security documents that will be executed by the Security Agent on their behalf and the holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are the direct beneficiaries of the security interests).

Although it could be argued that article 429 of the Spanish Companies Act (*Ley de Sociedades de Capital*)—which basically states that the representative of the syndicate of noteholders (*comisario*) may enforce any security interest on behalf of all noteholders under certain circumstances—could apply by analogy, it cannot be disregarded that, if enforcement of the security interest is carried out by the Security Agent, it may be necessary to prove that the Security Agent is duly and expressly empowered for such purpose by means of a power of attorney granted in favor of the Security Agent by each of the secured parties duly notarized and, if necessary, with the Apostille of The Hague Convention dated 5 October 1961 or legalized.

In the absence of the abovementioned powers of attorney, the Security Agent may not be able to enforce the relevant Spanish security interest on behalf of all of the secured creditors (including the holders of the Notes), and there is a risk that the Security Agent would only be able to enforce the security interest against the debt that it individually holds, and not for the full amount owed to creditors for whom it may be acting as Security Agent. Further, those benefial holders of the security who has not accepted the security or duly empowered (by means of notarial and apostilled powers of attorney) the Security Agent to do so may be treated, from a Spanish law perspective including without limitation in an insolvency scenario, as unsecured creditors.

Further, it is worth noting that there is a risk that the relevant court or notary public before whom any Spanish security interest may eventually be enforced might request both the notarization of the documents from which the relevant obligations arise, and the notarization of each and every one of the transfer certificates regarding each and every transfer of the Notes.

Hardening Periods and Fraudulent Transfer

There is no claw-back date by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings, but instead the insolvency administrators must expressly challenge those transactions. The Spanish Insolvency Act provides that the Spanish insolvency court may only declare null and void acts and challenge actions that took place before the declaration of insolvency that are detrimental to the insolvency estate, as follows:

- Actions carried out in the two years preceding the declaration of insolvency may be challenged, even in the absence of fraudulent intent.

- Such actions must be "to the detriment of the insolvency estate," which is presumed, but not limited to:
  - without admission of proof to the contrary: (x) in actions of disposal for no consideration, except for ordinary largesse (*liberalidades de uso*); or (y) regarding payments or other actions cancelling obligations with a due date after the declaration of insolvency (unless they were secured); or
  - with admission of proof to the contrary: (x) in actions for valuable consideration carried out for any specially related party to the debtor (as defined by the Spanish Insolvency Act); (y) in granting of *in rem* security covering pre-existing debts or new debts incurred to cancel pre-existing debts (except in the case of certain refinancing agreements as explained below); or (z) cancellation of secured obligations falling due after the declaration of insolvency.

  Otherwise, the damage must be proved by the person seeking rescission.

  - under no circumstances can actions carried out in the debtor's ordinary course of professional or entrepreneurial business and under market conditions be rescinded.

Up-stream and cross-stream guarantees or security have been considered detrimental to the insolvency estate where no consideration was paid for them and no actual corporate benefit of guarantor or security provider was evidenced.

In addition to insolvency claw-back, these actions may be subject to civil rescission.

Special Regimes for Certain Refinancing Agreements:

- (A) Neither refinancing agreements, nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such agreements, will be subject to claw back (save in the case of fraud) under the Spanish Insolvency Act, *provided that*: (i) the refinancing agreement gives rise to a "significant increase" in the funds available to the borrower, or a modification of the terms of the initial financing by extending the maturity date or by replacing the existing obligations with new ones, *provided that* they meet a viability plan that allows the continuity of the debtor's business in the short and medium term and, prior to the insolvency declaration, (ii) the agreement has been entered into with creditors whose credits represent at least three-fifths of the debtor's liabilities as of the date of the agreement; (iii) a certification is issued by the auditors of the debtor, on the sufficiency of the liabilities required to adopt the agreement; and (iv) the refinancing agreement and the documents substantiating performance of conditions (ii) and (iii) above are executed by way of a Spanish public deed.(B) Together with the refinancing agreements described above, no action for rescission will be either available (save in case of fraud) for those refinancing agreements that meet all the following criteria: (i) the ratio of assets to liabilities is greater under the refinancing agreement than before the agreement took effect; (ii) the resulting current assets are equal to or higher than the then current liabilities prior to reaching that private agreement; (iii) the value of the security that would be provided to the relevant creditors does not exceed either 90% of the value of the debt owed to those creditors, or the ratio of security to outstanding debt that the creditors had the benefit of prior to the agreement taking effect; (iv) the rate of interest relating to the debt under the refinancing agreement for the creditors concerned is no more than one-third of the rate applicable to the debt before the refinancing; and (v) the agreement has been executed as a deed by all parties concerned.

Certain refinancing agreements (those that have been approved by at least 51% of the financial creditors and meet the criteria under (A) above) may be sanctioned by the court (*homologación judicial*) and be imposed to certain dissenting creditors:

- all those that have a financial claim against the debtor, irrespective of whether they are subject to financial supervision or not;
- any other creditors that have voluntarily signed up to the refinancing agreement, with the exception of trade and public sector creditors; and
- secured creditors in certain circumstances.

An additional rule has also been introduced for cases where the relevant debt includes debt under syndicated loans. This additional rule states that refinancing proposals will be deemed to have been agreed to by all creditors under a syndicated loan when voted for by lenders representing 75% of the amount of the syndicated debt (or less, if the relevant loan agreement allows decisions to be passed by consent from a lower majority of lenders).

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured financial creditors or (ii) on secured financial creditors to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the latest reform of the Spanish Insolvency Act:

(a) If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into so-called profit participation loans (*préstamos participativos*) of duration up to five years.

(b) Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

(c) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

   (i) stays of payments for up to ten years;

   (ii) haircuts (note that a cap has not been established);

   (iii) capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

   (iv) conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

   (v) assignment of assets or rights as assignment in kind for total or partial payment of the debt (*datio pro soluto*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

Sanctioned refinancing agreements are not subject to claw-back action under the Spanish Insolvency Act.

Parallel Debt

Under Spanish law, a security interest created as security for the benefit of third parties who are not direct parties to the relevant agreement creating the security interest are unenforceable by such parties. However, given the costs and formalities required for a creditor to be part to a security agreement subject to Spanish law, it is not unusual that only the security agent subscribes the security agreements on behalf of all the creditors. In this regard, it might be the case that the holders of the Notes from time to time will not be identified among the secured parties under the security interests created by agreements governed by Spanish law. In order to address this eventual issue, the Intercreditor Agreement provides for the creation of a parallel debt structure (as an abstract obligation independent from the obligation under the Notes) whereby, subject to the terms of the Intercreditor Agreement, all the Debtors (as defined therein) undertake to pay to the Security Agent any amount payable by them under the Notes in case of enforcement of the relevant security interests. The use of parallel debt in Spanish deals is a relatively new concept, and although we are not aware of any court precedent on this, we understand that there is a serious risk of this debt being considered not having a cause (*sin causa*) and, therefore being considered contrary to Spanish public policy. Such mechanism would be contractually binding among the parties to the Intercreditor Agreement but would in principle not be binding, nor display effects, upon third parties (and in an eventual insolvency scenario the insolvency administrator shall not be bound by those provisions of the Intercreditor Agreement that contravene the provisions of the Spanish Insolvency Law). Taking into account the risks deriving from creating security or guarantees securing or guaranteeing the parallel debt, neither Spanish security nor Spanish obligors will secure or guarantee the parallel debt.

Belgium

To the extent any Guarantor is incorporated under the laws of Belgium (a "Belgian Guarantor"), and provided Belgium is the territory in which the center of such Belgian Guarantor's main interests is situated, main insolvency proceedings may be initiated in Belgium. Such proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows insolvency proceedings to be opened in Belgium over the assets of companies that are not established under Belgian law.

The following is a brief description of certain aspects of Belgian insolvency laws. Belgian insolvency laws provide for two types of insolvency proceedings: judicial reorganization proceedings (*gerechtelijke reorganisatie/réorganisation judiciaire*) and bankruptcy proceedings (*faillissement/faillite*). Note that in addition, Belgian law allows for liquidation in deficit (*deficitaire vereffening/liquidation déficitaire*). The latter proceedings will not be further discussed.

Pre-bankruptcy Judicial Reorganization

The judicial reorganization proceedings are regulated by the Act of 31 January 2009 on the Continuity of Enterprises (the "Act on the Continuity of Enterprises") as amended by the Act of 27 May 2013.

Scope

Judicial reorganization proceedings are available (notably) to debtors that qualify as (i) a merchant (*commerçant/koopman*) or (ii) a civil company in the form of a commercial company *provided that* it does not exercise a liberal profession, subject to certain exceptions for credit institutions and certain other entities active on the financial and insurance markets.

Out-of-Court Amicable Settlement

Instead of entering into formal reorganization proceedings as provided by the Act of 31 January 2009, the debtor can opt for an amicable settlement by drawing an agreement and joint payment scheme plan with at least two creditors in order to settle its debts. If an agreement is reached for reorganization purposes, it is submitted in the court and entered into a register. Such an amicable settlement will remain enforceable in the event of a later bankruptcy, subject to certain exceptions.

Commencement of the Reorganization Proceedings

A debtor may file a petition for judicial reorganization if "the continuity of the enterprise is at risk," whether immediately or in the future. The contents of this principle are broad and are defined in practice by the courts. If the net assets of the company have fallen below 50% of the company's registered capital, the continuity of the enterprise is always presumed to be at risk. The court may accept a petition for judicial reorganization in other circumstances, for instance, if the activity of the company may be hampered or shut down by creditors. The fact that the conditions for bankruptcy are met (entailing that the debtor has the legal obligation to declare bankruptcy under the 8 August 1997 Bankruptcy Act), does not preclude the debtor from applying for judicial reorganization. Since 2013 the petition for judicial reorganization must indicate the measures and proposals which will be taken or made by the debtor to carry out the reorganization. A number of documents must also be attached to the petition, including, but not limited to, an interim balance sheet and income statement, prepared under the supervision of an auditor, an external expert accountant or a certified tax accountant.

As from the filing of the petition and as long as the court overseeing a judicial reorganization has not issued a ruling on the reorganization petition, the debtor cannot be declared bankrupt or wound up by court order.

In addition, during the period between the filing of the petition and the court's decision, subject to certain exceptions, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

The Act on the Continuity of Enterprises provides that, within a period of 14 days as from the filing of the petition, the court will hear the debtor and/or his lawyer on the petition for reorganization and will hear the report from the delegated judge. After this hearing, the court will rule within eight days on the petition for judicial reorganization. If the conditions for judicial reorganization appear to be met, and all required documents have been provided, the court will declare that the reorganization proceedings are open, allowing a temporary moratorium for a maximum period of six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can thereafter be extended but cannot exceed twelve months (or, in exceptional circumstances, 18 months).

Moratorium

The moratorium will operate as a stay of enforcement. No enforcement measures with respect to pre-existing claims can be continued or initiated against the debtor's assets from the time that the moratorium is granted until the end of the period, subject to certain exceptions.

Conservatory attachments/seizures that existed prior to the opening of the judicial reorganization retain their conservatory character, but the court may order their release, *provided that* such release does not have a material adverse effect on the situation of the creditor concerned.

If receivables are pledged by the debtor in favor of a creditor prior to the opening of the judicial reorganization proceedings, such pledge will not be affected by the moratorium, provided the receivables are pledged specifically to that creditor from the moment when the pledge is created; hence the holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (e.g., the debtor's customers) during the moratorium. A pledge on financial instruments within the meaning of the Financial Collateral Law of 15 December 2004 (the "Belgian Law on Financial Collateral") can be enforced notwithstanding the enforcement prohibition imposed by the moratorium (unless considered an abuse of right). In the case of a pledge on cash held on accounts, the enforcement prohibition applies, save in case of payment default or if certain other conditions are met. Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors, subject to certain exceptions or qualifications in respect of guarantees granted by individuals. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium, to the extent such payment is necessary for the continuity of the enterprise.

During the judicial reorganization proceedings, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor the court may appoint a company mediator (*ondernemingsbemiddelaar/médiateur d'entreprise*) to the extent it is deemed useful for reaching the aims of the restructuring. Furthermore, the court may appoint, in its decision to open the judicial reorganization proceedings or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the restructuring. The court may also appoint a judicial administrator, upon request of any interested party or the public prosecutor, in the event of manifestly grave shortcomings or bad faith of the debtor or any of its corporate bodies, to either exercise particular tasks indicated by the court or to replace the debtor or any of its corporate bodies for the duration of the moratorium.

The reorganization proceedings aim to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts.

Since the Act of 27 May 2013 modifying the 2009 Act on the Continuity of Enterprises the delegated judge, appointed to assist the debtor in the realization of the goal of the reorganization, has additional powers and can for instance require the court to end the reorganization prematurely when he considers that the debtor is clearly not in state to ensure the continuity of the whole or part of his business.

Contractual provisions which provide for the early termination or the acceleration of the contract upon the initiation or approval of a reorganization procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. Moreover, the Act on the Continuity of Enterprises provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the reorganization procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may even cease performing a contract during the reorganization proceedings *provided that* the debtor notifies the creditor and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets. The exercise of this right does not preclude the creditor from suspending the performance of its own obligations.

The Act on the Continuity of Enterprises provides for three types of reorganization: (i) amicable settlement between the debtor and two or more of his creditors; (ii) a collective agreement; or (iii) the transfer of (part of) the activities.

The type of reorganization may change during the proceedings and may also depend on the position of the court and/or third parties.

In the case of an amicable settlement, the parties to such amicable settlement will be bound by the terms they have agreed.

In the case of a judicial reorganization by collective agreement, the creditors agree to a reorganization plan during the reorganization procedure.

For that purpose, within a period of 14 days following the ruling declaring the judicial reorganization proceedings open, the debtor must inform each of its creditors individually of the amount of their claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the reorganization procedure. In addition, the court can, upon joint request by the debtor and the creditor, change the amount and the ranking of the claim initially declared by the debtor at the latest 15 days before the date on which the creditors will vote on the reorganization plan. If a creditor has not challenged the amount and the ranking of its claim at least 14 days in advance of the date on which the creditors will vote on the approval of the reorganization plan, the amount of its claim will remain unchanged for voting purposes as well as for the purposes of the reorganization plan.

The debtor must use the moratorium period to complete and finalize a reorganization plan, with the assistance of the court-appointed administrator, if applicable. The plan may include measures, such as the reduction or rescheduling of liabilities and interest obligations, and the swap of debt into equity, and may be based on a differentiated treatment for certain various categories of liabilities.

The plan must be filed with the Clerk's Office of the Commercial Court at least 20 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The plan will be approved if a double majority (both in headcount and in principal amount due) of the creditors vote in favor, it being understood that the court needs to ratify the reorganization plan prior to it taking effect. The plan, will be binding on the debtor and on all creditors (including the ones who voted against the plan, or abstained).

The court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in its petition or at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

The court-ordered transfer will be organized by a judicial administrator (*gerechtsmandataris/mandataire de justice*) appointed by the court. Following the transfer, the recourse of the creditors will be limited to the transfer price.

Bankruptcy

The Belgian bankruptcy procedure is essentially governed by the Bankruptcy Act of 8 August 1997, by diverse subsequent remedial acts and by the extensive case law that helped to fine tune the provisions of the 1997 Bankruptcy Act.

Proceedings may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, or the provisional administrator of the debtor's assets, by the liquidator of the debtor's assets or by the liquidator of "main insolvency proceedings" opened in another EU Member State (other than Denmark) in accordance with the EU Insolvency Regulation. Once the court ascertains that the requirements for bankruptcy are met, the court will establish a date by which all creditors' claims must be submitted to the court for verification.

Only a merchant (physical person or merchant company) can be declared bankrupt. Conditions for a bankruptcy order (*faillietverklaring/déclaration de faillite*) are that the debtor must be in a situation of cessation of payments (*staking van betaling/cessation de paiements*) and be unable to obtain further credit (*wiens krediet geschokt is/ébranlement de crédit*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary. The mere fact that a merchant has more debts than assets does not entail the bankruptcy conditions are met with. Companies whose liquidation has been started can be declared bankrupt up to six months after the judgments of the closing of the liquidation.

In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curator/curateur*), appointed by the court, becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to continue performance of ongoing contracts (i.e., contracts existing before the bankruptcy order). The receiver may decide not to continue performance of a, or several ongoing contracts, subject to certain limitations, according to case law. The other party to an ongoing contract may summon the receiver to take a decision within 15 days. If no extension of the 15-day term is agreed upon or if the receiver does not take any decision, the ongoing contract is presumed to be terminated after the expiration of the 15-day term. If the receiver decides not to continue performance of an ongoing contract or if an ongoing contract is terminated due to the expiration of the 15-day term, the other party to the contract may be entitled to claim damages, in which case its claim will rank *pari passu* with claims of all other unsecured creditors.

The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

As a general rule, the enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge of financial instruments or cash held on account falling with the scope of the Belgian Law on Financial Collateral. Further exceptions exist with regard to estate credits.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors in the interest of all creditors without prejudicing the secured creditors and *provided that* those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets.

The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee *provided that* the mortgagee has been given the opportunity to be heard by the court.

If a security, such as a pledge, has been granted over assets that, at the time of opening of an insolvency proceeding, are located in another EU Member State, the rights the creditor has under such security shall, in accordance with the Insolvency Regulation, not be affected by the opening of such insolvency proceedings.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of only the main principles:

- *Estate debt:* Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the "estate debts," have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors.
- *Security interests:* Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization).
- *Privileges:* Creditors may have a particular privilege on certain or all assets (e.g., tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor.
- *Unsecured creditors* (*pari passu*): Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).
- Subordinated creditors will receive the remainder (if any).

Subsidiary Guarantee and Collateral

The grant of a guarantee or collateral by a Belgian company for the obligations of another group company must fall within the grantor's legal and corporate purpose and be for the own corporate benefit of the granting company and comply with any applicable financial assistance rules. The assessment of whether or not the grant of a guarantee is in a Belgian company's corporate interest, is largely dependent on factual considerations and is to be determined on a case-by-case basis by the directors of that Belgian company, and to be reviewed ultimately on a case-by-case basis by the competent courts. Consideration has to be given to any actual or real benefit (be it direct or indirect) that the company would actually derive from the transaction; this is particularly relevant for upstream or cross-stream guarantees and security interests. At least the following principles apply to such evaluation: (i) the risk taken by the Belgian Guarantor in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction; and (ii) the financial support granted by the Belgian Guarantor should not exceed its financial capabilities. The responsibility for such assessment is that of the directors/managers of the Belgian Guarantor.

If the corporate benefit requirement is not met, the directors of the company may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or collateral could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee or collateral could be held liable for up to the amount of the guarantee. Alternatively, the guarantee or collateral could be reduced to an amount corresponding to the corporate benefit or the creditor may be held liable for any guarantee amount in excess of such amount. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee and collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain "limitation language" in relation to subsidiaries incorporated or established in Belgium. Accordingly, the Indenture and the security documents will contain such limitation language and the guarantee of a Belgian Guarantor and the security will be so limited.

Financial Assistance

Any guarantees or security interest granted by a Belgian Guarantor which constitute a breach of the provisions on financial assistance as defined by article 329 and 629 of the Belgian Companies Code will not be enforceable.

Security Trustee and Parallel Debt

Belgian law does not have the concept of trust; security is an "accessory" which must be granted to the same person to whom the secured debt is owed, except in the case of financial collateral within the meaning of the Belgian Law on Financial Collateral.

In order to enable the Security Agent to hold security created under certain applicable laws (including Belgian law), the Intercreditor Agreement will provide for the creation of the Parallel Debt, mirroring the obligations of the Issuers and the Guarantors towards the holders of the Notes under or in connection with the Indenture. The parallel debt structure is indeed commonly used for the purposes of taking Belgian law security in the context of transactions of this nature.

In the case of an insolvency of the Security Agent, the parallel debt structure means that the secured parties may be exposed to credit risk on the Security Agent, if payments in respect of the Parallel Debt and any proceeds received by the Security Agent cannot be separated from its other assets.

The Issuers have been advised that the Parallel Debt creates a claim of the Security Agent which can be validly secured by a Belgian security agreement, but that there is no Belgian case law in this respect.

Lastly, Belgian pledges over financial collateral (such as shares of Belgian companies or bank accounts) may be granted to the Security Agent acting for itself and for the account of the secured parties pursuant to Article 5 of the Belgian Law on Financial Collateral. This provision indeed allows for the creation of security over financial collateral held by an agent acting as representative for secured parties, *provided that* the secured parties are determinable on the basis of the security agreement.

Hardening Period and Fraudulent Transfer

In the event of bankruptcy proceedings governed by Belgian law, the insolvency receiver may challenge certain transactions that have been concluded or performed by the debtor during the "hardening period."

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective indications that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in the case where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the "hardening period" (*verdachte periode/période suspecte*).

The transactions entered into or performed during the hardening period which may be declared ineffective against third parties include, among others, (i) gratuitous transactions or transactions entered into at an undervalue, (ii) payments for debts which are not due, (iii) payments other than in cash for debts due, and (iv) security provided for pre-existing debts.

Other transactions entered into or performed during the hardening period may be declared ineffective against third parties *provided that* the counterparty was aware of the debtor's cessation of payment.

In particular, a guarantee entered into during the hardening period may be declared ineffective against third parties (i) if it is regarded as having been granted gratuitously or at an undervalue (ii) if the beneficiaries of the guarantee were aware of the company's cessation of payments or (iii) if it is granted to secure pre-existing debts.

If the guarantee given by the Belgian guarantor was successfully avoided (based on the above), noteholders would cease to have any claim in respect thereof and would be under an obligation to repay any amounts received pursuant to such guarantee.

Furthermore, even in the absence of bankruptcy proceedings, a third party creditor may obtain a court ruling that an act or transaction (such as a guarantee) is not enforceable against it if it can establish that the challenged act or transaction was effected with the fraudulent intent to adversely affect its position as an existing creditor (*actio pauliana*).

Italy

Insolvency

A number of the Guarantors are incorporated under the laws of Italy (the "Italian Guarantors") and may be subject to Italian laws governing creditors' rights and bankruptcy and restructuring proceedings.

The following is a brief description of certain aspects of the insolvency laws of Italy.

Italian creditors' rights and insolvency laws are generally considered to be more favorable to debtors than the regimes of certain other jurisdictions. In Italy, the courts play a central role in the insolvency process; moreover, the enforcement of security interests by creditors in Italy can be time consuming. A recent reform of Italian insolvency laws provided for out-of-court reorganization proceedings.

Under Italian law, the state of 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.

The following restructuring or insolvency remedies and proceedings are available under Italian law for companies facing financial difficulties or in a state of temporary crisis, and for insolvent companies: debt restructuring arrangements with creditors (*accordi di ristrutturazione dei debiti*) pursuant to article 182-*bis* of the Italian royal decree n. 267 of 16 March 1942 (the "Italian Bankruptcy Law") and reorganization plans (*piani di risanamento*) pursuant to article 67, paragraph 3(d) of the Italian Bankruptcy Law; court-supervised prebankruptcy composition with creditors (*concordato preventivo*); extraordinary administration for large insolvent companies pursuant to Italian Legislative Decree No. 270/99 (*amministrazione straordinaria delle grandi imprese in crisi di cui alla Legge Prodi bis*); extraordinary administration proceedings for large insolvent companies pursuant to Italian Law Decree No. 347/2003, as amended (*amministrazione straodinaria delle grandi imprese in crisi di cui alla Legge Marzano*); bankruptcy (*fallimento*); and post-bankruptcy composition with creditors (*concordato fallimentare*).

During bankruptcy (*fallimento*), debt restructuring arrangements with creditors (*accordi di ristrutturazione dei debiti*) and court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*), activities of credit recovery are interrupted (subject to certain exceptions).

Bankruptcy

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the judicial liquidation of its assets can be filed by the same debtor, one or more creditors and, in certain cases, by the public prosecutor. The bankruptcy is declared by a competent bankruptcy court. The entities that can be declared bankrupt are the commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met:

(a) have had in each of the last three years (from the bankrupt petition or from its incorporation) assets (*attivo patrimoniale*) in an aggregate amount higher than €300,000; and

(b) have reached in each of the last three years (from the bankruptcy petition or its incorporation) annual gross proceeds (*ricavi lordi*) higher than €200,000; and

(c) have debts (including debts not yet due) for an amount higher than €500,000.

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; in particular, under certain circumstances, secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt entity's other unsecured debt. Subject to certain exceptions, the *in rem* secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor and the management of its assets pass from the debtor to the receiver appointed by the competent bankruptcy court (*curatore fallimentare*); and
- any act (including payments, pledges and issuances of guarantees) made by the debtor, other than those made through the receiver, after (and in certain cases even before for a limited period of

time) a declaration of bankruptcy with respect to the creditors is (or could be if made before) ineffective.

The bankruptcy proceeding is carried out and supervised by a court-appointed receiver, a deputy judge (*giudice delegato*) 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 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 rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate property. Italian law provides for priority to the payment of certain preferential creditors, including the bankruptcy receiver, employees and the Italian judicial and social security authorities employees and the Italian judicial and social security authorities.

The following features of bankruptcy proceedings also merit mention:

- *Statutory priorities:* the statutory priority assigned to creditors under Italian law may be different from priorities in the United States and certain other European jurisdictions. Under Italian law, the highest priority claims are the claims of preferential creditors (*crediti prededucibili*), which include the claims associated with the bankruptcy proceedings as set out in specific legislation. The next priority is secured creditors with privileges (*crediti privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*crediti ipotecari*) and pledges (*crediti garantiti da pegno*), then debts having a general priority such as claims for salaries, social contributions, and taxes and then unsecured creditors (*crediti chirografari*). In particular, creditors with mortgages (*crediti ipotecari*) and pledges (*crediti garantiti da pegno*) have priority in the distribution of what has been eventually obtained from the liquidation of the relevant secured assets.
- *Bankruptcy arrangement with creditors (concordato fallimentare):* a bankruptcy proceeding can terminate prior to liquidation through a bankruptcy arrangement proposal with creditors. The relevant petition can be filed by one or more creditors or third parties starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before two years from the decree granting effectiveness to the bankruptcy's estate. The petition may provide for the placing of creditors into different classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The petition may provide the possibility that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority of claims (and, if classes are formed, by a majority of the claims in a majority of the classes). Final court confirmation is also required.

Pre-insolvency Proceedings

The Italian Bankruptcy Law provides for three models of pre-insolvency proceedings, namely: (1) court pre-bankruptcy composition with creditors (*concordato preventivo*) ("CP"), (2) debt restructuring agreements (*accordi di ristrutturazione dei debiti*) ("DRA") and (3) certified restructuring plans (*piani attestati di risanamento*) ("CRP"); however, it should be noted that only the CP is listed in Annex A to the EU Insolvency Regulation. Restructuring plans may cover up to a five-year period.

It should be noted that all of the above mentioned pre-insolvency proceedings often require creditors to compromise on their right to be fully satisfied. The debtor may offer to creditors (with the exclusion of secured creditors in the CP proceeding) partial settlement of their claims.

Restructuring Outside of a Judicial Process

Restructuring generally takes place through a formal judicial process because it is more favorable to the debtor and because out-of-court arrangements put in place as a result of an out-of-court restructuring (other than those put in place under the safe harbor of an out-of-court reorganization CRP pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law, which exempts—provided all actions indicated in the plan are fully implemented—debt restructuring agreements with creditors and court supervised pre-bankruptcy arrangement with creditors from insolvency claw-back and the exemption from certain criminal law provisions on bankruptcy with reference to those transactions executed as part of the CRP) are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger civil or criminal liabilities in the event of a subsequent bankruptcy.

Certified Restructuring Plans Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law (piani attestati di risanamento)

Out-of-court CRPs (*piani attestati di risanamento*) are based on restructuring plans (*piani di risanamento attestati*) prepared by companies for the purpose of restructuring their indebtedness and ensuring the recovery of their financial condition, the feasibility of which, together with the truthfulness of debtor's business (and accounting) data, must be assessed by an independent expert directly appointed by the debtor. The expert can only be selected and appointed among those possessing certain specific professional requisites and qualifications (e.g., being registered in the auditors' registrar), and meeting the requirements under Article 2399 of the Italian Civil Code. The expert may be subject to liability in case of misrepresentation or false certification.

CRPs are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or other supervising authority. CRPs do not require to be approved and consented by a specific majority of all outstanding claims. Following a restructuring plan, there is no entrustment of business to another entity, therefore the debtor remains entitled to manage its business.

The terms and conditions of the restructuring plans are freely negotiable. Unlike in CP and DRA proceedings, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although, upon request of the debtor, a CRP can be published in the relevant companies' register and, in such case creditors would benefit from a reduction in debtor tax liability).

Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts must be ratified (*omologati*) by a court. An independent expert, directly appointed by the debtor, must assess—in addition to the truthfulness of the debtor's business data—that the agreement is feasible and, in particular, that it ensures that the non-participating creditors can be fully satisfied within 120 days from (i) the ratification (*omologazione*) of the DRA by the court, in case the relevant claims are already due and payable to the non-participating creditors as at the date of the ratification (*omologazione*) of the debt restructuring agreement by the court or (ii) from the date on which the relevant debts fall due, in case the relevant claims are not yet due and payable to the nonparticipating creditors as of the date of the sanctioning of the restructuring agreement by the court. Only a debtor who is in a situation of "financial distress" (i.e., facing financial distress which does not yet amount to insolvency) can initiate such process and request the court's confirmation (*omologazione*) of the DRA, which must be entered into with creditors representing not less than 60% of the company's debts.

The DRA, which may consist of separate agreements reached with each creditor, must be published in the Italian companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor in relation to pre-existing claims and cannot obtain any new and additional security interest in relation to the pre-existing debts, overdue prior to the DRA formation. Such moratorium can be requested, pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law, by the debtor to the court pending negotiations with creditors (prior to the DRA's execution and publication) subject to the fulfillment of certain conditions. A DRA may also contain a proposed tax settlement for the partial or deferred payment of certain overdue taxes, as provided in Article 182-*ter* of the Italian Bankruptcy Law.

The application for a moratorium must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for the hearing within 30 days from the filing of the request and orders the company to file the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders, that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which such order has to be published in the companies' register and it sets the deadline to finalize the DRA. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the CP (as described below) may be filed, without prejudice to the effect of the moratorium.

Creditors may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to a debtor "in execution of" (*in esecuzione di*) a DRA, as well as of a CP benefit of a super senior status. Additionally, even the financings granted "in view of" (*in funzione di*) the filing of a petition for the sanctioning (*omologazione*) of an agreement pursuant to Article 182-*bis* or a *concordato preventivo* procedure benefit of the same super senior status in case of subsequent bankruptcy of the debtor where such financings are contemplated under the underlying restructuring plan and the super priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the Article 182-*bis* agreement or the approval of the *concordato preventivo* procedure. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the DRA agreement pursuant to Article 182-*bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, as introduced by Decree Law 27 June, 2015 No. 83, such authorization may be given also before the filing of the additional documentation pursuant to Article 161(6) as outlined under "*—Pre-application for the Composition with Creditors (concordato preventivo), Even in View of a Restructuring Agreement (accordo di ristrutturazione del debito)*", if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* securities (*garanzie reali*), *provided that* the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, already payable and due, *provided that* the expert declares that such payments are essential for the company to operate. This possibility may be available to the applicant whereas its business activity is kept as a going concern.

As introduced by Decree Law 27 June, 2015 No. 83, pending the sanctioning (*omologazione*) of the DRA agreement pursuant to Article 182-*bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, also in the absence of the plan pursuant to article 161, Paragraph 2, letter (e), the Court may also authorize the debtor to incur in new super senior indebtedness, aimed at providing urgent financial requirements related to the company's business. The company, filing such request of authorization, shall specify (i) the purposes of the financing (ii) that it is not able to obtain the financing otherwise and (iii) that, the absence of such financing will entail an imminent and irreparable prejudice to the company.

It should be specified that the provision of Article 182-*quinquies* of the Italian Bankruptcy Law applies to both DRA and to CP.

Court-Supervised Pre-bankruptcy Arrangement with Creditors Pursuant to Article 161 of the Italian Bankruptcy Law (concordato preventivo)

The CP proceeding can be commenced if the thresholds indicated under the first paragraph of "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Italy—Bankruptcy*" are met.

A company, which is a situation of "financial distress and/or crisis" 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 proceeding.

Only the debtor company can file a petition at court for a CP which must be accompanied and supported by a restructuring plan proposed to the creditors and an independent expert report assessing, *inter alia*, the feasibility of the arrangement proposal and the truthfulness of the business data on which the plan is grounded. Following the filing of the petition with the court, the petition is published by the court in the companies' register. Between the publishing in the companies' register of the CP proposal and its sanction by the court, all enforcement actions by the creditors (whose title to enforcement arose before filing with the court) are stayed. In addition, during this time, pre-existing creditors cannot obtain security interests (unless authorized by the court) and the mortgages registered within 90 days preceding the date on which the petition for the CP is published in the Italian companies' register are ineffective against such pre-existing creditors. In addition, the arrangement proposal may provide for, *inter alia*: (i) the restructuring of debts and the satisfaction of creditors' claims, in any manner, including by way of example, through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the business involved in the proposed arrangement agreement; (iii) the placing of creditors into different classes (thereby proposing different treatments among the classes); and (iv) different treatments for creditors belonging to different classes.

The arrangement proposal may provide that: (i) the debtor's company's business continues to be run by the debtor company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated. In both cases, the petition for the CP should fully describe the costs and revenues which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conductive to the satisfaction of creditors' claim to a greater extent than if such arrangement proposal was not implemented. Furthermore the going concern-based arrangement with creditors can provide also the winding-up of those assets which are not functional to the business. The arrangement agreement may also provide a proposed tax settlement for the partial or deferred payment of certain taxes.

The court determines whether the proposal for the arrangement is admissible, in which case the court, *inter alia*, delegates a judge (*giudice delegato*) to follow the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditor meeting. During the implementation of the arrangement, the company is managed by its corporate bodies (usually its board of directors) under the supervision of such judicial officer(s) and under the supervision of a judge delegated by the court the debtor is allowed to carry out urgent extraordinary transactions, only upon the prior court's authorization, while ordinary transactions may be carried out without authorizations. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior pursuant to Article 111 of the Italian Bankruptcy Law.

The CP proposal is voted on at a creditors' meeting and must be approved with the favorable vote of creditors representing the majority of credits entitled to vote. If the proposal provides for different classes of creditors, the approval of the plan also requires the favorable vote of creditors representing the majority of credits admitted to within each class and the approval of the majority of such class. Creditors who, being entitled to vote, did not do so and whom did not express their dissent (including failing to notify their objection via telegraph, fax, mail or certified e-mail) within 20 days of the closure of the minutes of the creditors' meeting are deemed to have consented to the CP. Secured creditors do not generally vote on the proposal of CP as they carry preferential claims, which must be fully satisfied. Secured creditors may vote if they waive their security or if the CP provides that, based on an independent expert appraisal on the value of the secured assets, they will not be fully satisfied (in which case they can vote only in respect of the part of the debt affected by the proposal).

The court may also approve the CP (notwithstanding the circumstance that one or more classes objected to the CP) if (i) the majority of the classes has approved the CP and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through the CP compared to other solutions known as a "cram down." If the proposal does not provide for classes of creditors and if any objection to the implementation of the CP is filed by at least 20% of the creditors entitled to vote, or in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court nevertheless confirms the CP if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the CP than would be otherwise be the case.

After the creditors' approval, the court (after having settled possible objections raised by the dissenting creditors, if any) must confirm the CP proposal by issuing a confirmation order.

If the approval of the CP fails, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

Pre-application for the Composition with Creditors (concordato preventivo), Even in View of a Restructuring Agreement (accordo di ristrutturazione del debito)

The filing of the application for the certification of a restructuring arrangement (*accordo di ristrutturazione del debito*) and the application for a composition with creditors (*concordato preventivo*) may be pre-empted by the filing by the debtor distressed company of a pre-application for a composition with creditors (*concordato preventivo*). In particular, according to Article 161(6) of the Italian Bankruptcy Law, the distressed company may file a pre-application for the composition with creditors together with (i) the financial statements of the last three financial years and, pursuant to the recent law Italian Law Decree No. 69/2013 as converted into law No. 98 of 9 August 2013 ("Law Decree 69/2013") (ii) the list of creditors with the reference to the amount of their respective receivables, asking the competent court to set a deadline, between 60 and 120 days (subject to a further extension of up to 60 days where there are reasonable grounds (*giustificati motivi*)) for the filing of additional documents required for the filing of a petition at court for a CP. Pursuant to Law Decree 69/2013, the court, if accepts such pre-application, may appoint a judicial commissioner to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo* and (ii) sets forth reporting and information duties of the company during the above mentioned period. The debtor company may not file such pre application where it had already done so in the previous two years without the admission to the CP (or the certification of a DRA) having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the companies register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and *provided that* the relevant requirements are verified, in the adjudication of the distressed Issuer(s) into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents. Following the filing of the pre application and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company are treated as super senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9 of 21 February 2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the pre-application for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the CP within the same proceeding opened with the filing of the pre-application.

Extraordinary Administration for Large Insolvent Companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

This is an extraordinary administration procedure available under Italian law for large industrial and commercial enterprises (commonly referred to as the "Prodi-bis procedure"). The same rules set forth for bankruptcy proceeding with respect to creditors' claims largely apply to an extraordinary administration proceeding as well as the hierarchy of claims to be adhered to in distributing any available asset. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company business activity.

To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. The procedure may be commenced by petition of one or more creditors, the debtor, the public prosecutor or upon the competent court's own initiative.

There are two main phases within the Prodi-bis procedure: an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three) (*commissiario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days from insolvency declaration) together with an opinion from the Italian Ministry of Economic Development (the "Ministry").

The court has 30 days to decide whether to admit the company to the Prodi-bis procedure or declare it bankrupt.

Assuming that the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s), appointed by the Ministry, prepare a restructuring plan. The plan can provide for either the sale of the business as a going concern within one year (unless extended by the Ministry) (the "Disposal Plan") or a turnaround leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "Recovery Plan"). It may also include an arrangement with creditors (e.g., debt for equity swap, issue of shares in a new company to whom the assets of the Issuer(s) have been transferred).

The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). The procedure ends upon successful completion of either a Disposal Plan or Recovery Plan; however, should either plan fail, the company will be declared bankrupt.

Industrial Restructuring of Large Insolvent Companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

New extraordinary administration proceedings have been enacted (Italian Law Decree No. 347 of 23 December 2003, as converted into Law No. 39 of 2004 and subsequently amended). This is a new extraordinary administration procedure introduced in 2003, known as the "Marzano procedure." It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi-bis procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) submits a Disposal Plan or Recovery Plan within 180 days from his appointment (or 270 days if the Ministry so agrees). The restructuring through the Disposal Plan or the Recovery Plan must be fully implemented within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and start bankruptcy proceedings.

In 2008, the Italian government enacted an amendment to Law No. 39 of 2004. The reform introduced certain specific provisions applying to large companies carrying out services considered essential to the public.

Limitations on Guarantees and Security Interests

Under Italian Law the guarantee obligations under the Indenture of an Italian Guarantor are subject to compliance with the rules on corporate benefit and corporate authorization. If the 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. 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 the Italian Guarantor must not be disproportionate to the direct or indirect economic benefit to the 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 the guarantor derived from the transaction.

Absence of a real and adequate benefit could render the guarantee or the collateral *ultra vires* and potentially affected by conflict of interest. Thus, civil liabilities may be imposed on the directors of the guarantor if it is assessed that they did not act in the best interest of the guarantor and that the acts they carried out do not fall within the corporate purpose of the guarantor. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising a power of 'direction and coordination' over the guarantor or having knowingly received an advantage or profit from such improper control. Moreover, there could also be the risk, according to certain interpretations, that a guarantee can 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 interests of the 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 and financial assistance, the granting of a guarantee or security by an Italian company must be permitted by the articles of association (*statuto*) of the Italian company and cannot include any liability that would result in unlawful financial assistance within the meaning of Article 2358 or 2474 (as applicable) 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) for the acquisition and refinancing of the acquisition or subscription (directly or indirectly) of its own shares or quotas by a third party.

The guarantees created through pledges on unlisted securities cannot be immediately liquidated.

Under Article 2352 of the Italian Civil Code, in the case of a pledge on shares, the voting rights, unless agreed otherwise, belong the holder of the pledge and in the case of capital increase pursuant to Article 2442 of the Italian Civil Code, the pledge is extended to the newly issued shares.

Parallel Debt

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 the holders of the Notes under security interests on Italian assets is debatable under Italian law.

The Intercreditor Agreement provides 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 parallel debt procedure has not been tested in Italian courts, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Italian law.

It is uncertain and untested in Italian courts whether, under Italian law, a security can be created and perfected in favor of creditors (such as the holders of the Notes) that are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries and, therefore, the risk of unenforceability by the holders of the Notes of the Italian security documents posed by Italian law cannot be eliminated or mitigated.

Fraudulent Transfer Provisions

Upon the commencement of a 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-à-vis* the creditors:

- transactions entered into by the debtor, should they have been entered into in the two years preceding the declaration of bankruptcy and should they be deemed gratuitous acts (such as those, under certain circumstances, for the benefit of third parties); and
- payments, which fall due on the day of the declaration of bankruptcy or thereafter, made in the two years preceding the declaration of bankruptcy.

In addition, upon the commencement of a bankruptcy, the following acts could be clawed back (*revocati*) pursuant to 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:

- non-gratuitous acts (including guarantees, agreements and payments), made within one year preceding the declaration of bankruptcy, if the value of the obligation performed or entered into by the debtor exceeds by more than one-quarter of the value of what has been given or promised in exchange to it;
- acts aimed to satisfy the requests of payment of creditors, made by the debtor within one year preceding the declaration of bankruptcy, by non-ordinary means of payment;
- pledges and voluntary mortgages established within one year preceding the declaration of bankruptcy, for pre-existing and unmatured debts; and
- pledges and voluntary and judicial mortgages established within 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 (and in the absence of the circumstances indicated below), the payment of debts past due and payable, non-gratuitous acts, and acts establishing a pre-emption right for debt including those of third parties, contextually arisen, made within six months preceding the declaration of bankruptcy, could be clawed-back.

Actually a claw-back action cannot be filed in relation to:

(a) payments made for assets and services within the ordinary course of business;

(b) payments made into a bank current account, *provided that* such payments have not considerably reduced over a period of time the indebtedness of the bankrupt *vis-à-vis* the account holding bank;

(c) the sale of real estate for residential purposes at arm's length, to the extent that such real estate is used as a main house by the buyer or his/her relatives and relatives-in-law;

(d) transactions involving payments as well as security taken over the assets of the debtor, *provided that* such payments were made or security was taken in order to implement a plan which is deemed "suitable" to redress the indebtedness of the debtor and to readjust its financial situation;

(e) transactions involving payments as well as security taken over the assets of the debtor, *provided that* such payments were made or security was taken so as to implement a court-supervised prebankruptcy composition with creditors (*concordato preventivo*) or the debt restructuring arrangements with creditors (*accordi di ristrutturazione dei debiti*);

(f) payments of the amounts due for the services carried out by the employees and the independent contractors of the debtor entity; and

(g) payments of due and payable obligations in order to obtain services which are auxiliary to the access to the controlled management.

In any case, the receiver—who is the individual deputed to bring the above actions—could always resort to the action described in the following paragraph (as provided for by Article 66 of the above-mentioned Royal Decree).

In addition, under Italian law, in certain circumstances, as well as in the ordinary course of business, an action can be brought by any creditor of a given debtor (even if the acting creditor owns a credit which is still under condition or term) within five years from the date in which the latter enters into a guarantee, an agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back (*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 claw back the said guarantee, agreement and other act only if it finds that, in addition to the ascertainment of the prejudice:

- the debtor was aware of the prejudice that 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; or
- in the case of non-gratuitous acts, the third party involved was aware of the 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 scheme.

Germany

Insolvency

Certain Guarantors are organized under the laws of Germany and have their registered offices in Germany. There is a rebuttable presumption that the "centre of main interest" as defined in the Council of the European Union Regulation No 1346/2000 on Insolvency Proceedings is the jurisdiction where the registered office is situated. Consequently, any insolvency proceedings with regard to these certain Guarantors are likely to be initiated in Germany and, if the Guarantors 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 favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, 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 the ability of creditors 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 no pooling of claims among the respective entities of a group. A draft act to facilitate the mastering of group insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*) is under discussion in Germany. However, according to this draft act it is mainly intended to provide for coordination of and cooperation between insolvency proceedings of group companies. The draft act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*). It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

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 as a going concern is predominantly likely (*überwiegend wahrscheinlich*). As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor (*positive Fortführungsprognose*). If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder becomes illiquid and/or over-indebted, 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 three 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. Once illiquidity or over-indebtedness occurred, any payments, including any payments under the Notes, are voidable. 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 in the event of an imminent illiquidity of the debtor.

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 (*vorläufige Maßnahmen*) 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 generally 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*)—provided that no circumstances are known which lead to the expectation that debtor-in-possession status will place the creditors at a disadvantage. 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 a petition for debtor-in-possession status, or on the profile of the (preliminary) insolvency administrator to be appointed or to suggest 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.*, not competent and/or not impartial). 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 creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, 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 (*Insolvenzmasse*) to cover at least the costs 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 (e.g., 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 (*Insolvenzverwalter*) (usually, but not necessarily, 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 request the change of 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 head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the new 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).

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against any Guarantor or any of their relevant subsidiaries that are subject to the German insolvency regime would be the following:

- the right to administer and dispose of the assets of such Guarantor or any of their relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless the court orders debtor in possession proceedings (*Eigenverwaltung*);
- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to such Guarantor or any of their relevant subsidiaries, disposals effected by the management of such Guarantor or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of such Guarantor's or any of their relevant subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings;
- claims against such Guarantor or any of their relevant subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and
- any person that has a right for separation (*Aussonderungsrecht*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)), 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 separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). 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*) or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In the case of creditors secured by pledges over shares or company interests forming part of the insolvency estate it is, in the absence of authoritative case law, uncertain whether the creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or whether the insolvency administrator has the right to realize the pledges on behalf of and for the benefit of the secured creditors.

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 value remaining in the insolvency estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full.

The preferential right (*Absonderungsrecht*) of a creditor may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator must, however, compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or the payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings (*Massegläubiger*) generally rank senior to the claims of regular, unsecured creditors. Under certain circumstances, restrictive covenants and undertakings in finance documents may result in the relevant creditor being considered to hold a "shareholder-like position" (*gesellschafterähnliche Stellung*) in the relevant debtor, guarantor or grantor of security. In that event, in an insolvency proceeding over the assets of such debtor, guarantor or grantor of security, the claims against such debtor, guarantor or grantor of security would be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*) in accordance with the rules applying to shareholder loans. A third party acquiring the claims that are subject to the rules of the treatment of shareholder loans (section 135 of the German Insolvency Code) will itself be exposed to a claw back risk with respect to repayments that have been made within the period of one year. Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of the debtor (or in any transaction security) unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the majority of insolvency cases governed by German law. To the extent any creditor that benefited from the transaction security was a subordinated creditor, potential sharing and equalization provisions in the finance documents could result in holders who are not subordinated suffering a shortfall on the amount they recover. 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.

The insolvency estate shall serve to satisfy the claims held by the creditors against the debtor on the date the insolvency proceedings were opened. The following subordinated claims shall be satisfied ranking below the other unsubordinated claims of insolvency creditors in the order given herein, and in proportion to 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 offense binding the debtor to pay money; (iv) claims on the debtor's gratuitous performance of a consideration; and (v) claims for the restitution of shareholder loans (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan.

While in ordinary insolvency proceedings aiming at the liquidation of the relevant insolvent debtor, the value of any Guarantor's or any of their relevant subsidiaries' assets may be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities 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 such Guarantor or any of their relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). 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., they 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 (*offensichtlich aussichtslos*), the court may grant a period of up to three months to utilize an insolvency plan for the debtor business (*Schutzschirm*). 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 preliminary custodian (*vorläufiger 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 (or in case of debtor-in-possession proceedings, the custodian) may void (*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 voidable periods. Generally, if transactions, performances or other acts are successfully voided 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 void 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 any Guarantor or any of their relevant subsidiaries 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 (i.e., clawback rights) by an insolvency administrator under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*). In the event such a transaction is successfully voided (*angefochten*), the holders of the Notes may not be able to recover or retain any amounts under the Notes or the Collateral and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes or Collateral, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the holders of the Notes would only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (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 voided according to the German Insolvency Code (*Insolvenzordnung*) in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that clearly suggest such illiquidity or filing);

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that clearly suggest such detrimental effect);

- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;

- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;

- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act;

- any non-gratuitous contract concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided 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 board or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Garant*) or surety (*Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if he or she knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to an "affiliated party," there is a general statutory presumption that such party had "knowledge."

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged under certain circumstances under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*) by not being subject to voidness rights.

The German legislator is currently discussing a draft amendment concerning the statutory avoidance provisions in the German Insolvency Code (*Insolvenzordnung*). Amendments are envisaged with regards to, among others, the provisions for avoidance claims in connection with wilful intent, for cash transactions (*Bargeschäfte*) and the interest rates on avoidance claims. It is also intended to privilege creditors which have obtained coverage of their claims on the basis of a valid enforcement order. It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

Apart from the examples of an insolvency administrator voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

The granting of guarantees by German Guarantors will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "GmbHG") if that Guarantor is incorporated in Germany in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*—a "GmbH") or a German limited partnership with a German limited liability company as general partner (a "GmbH & Co. KG") provided that if Synlab were converted into a stock corporation and for as long as it remains a stock corporation, the rules of capital maintenance set out in the German Stock Corporation Act will apply to Synlab and any of its subsidiaries. As a general rule, sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e*., assets minus liabilities and liability reserves)—or, in case of a GmbH & Co. KG, its general partner's net assets—is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees or security interests granted by a GmbH or a GmbH & Co. KG in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. If Synlab was converted into a stock corporation and for as long as it remains a stock corporation, section 57 of the German Stock Corporation Act prohibits an AG and its direct and indirect (German and foreign) subsidiaries from making any payment to or in favour of its shareholders other than the payment of a dividend or an arms' length transaction. Therefore, in order to enable German subsidiaries to grant guarantees and to provide security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 or Section 57 of the German Stock Corporation Act and to limit any potential personal liability of management, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so- called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH, a GmbH & Co. KG or an AG. Pursuant to such "limitation language," the beneficiaries of the guarantees contractually agree to enforce the guarantees and security interests against the German subsidiary which is a GmbH or GmbH & Co. KG only if and to the extent that such enforcement does not result in the subsidiary's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital. Pursuant to the limitation language for a stock corporation and its subsidiaries, the beneficiaries agree that the Notes will only benefit from Guarantees and Collateral if a domination agreement is in place, provided that the Guarantees and Collateral shall not be enforceable if the payment under the Guarantee or Collateral will, or must be expected to, result in an annual loss of the stock corporation which cannot be compensated for by a fully valuable compensation claim. In an enforcement scenario it is likely that no such fully valuable compensation claim exists.

Accordingly, as a matter of German corporate law, the Indenture, to the extent provided by a Guarantor incorporated in Germany in a relevant corporate form as described above, contains such contractual limitation language and such Guarantees or Collateral are limited in the manner described. This could lead to a situation in which the respective Guarantee or Collateral granted by such Guarantor cannot be enforced at all.

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 German Guarantors constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the Issuers to make payment on the Notes or of the German Guarantors to make payments on the Guarantees or negatively affect the ability to enforce the Collateral.

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 GmbH or GmbH & Co. KG or an AG of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a Guarantee or any Collateral granted by a German Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the 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 Guarantees and/or Collateral by any of the German Guarantors. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the Guarantee or Collateral could 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 and/or collateral was 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 holders 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 right for separation (*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.

Switzerland

The liabilities of any Guarantor or security provider organized under the laws of Switzerland (any such Guarantor or security provider, a "Swiss Collateral Guarantor") under any up-stream or cross-stream Guarantee and security interest are at any time (to the extent that such is a requirement of applicable Swiss law in force at the relevant time) limited to a sum equal to the maximum amount of the respective Swiss Collateral Guarantor's reserves and profits available for distribution, provided that such limitations shall not free the respective Swiss Collateral Guarantor from payment obligations in excess of its freely distributable reserves and profits, but merely postpone the payment date of those obligations until such time as payment is permitted notwithstanding such limitations. The payment under the respective Swiss Collateral Guarantor's Guarantee and the enforcement of security interest may require certain prior corporate formalities to be completed including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions.

The enforcement of the respective Swiss Collateral Guarantor's Guarantee or any security interest granted by such Swiss Collateral Guarantor may give rise to Swiss withholding taxes on dividends (of up to 53.8% at present rates) to the extent that the payment or enforcement of such Guarantee or security interest, respectively, falls to be regarded as a deemed distribution by the respective Swiss Collateral Guarantor to the Issuers or any other related party.

For the above reasons, it is standard market practice for indenture agreements, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to the respective Swiss Collateral Guarantor as summarized below under "*—Limitations on Enforcement of Guarantee and Security granted by Swiss Collateral Guarantor*."

Limitations on Enforcement of Guarantee and Security granted by Swiss Collateral Guarantor

If and to the extent that a Swiss Collateral Guarantor under the Indentures or any other Notes documentation and/or Temporary Notes documentation, including any Security Documents, becomes liable for obligations of its direct or indirect affiliates (other than its direct or indirect wholly-owned subsidiaries) and if complying with such obligations would be restricted under then applicable Swiss corporate law (the "Restricted Obligations"), the aggregate liability of the Swiss Collateral Guarantor for Restricted Obligations shall be limited to the amount of unrestricted equity capital surplus available for distribution as dividends to the shareholders of the Swiss Collateral Guarantor (the "Maximum Amount"), provided that this is a requirement under then applicable mandatory Swiss law and understood that such limitation shall not free the Swiss Collateral Guarantor from its obligations in excess of the Maximum

Amount, but that it shall merely postpone the performance date of those obligations until such time or times as performance is again permitted.

The Indentures or any other Notes documentation and/or Temporary Notes documentation provide for actions which may be necessary or useful in order to allow for payment by a Swiss Collateral Guarantor under the Indentures or any Notes documentation and/or Temporary Notes documentation with a minimum of limitations.

Pledges

Under Swiss law, "accessory" security interests such as pledges (Pfandrechte) require that the party secured by the pledge must be identical to the creditor of the secured claim. If and to the extent (beneficial) holders of the Notes, which may change from time to time, may not be party to such Swiss law governed "accessory" security agreements, a parallel debt structure may be used, pursuant to which security interests are created in favor of the Security Agent who will hold a claim equal to each amount payable by an obligor under the Notes (the "Parallel Debt"). The Parallel Debt is subject to English law and is established in the Intercreditor Agreement. The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuers under the Indentures (the "Principal Obligations"). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer for the full principal amount of the Notes, holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. Moreover, the parallel debt structure has not been tested under Swiss law and there is no assurance that such a structure will be effective before a Swiss court because there is no judicial or other guidance as to its efficacy and, therefore, there is no certainty that such structure will eliminate or mitigate the risk of the pledge in favor of the Noteholders being invalid or unenforceable.

Insolvency

In the event of a Swiss Collateral Guarantor's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of the respective Swiss Collateral Guarantor's offices being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, as amended from time to time. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets and liabilities of the debtor. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private liquidation or the pledgor has waived the right that the creditor must first realize the collateral. However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, *inter alia*, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is over-indebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate, which, after deduction of costs and certain other expenses, are used to satisfy the creditors. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee or the Security Agent, respectively, is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans and family law. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral.

Claims assigned for security purposes by a Swiss Collateral Guarantor that come into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings. Assigned claims that come into existence after the opening of bankruptcy over a Swiss Collateral Guarantor fall within the bankrupt estate and the assignee is not be entitled to such claim proceeds.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request to the competent court for a stay (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Hardening periods and fraudulent transfer

Certain arrangements or dispositions that are made during a certain period (suspect period) preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and transactions in which the debtor accepted a consideration out of proportion to its own made in the suspect period of 12 months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor in the suspect period of 12 months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was over-indebted, and (iii) dispositions made by the debtor within a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors, whereby, with respect to each case, the suspect period may be extended under certain circumstances. The transactions potentially subject to avoidance also include those contemplated by the relevant Swiss Collateral Guarantor's Guarantee or the granting of security interests. If they are challenged successfully, the rights granted under the Guarantee or in connection with security interests become unenforceable and any amounts received must be refunded to the insolvent estate.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement") dated as of July 23, 2015, the Issuers have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase the Notes from the Issuers.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Issuers have agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offerings and to reimburse them for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed, subject to certain limitations, that we will not offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, directly or indirectly, any securities of, or guarantees by, the Issuers, the Guarantors or any of the subsidiaries of the Issuers or the Guarantors that are substantially similar to the Notes without the prior written consent of J.P. Morgan Securities PLC and Goldman Sachs International, as representatives of the Initial Purchasers, for a period of 60 days from the date of the pricing of the Offering.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Transfer Restrictions*."

The Senior Notes are a new issue of securities for which there currently is no market. We will apply, through our listing agent, to list the Senior Notes on the Official List of the Irish Stock Exchange and to have the Senior Notes admitted to trading on the Global Exchange Market thereof; however, we cannot assure you that the Senior Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Senior Notes after completing the Offering. The Initial Purchasers are not obligated, however, to make a market in the Senior Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Senior Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Senior Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited*."

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be the tenth 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 Notes (this settlement cycle is being referred to as "T+10"). Since trades in the secondary market generally settle in three business days, purchasers who wish to trade Notes on the date of pricing or the next six succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+10, to specify alternative settlement arrangements to prevent a failed settlement.

In connection with the Offering, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot Notes (*provided that* the aggregate principal amount of Notes allotted does not exceed 105% of the aggregate principal amount of the Notes that are the subject of the Offering), creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Related to the Senior Secured Notes and the Senior Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited*."

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act.

Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

The Initial Purchasers or their respective affiliates from time to time (i) have provided in the past and may provide in the future investment banking, consulting and financial advisory and commercial lending and banking services to, (ii) have entered into and may, in the future enter into, other related transactions with, and (iii) have assisted or advised any party to make, and may in the future assist or advise any party to make, acquisitions and investments in or related to, the Issuers, German BidCo, French BidCo, Synlab, Labco and their respective subsidiaries and their respective affiliates, in the ordinary course of business for which they have received or may receive customary fees and commissions. Certain of the Initial Purchasers and their affiliates may currently be advising the Issuers, German BidCo, French BidCo, Synlab, Labco and their respective subsidiaries and their respective affiliates in such transactions and/or may advise them from time to time in the future.

In the ordinary course of their various business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt security (or related derivative securies) and financial instruments (including bank loans) for their own accounts and for the accounts of their customers. Such investment and security activities may involve the Issuers', Synlab's and/or Labco's security and instruments. The Initial Purchasers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. The Initial Purchasers or their respective affiliates that have a lending relationship with the Issuers, Synlab or Labco may hedge their credit exposure to the Issuers, Synlab or Labco, as the case may be, consistent with their customary risk management policies. In addition, certain of the Initial Purchasers or their respective affiliates are acting as lead arrangers and/or facility agent under, and all of the Initial Purchasers or their respective affiliates are lenders under, the Revolving Credit Facility. Each has received and may receive customary fees for their services in such capacities. In addition, certain of the Initial Purchasers or their respective affiliates are lenders under the Existing Synlab Credit Facility, which is expected to refinanced in whole with the proceeds from the Offering.

LEGAL MATTERS

Certain legal matters in connection with the Offerings will be passed upon for us by Clifford Chance LLP, as to matters of U.S. federal, New York and English law, by Clifford Chance Deutschland LLP, as to matters of German law, and by Clifford Chance Europe LLP, as to matters of French law. Certain legal matters in connection with the Offerings will be passed upon for the Initial Purchasers by Latham & Watkins LLP, as to matters of U.S. federal, New York, German and English law, and by Latham & Watkins AARPI, as to matters of French law.

INDEPENDENT AUDITORS

Synlab

The German language consolidated financial statements of Synlab as of and for the years ended December 31, 2013 and December 31, 2014 have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("E&Y"), independent auditors, in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*), as stated in their German language auditor's reports. Free English language translations of the abovementioned German language consolidated financial statements (labeled as the "Synlab Audited Financial Statements") and the respective auditor's reports are included in this offering memorandum.

Each of the respective auditor's reports of E&Y on the consolidated financial statements of synlab Holding GmbH as of and for the years ended December 31, 2013 and December 31, 2014 refers to the respective consolidated financial statements and the respective group management report as a whole. The group management reports are not reprinted in this offering memorandum.

E&Y is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin.

Labco

The IFRS consolidated financial statements of Labco as of and for the year ended December 31, 2012 have been audited by Deloitte & Associés and Pierre Henri Scacchi et Associés, as stated in their reports appearing herein. The IFRS consolidated financial statements of Labco as of and for the year ended December 31, 2013 and 2014 have been audited by Deloitte & Associés and Aplitec, as stated in their reports appearing herein. The unaudited historical interim condensed consolidated financial statements of Labco as of and for the three months ended March 31, 2015, have been reviewed by Deloitte & Associés and Aplitec, as stated in their review report appearing herein.

Labco's current auditors are Deloitte & Associés and Aplitec.

Deloitte & Associés is a member of the *Compagnie régionale des commissaires aux comptes de Versailles*. Pierre-Henri Scacchi et Associés is a member of the *Compagnie régionale des commissaires aux comptes de Paris*. Aplitec is a member of *Compagnie régionale des commissaires aux comptes de Paris*.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers of the Notes and the Guarantors are organized under the laws of Austria, England and Wales, France, Germany, Italy, Switzerland, Belgium and Spain. Each of the Security Documents relating to the Collateral will be governed by the laws of Austria, England and Wales, France, Germany, Italy, Switzerland, Belgium and Spain, as applicable. The Indenture (including the Guarantees) is, and the Notes will be, governed by New York law. The Intercreditor Agreement is governed by English law. All of the directors and executive officers of the Issuers and each of the Guarantors are nonresidents of the United States. Since substantially all of the assets of the Issuers and each of the Guarantors, and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against either Issuer or a Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuers and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws.

If a judgment is obtained in a U.S. court against either Issuer or a Guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the Issuers and the Guarantors is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Austria

Under the the Austrian Enforcement Act (*Exekutionsordnung, EO*), foreign judgments are only enforceable if the reciprocal recognition and enforcement of judgments is warranted by a bilateral or multilateral treaty between the countries involved or by an ordinance (*Verordnung*) of the Austrian government (in which the Austrian government confirms the reciprocal recognition). The Republic of Austria and the United States currently do not have a treaty that provides for the reciprocal recognition and enforcement of judgments, other than arbitration awards in civil and commercial matters. In addition, there is currently no applicable ordinance of the Austrian government in place. As a consequence, a judgment obtained in a court of the United States, be it a judgment rendered by a U.S. federal or state court, will not be recognized and enforced in Austria and, for purposes of enforcement in Austria, would have to be re-litigated in Austrian courts in accordance with applicable Austrian Civil Procedure Laws (*Zivilprozessverfahren, ZPO*). Enforcement procedures under the Austrian Enforcement Act can only be initiated once a final judgment has been obtained in an Austrian court. The Austrian rules of civil procedure materially differ from those applicable in the United States (including with respect to, but not limited to, court fees dependent on the amounts claimed and payable upon the filing of a claim, or compensation of the prevailing party's attorney's fees, no discovery procedure). Compensation for damages may not be claimed under Austrian law on the same merits or in the same amount as compared to damages claimed under U.S. law.

England

There is currently no treaty between the United States and England providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters (although the United States and the United Kingdom are both parties to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards). Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England and Wales, proceedings must first be initiated in England by way of civil law action on the judgment debt before a court of competent jurisdiction in England and Wales (an "English court"). In such an action to enforce the judgment debt, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court and it would usually be possible to obtain summary judgment on such a claim, *provided that*:

- the U.S. court was of competent jurisdiction;
- it was a final and conclusive U.S. judgment on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment was not for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or otherwise based on a U.S. law that an English court considers to relate to penal or revenue law;
- the U.S. judgment does not contravene public policy or any statute in England and Wales;
- the U.S. judgment has not been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, is otherwise specified in Section 5 of the Protection of Trading Interests Act 1980 or is based on measures designated by the Secretary of State under Section 1 of that Act;
- the U.S. judgment has not been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment is not (i) a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England; or (ii) a judgment which conflicts with an earlier judgment of such court;
- the English enforcement proceedings were commenced within the relevant limitation period; and
- the U.S. judgment was not obtained contrary to an agreement for the settlement of disputes under which the dispute in question was to be settled otherwise than by proceedings in a U.S. court (to whose jurisdiction the judgment debtor did not submit).

There is doubt as to the enforceability in England of U.S. judgments in respect of civil judgments predicated purely on U.S. securities law. Subject to the foregoing investors may be able to enforce in England judgments that have been obtained from U.S. federal or state courts. Notwithstanding this, we cannot assure you that those judgments will be recognized or enforceable in England.

Furthermore, an English court is unlikely to accept jurisdiction if the original action (an action based on U.S. securities law violations) was commenced in England, instead of the United States and, even if it did, it is unlikely to impose civil liability where there claim is predicated solely upon U.S. federal securities laws.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. It may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor.

Germany

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

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;

- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of noncompliance with such requirement, (i) the defendant does not invoke such noncompliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court or (ii) any judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment does not contradict any such judgment under (i) and (ii) or (iii) a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights (*Grundrechte*) under the constitution of Germany. In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of recognition and enforcement of judgments is guaranteed; and
- the judgment became res judicata in accordance with the law of the place where it was pronounced.

German courts usually deny the recognition and enforcement of punitive damages, since damages, which do not serve a compensatory purpose, are regarded to be in conflict with German public policy. 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.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce conclusive judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws. Plaintiffs who do not have their habitual residence of abode in a Member State of the European Union or a Signatory State of the Agreement of the European Economic Area shall provide security for the costs of the proceedings should the defendant so demand (subject to limited exceptions).

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. 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 such pre-trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against such Issuer or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

France

Our French counsel has advised us that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non-ex parte*) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment is final and enforceable in the jurisdiction of the court which rendered it;
- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court, the choice of the U.S. court is not fraudulent and French courts did not have exclusive jurisdiction to hear the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which is *res judicata* and enforceable in France and there is no risk of conflict with proceedings pending before French courts at the time enforcement of the judgment is sought.

The United States and France are both parties to the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters dated 18 March 1970.

The discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of 26 July 1968, as modified by French laws No. 80-538 of 16 July 1980 and No. 2000-916 of 19 September 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

Similarly, French data protection rules (law No. 78-17 of 6 January 1978 on data processing, data files and individual liberties, as modified by law No. 2004-801 of 6 August 2004 and French Ordinance No. 2011-1012 of 24 August 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

We have been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply the foreign designated law if its application contravenes French international public policy and mandatory rules. In an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Our French counsel has also advised us that according to Articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts (Article 14) and can be sued by a foreign claimant before French courts (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts' jurisdiction towards French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction which has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code.

Our French counsel has advised us that based on two decisions dated 26 September 2012 and 25 March 2015 of the French supreme court (*Cour de cassation*), one-sided jurisdiction clauses may be enforceable if they set out an objective basis for the alternative jurisdictions that one party could choose. Accordingly, any provisions in any relevant document providing that the exclusive jurisdiction of the courts of England is for the sole benefit of the finance parties may not prevent a French party from bringing action against the finance parties before the French courts.

Italy

The following discussion with respect to the enforceability of certain U.S. court judgments in Italy is based upon advice provided to us by our Italian legal advisors. The United States and Italy currently do not have a bilateral treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

Notwithstanding the above, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, will be recognized by an Italian court without a retrial, if the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint were appropriately served on the defendants in accordance with U.S. law and during the proceeding the essential rights of the defendants have not been violated;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendants, the U.S. court declared such default in accordance with U.S. law;
- the U.S. judgment is not in conflict with any final judgment previously rendered by an Italian court;
- there is no action pending in the Republic of Italy among the same parties and arising from the same facts and circumstances which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, if an original action is brought before an Italian court, the Italian court may refuse to apply U.S. law provisions or to grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

In cases of non-compliance with or objection to the recognition of a U.S. judgment, or when it is necessary to proceed with forceful execution, any interested person may apply to the court of appeals of the location of implementation for a determination of the existence of the recognition prerequisites above. The U.S. judgment, jointly with the decision allowing the application referred to above, constitutes entitlement to the implementation and forceful execution. If the objection to the U.S. judgment is raised in the context of other proceedings pending in Italy, the decision on the objection is made by the Italian judge with effects limited to those proceedings only.

The enforcement and, more generally, the use in court of guarantees (*fideiussioni*), which have been executed unilaterally by the guarantor or abroad, is currently subject to Italian registration tax (governed by Presidential Decree—D.P.R. 26 April 1986, n. 131) at the rate of the 0.5% of the guaranteed amount, unless such tax has already been previously paid.

In addition to the foregoing, the enforcement in Italy of a judgment issued by a foreign court, similar to judgments rendered by Italian courts, is currently subject to Italian registration tax at the following rates:

- 3% in the case of judgments ordering the payment of an amount of money, the performance of a service or the delivery of assets (*no ad valorem* registration tax, but a fixed amount of €200 applies if any amount outstanding under the relevant guarantee is subject to VAT, even in the case where the VAT exemption regime is applicable, according to Article 5 and 40 of D.P.R. 26 April 1986, n. 131);
- 1% in the case of judgments that ascertain rights having an economical value; and
- a fixed fee of €200 in the case of judgments different from those indicated above or which declare any deed null or void, including judgments ordering the restitution of an amount of money or assets.
- stamp duties (*imposta di bollo*) will become payable at a nominal rate of currently €16 per four pages; and
- a stamp tax (*contributo unificato*) on each document submitted to the Italian courts, ranging from €30 to €3,372 in most cases, depending on the amount claimed in the proceedings and on the degree of the judgment, up to €6,000 in case of administrative proceedings, in lieu of the stamp duties (*imposta di bollo*) referred to under point above where the relevant guarantee is filed in court.

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on the U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

Belgium

In the absence of any applicable bilateral or multilateral treaty, final and enforceable judgments rendered by U.S. courts would be recognized and enforced by the courts of Belgium without review on the merits subject to the conditions specified in Articles 22 to 25 of the Belgian Code of Private International Law (*Wetboek van Internationaal Privaatrecht/Code de Droit International Privé*) (i.e., formal *exequatur* proceedings), which mainly require that the recognition or enforcement of the foreign judgment should not be a manifest violation of public policy, that the foreign courts must have respected the rights of the defense, that the foreign judgment should be final, and that the assumption of jurisdiction by the foreign court may not have breached certain principles of Belgian law.

However, recognition and enforcement can be refused in the circumstances described in Article 25 of the Belgian Code of International Private Law and notably if:

- the rights of defense have been violated;
- such recognition or enforcement would be manifestly incompatible with Belgian public policy;
- the decision is not final and may still be appealed under the applicable foreign law (however, provisional enforcement could then be granted) or does not meet the requirements of authenticity pursuant to the applicable law;
- if in relation to matters for which parties cannot freely dispose of their rights, the decision has been sought with the sole purpose of escaping from the application of the laws applicable in accordance with Belgian private international law;
- the claim was filed in the U.S. after the filing in Belgium of a claim that is still pending between the same parties with respect to the same subject matter;
- the judgment is incompatible with a decision rendered in Belgium or a prior judgment rendered in another jurisdiction that can be recognized in Belgium;
- Belgian courts had exclusive jurisdictions in respect of that matter.
- the jurisdiction of the foreign judge was exclusively based on the presence of the defendant or assets without any direct connection with the dispute in the foreign state; or
- the decision is in conflict with the rules on the recognition and enforcement of court decisions in relation to insolvency proceedings, intellectual property or corporate standing.

As a general principle, procedural rules are governed by the law of the jurisdiction of the court (*lex fori*). In Belgium the procedural rules contained in, amongst others, the Belgian Judicial Code and the Code of Private International Law will apply when recognition and enforcement of judgments rendered by U.S. courts is sought in Belgium.

In accordance with Articles 23 and 148 of the Belgian Code of Registration Duties, a registration duty at the rate of 3% of the amount of the judgment is levied in respect of a Belgian decision which authorizes enforcement of a judgment rendered by a U.S. court, payable by the debtor, if the sum of money which the debtor is ordered to pay by a Belgian court, or by a foreign court judgment that is either (i) automatically enforceable and registered in Belgium, or (ii) rendered enforceable by a Belgian court, exceeds €12,500.

Spain

The United States and Spain are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, enforceable in the United States, would not directly be recognized or enforceable in Spain. This judgment would be recognized and enforced in Spain pursuant to Article 523.2 and the derogation provision of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*) in accordance with and subject to articles 951 to 958 of the former Spanish Civil Procedure Act of 1881 (*Real Decreto de Promulgación de 3 de febrero de 1881 de Enjuiciamiento Civil*), which continue to be in force as interpreted by the Spanish Supreme Court.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in Spain before the relevant Court of First Instance (*Tribunal de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be. According to the Spanish Civil Procedure

Act of 1881, recognition in Spain of such U.S. judgment could be obtained following proper (i.e., non-*ex parte*) proceedings *provided that* the relevant court confirms that the following conditions have been met (which conditions, under prevailing Spanish case law, do not include a review by the Spanish Court of First Instance (*Tribunal de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be, of the merits of the foreign judgment):

- evidence is not provided as to the fact that similar judgments rendered by Spanish courts are not recognized by the U.S. courts (i.e. there is no negative reciprocity);
- such judgment is rendered as a result of an action *in personam* as opposed to an action *in rem*;
- the judgment shall not be contrary to Spanish public policy or mandatory provisions;
- there shall not be a pending proceeding between the same parties and in relation to the same issues in Spain;
- there shall not be a judgment rendered between the same parties in Spain or between the same parties and for the same cause of action in another country *provided that* in this latter case the judgment has been recognized in Spain;
- there is no material contradiction or incompatibility of the judgment with a judgment rendered or judicial proceedings outstanding in Spain;
- where rendering the judgment, the courts rendering it must have not infringed an exclusive ground of jurisdiction provided for in Spanish law or have based their jurisdiction on exorbitant grounds and the choice of court is not fraudulent;
- the rights of defense of the defendant should have been protected where rendering the judgment, including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense;
- that the obligation to be fulfilled is legal in Spain;
- the documentation to be enforced includes: (i) all legal requirements to be considered authentic under U.S. law; and (ii) the relevant Spanish requirements to be admitted in Spain (i.e., apostille, certificate of *res judicata*, certificate of notification to the counterparty of the issuance of the judgment and sworn translation, among other specific matters); and
- the party against which enforcement is sought is not subject to insolvency proceedings.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by either Issuer or a Spanish Guarantor but such order may be issued expressed in euro by reference to the official rate of exchange prevailing on the date of issuance of such order.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by Spanish law (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in Spain or from Spanish persons in connection with a judicial or administrative U.S. action.

Any judgment obtained against either Issuer or any of the Spanish Guarantors in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council would be recognized and enforced in accordance with the terms set forth thereby.

The enforcement of any judgments in Spain will be subject to, among others, the following formal requirements: (a) documents in a language other than Spanish must be accompanied by a translation into Spanish (translator's fees will be payable); (b) certain professional fees are required for the verification of the legal authority of a party litigating in Spain if needed; (c) the payment of certain court fees and (d) the procedural acts of a party litigating in Spain shall be directed by an attorney at law and the party shall be represented by a court agent with the exception of enforcements of judgments issued in a proceeding in which such direction and representation is not needed. In addition, please note that Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Notes.

Pursuant to Article 54 of the current Spanish Procedural Law (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil*) the parties to an agreement are entitled to clearly agree to the submittal to one judge (*juzgado*) or court (*tribunal*) (*provided that* under the Spanish Procedural Law and the Spanish Judicial Law

(*Ley 6/1985, de 1 de Julio, Orgánica del Poder Judicial*) the relevant judge or court is competent to solve the corresponding dispute); therefore such article does not cover the validity of nonexclusive jurisdiction clauses, at least for conflicts between different Spanish courts.

Switzerland

We have been advised by our Swiss counsel that the United States and Switzerland 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 Switzerland. A final judgment by a U.S. federal or state court, however, may be recognized in Switzerland in an action before a court of competent jurisdiction in accordance with the proceeding set forth by the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*) and the Swiss Federal Act on Civil Procedure (*Schweizerische Zivilprozessordnung*). In such an action, a Swiss court generally would not reinvestigate the merits of the original matter decided by a U.S. court. The recognition and enforcement of a U.S. judgment by a Swiss court would be conditional upon a number of conditions including those set out in articles 25 et seqq. of the Swiss Federal Act on International Private Law (*Bundesgesetz über das international Privatrecht*), which include:

- The U.S. court having had jurisdiction over the original proceedings from a Swiss perspective;
- The judgment being final under U.S. federal or state law, and no ordinary legal remedy being available against such judgment;
- The defendant having had the chance to defend herself or himself against any unduly or untimely served complaint except for a defendant having unconditionally consented to the original proceeding before the respective court;
- The original proceeding not having been conducted under a violation of material principles of Swiss civil proceedings law, in particular the right to be heard;
- The proceeding between the same parties concerning the same case was first commenced or decided in Switzerland, or was first decided in a third country provided that such decision can be recognized in Switzerland; and
- The enforcement of the judgment by the U.S. court not being manifestly incompatible with Swiss public policy (*schweizerischer Ordre public*).

Subject to the foregoing, purchasers of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Switzerland. We cannot, however, assure you that any attempts to enforce judgments in Switzerland will be successful; in particular, it is uncertain whether a Swiss court would recognize U.S. jurisdiction if the defendant did not enter an appearance before a U.S. court during the substantive proceedings in the sense of art. 6 of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*). Furthermore, it is probable that a Swiss court, if substantive proceedings were commenced in Switzerland, would not apply U.S. federal or state securities laws. In addition, the recognition and enforcement of punitive damages awards might be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss 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. Swiss 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 depositions of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. In Switzerland, no such pre-trial discovery process exists. Instead, a Swiss court would decide upon the claims for which evidence is required from the parties and the related burden of proof.

LISTING AND GENERAL INFORMATION

Listing Information

Application will be made for the Temporary Senior Secured Notes, the Additional Senior Secured Notes and the Senior Notes to be admitted to the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof.

For the life of this offering memorandum, electronic copies of the following documents may be inspected and obtained at the registered office of the listing agent during normal business hours on any business day:

- the organizational documents of the Issuers and each of the Guarantors;
- the most recent audited historical consolidated financial statements and any interim financial statements of Synlab and Labco;
- the Indentures (which include the Guarantees and the forms of the Notes);
- the Revolving Credit Facility Agreement;
- the Intercreditor Agreement; and
- other material agreements described in this offering memorandum as to which we specify that copies thereof will be made available.

Litigation

Except as disclosed elsewhere in this offering memorandum, neither the Issuers nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the prospects of Labco or Synlab since December 31, 2014 (being the last day of the period in respect of which Labco or Synlab published its latest annual audited consolidated financial statements) or any significant change in the financial or trading position of Labco or Synlab since March 31, 2015 (being the last day of the period in respect of which Labco or Synlab published its latest interim consolidated financial statements).

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream, Luxembourg and Euroclear.

The Additional Senior Secured Fixed Rate Notes sold pursuant to Reg S and the Additional Senior Secured Floating Rate Notes sold pursuant to Reg S will initially have different ISIN and common codes than the Existing Senior Secured Fixed Rate Notes sold pursuant to Reg S and the Existing Senior Secured Floating Rate Notes sold pursuant to Reg S, respectively. Once the Senior Secured Fixed Rate Notes sold pursuant to Reg S and the Senior Secured Floating Rate Notes sold pursuant to Reg S have become freely tradable, they will share the same ISIN and common code, as the Existing Senior Secured Fixed Rate Notes sold pursuant to Reg S and the Existing Senior Secured Floating Rate Notes, respectively.

The temporary common codes for the Senior Secured Fixed Rate Notes sold pursuant to Reg S and the Senior Secured Floating Rate Notes sold pursuant to Reg S are 111728747 and 111728798, respectively, and the temporary ISIN for the Senior Secured Fixed Rate Notes sold pursuant to Reg S and the Senior Secured Floating Rate Notes sold pursuant to Reg S are XS1117287471 and XS1117287984, respectively. The temporary common codes for the Senior Secured Fixed Rate notes sold pursuant to Rule 144A and the Senior Secured Floating Rate Notes sold pursuant to Rule 144A are 111728771 and 111728828, respectively, and the temporary ISIN for the Senior Secured Fixed Rate Notes sold pursuant to Rule 144A and the Senior Secured Floating Notes sold pursuant to Rule 144A are XS1117287711 and XS1117288289, respectively. The permanent common codes for the Senior Secured Fixed Rate Notes sold pursuant to Rule 144A and Reg S are 111729301 and 111729298, respectively, and the permanent ISIN for the Senior Secured Fixed Rate Notes sold pursuant to Rule 144A and Reg S are XS1117293016 and XS1117292984, respectively. The permanent common codes for the Senior Secured Floating Rate Notes sold pursuant to Rule 144A and Reg S are 111729328 and 111729280, respectively and the permanent ISIN for the Senior Secured Floating Rate Notes sold pursuant to Rule 144A and Reg S are XS1117293289 and XS1117292802, respectively. The common codes for the Senior Notes sold pursuant to Rule 144A and Reg S are 126847572 and 126847149, respectively, and the ISIN for the Senior Notes sold pursuant to Rule 144A and Reg S are XS1268475727 and XS1268471494, respectively.

Legal Information

The Senior Secured Notes Issuer is a public limited company formed on March 23, 2015 as a private limited company under the laws of England and Wales with registered number 9503922. The Senior Secured Notes Issuer re-registered as a public limited company on June 8, 2015. The Senior Secured Notes Issuer's principal business address is 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE.

The Senior Secured Notes Issuer's fiscal year ends on December 31.

The Senior Notes Issuer is a public limited company formed on June 4, 2015 as a private limited company organized under the laws of England and Wales with registered number 9624069. The Senior Notes Issuer re-registered as a public limited company on July 17, 2015. The Senior Notes Issuer's principal business address is address is 5th Floor, 6 St. Andrew Street, London, United Kingdom EC4A 3AE.

The Senior Notes Issuer's fiscal year ends on December 31.

We estimate the expenses relating to admission of the Notes to trading on the Irish Stock Exchange to be approximately €10,000.

Consents

The Offering of the Notes was authorized by resolutions of the board of directors of the Senior Secured Notes Issuer and the Senior Notes Issuer dated July 19, 2015.

Statement

The Issuers accept responsibility for the information contained in this offering memorandum. The Issuers declare that, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum. Information relating to each of the Guarantors was provided by the respective Guarantor.

INDEX TO FINANCIAL STATEMENTS

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of financial position as of March 31, 2015

	Notes	03/31/2015	12/31/2014
		KEUR	KEUR
TOTAL ASSETS		**1,023,876**	**992,266**
Non-current asset		**778,116**	**751,462**
Goodwill	4	396,577	373,255
Intangible Assets	5	302,202	305,346
Property, plant and equipment	6	66,912	66,986
Investments in companies accounted for using the equity method		2,943	3,122
Other non-current assets		8,079	1,342
Deferred tax assets		1,403	1,411
Current assets		**245,760**	**240,804**
Inventories		17,785	17,106
Trade receivables		130,762	119,692
Income tax receivables		1,512	1,037
Other current assets		19,728	15,729
Cash and cash equivalents		75,973	87,240
TOTAL EQUITY AND LIABILITIES		**1,023,876**	**992,266**
Total equity		**264,427**	**244,080**
Equity of parent company shareholders		**263,042**	**242,786**
Subscribed capital		2,771	2,771
Capital reserves		199,797	199,661
Accumulated profit/loss		34,742	31,613
Cumulative changes in equity not recognized through profit/loss	7	25,732	8,741
Non-controlling interests		1,385	1,294
Non-current liabilities		**593,710**	**569,434**
Interest-bearing loans and borrowings	9	509,602	488,290
Pensions and similar obligations		22,253	19,662
Other provisions		3,138	3,137
Other financial liabilities	9	5,197	4,581
Deferred tax liabilities		53,520	53,764
Current liabilities		**165,739**	**178,752**
Interest-bearing loans and borrowings	9	30,625	30,633
Other provisions		13,483	12,935
Income tax liabilities		10,119	6,495
Trade payables		66,943	77,969
Other financial liabilities	9	30,698	35,795
Other liabilities	9	13,871	14,925

synlab Holding GmbH, Augsburg

Consolidated statement of comprehensive income for the period from January 1 to March 31, 2015

	Notes	1/1 - 3/31/2015	1/1 - 3/31/2014
		KEUR	KEUR
Revenue		192,320	(185,050)
Material expenses		(47,427)	(47,532)
Personnel expenses		(68,598)	(64,788)
Expenses on rental and lease agreements		(8,140)	(7,375)
Transport expenses		(6,402)	(6,857)
Other operating income		3,530	2,882
Other operating expenses		(32,087)	(29,256)
Depreciation, amortization and impairment		(17,144)	(16,044)
Operating profit/loss		**16,052**	**16,080**
Share of profit of associates		(190)	(44)
Financial income		4,039	248
Financial expenses		(13,442)	(7,675)
Revaluation on shares in partnerships with a non-controlling interest		(241)	40
Income before tax		**6,218**	**8,649**
Income tax expense		(2,900)	(3,214)
Consolidated profit/loss for the period		**3,318**	**5,435**
Attributable to non-controlling interests		(39)	73
Attributable to parent		3,357	5,362
Other comprehensive income			
Exchange differences from foreign operatings		17,121	2,301
Other comprehensive income potentially reclassifiable to profit or loss		**17,121**	**2,301**
Actuarial gains and losses recorded in other comprehensive income		0	0
Deferred taxes on actuarial gains and losses recorded in other comprehensive income		0	0
Other comprehensive income not reclassifiable to profit or loss		**0**	**0**
Other comprehensive income		**17,121**	**2,301**
Total comprehensive income		**20,439**	**7,736**
Attributable to non-controlling interests		91	57
Attributable to parent		20,348	7,679

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of changes in equity for the period from January 1 to March 31, 2015

	Attributable to parent company shareholders						
	Subscribed capital	Capital reserves	Net profit	Cumulative changes in equity not recognized through P/L	Total	Non-controlling interests	Total
Notes	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Status ad of 01/01/2014	**2,771**	**199,684**	**—**	**12,575**	**215,030**	**1,375**	**216,405**
Consolidated profit/loss for the period	—	—	5,363	—	5,363	72	5,435
Other comprehensive income	—	—	—	2,317	2,317	(20)	2,297
Total comprehensive income	—	—	5,363	2,317	7,680	52	7,732
Changes in the scope of consolidation	—	(570)	—	—	(570)	(707)	(1,277)
Share-based payments	—	136	—	—	136	—	136
Dividends	—	—	—	—	—	—	—
Status as of 03/31/2014	**2,771**	**199,250**	**5,363**	**14,892**	**222,276**	**720**	**222,996**
Status as of 01/01/2015	**2,771**	**199,661**	**31,613**	**8,741**	**242,786**	**1,294**	**244,080**
Consolidated profit/loss for the period	—	—	3,357	—	3,357	(39)	3,318
Other comprehensive income	—	—	—	16,991	16,991	130	17,121
Total comprehensive income	—	—	3,357	16,991	20,348	91	20,439
Changes in the scope of consolidation	—	—	—	—	—	—	—
Share-based payments	—	136	—	—	136	—	136
Dividends	—	—	(228)	—	(228)		(228)
Status as of 03/31/2015	**2,771**	**199,797**	**34,742**	**25,732**	**263,042**	**1,385**	**264,427**

synlab Holding GmbH, Augsburg, Germany

Consolidated cash flow statement for the period from January 1 to March 31, 2015

	1/1 - 3/31/2015	1/1 - 3/31/2014
	TEUR	TEUR
Profit/loss for the period	3,318	5,435
Income tax expense	2,900	3,214
Earnings before tax	**6,218**	**8,649**
Financial income/expense	9,593	7,470
Expenses from revaluation of shares in partnerships with a non-controlling interest	241	(40)
Operating profit/loss	**16,052**	**16,080**
Depreciations, amortization and impairment	17,144	16,044
Change in non-current provisions	(1,464)	(102)
Profit/loss from disposal of non-current assets	(2)	104
Adjustment to impairment of current assets	993	0
Other changes related to non-cash items	136	136
Profit/loss before changes in net working capital	**32,859**	**32,262**
Change in inventories	(662)	3,213
Change in trade receivables	(9,960)	(8,757)
Change in trade payables	(11,718)	(14,252)
Change in other net working capital	(3,385)	571
Income taxes paid	(758)	(662)
Cash flow from operating activities	**6,376**	**12,375**
Acquisition of subsidiaries net of cash acquired	(22,768)	(10,682)
Purchase of intangible assets	(1,241)	(1,470)
Purchase of property, plant and equipment	(3,240)	(3,177)
Proceeds from sale of property, plant and equipment	323	22
Proceeds from sale of intangible assets	6	0
Interest received	340	(40)
Cash flow from investing activities	**(26,579)**	**(15,347)**
Proceeds from interest-bearing loans and borrowings	20,000	0
Repayments of interest-bearing loans and borrowings	(3,676)	(13,678)
Payments for financial leases	(1,628)	(2,039)
Dividends and other payments to non-controlling interests	(618)	(160)
Interest paid	(7,489)	(7,239)
Cash flow from financing activities	**6,588**	**(23,116)**
Cash and cash equivalents at beginning of period	87,240	64,579
Net foreign exchange differences	2,348	(6)
Net change in cash and cash equivalents	(13,615)	(26,088)
Cash and cash equivalents at end of period	75,973	38,485

synlab Holding GmbH, Augsburg

Notes to the condensed interim consolidated financial statements for the period ended March 31, 2015

1 Information on the Company

These unaudited condensed interim consolidated financial statements were prepared by synlab Holding GmbH (hereinafter: 'the Company' or 'SYNLAB HOLDING'), Augsburg, Germany, the parent company of the SYNLAB HOLDING Group (SYNLAB GROUP). The Company is recorded in the Commercial Register at the Local Court in Augsburg under number HRB 24668. The registered address is Gubener Strasse 39, 86156 Augsburg, Germany.

The SYNLAB GROUP is one of the largest suppliers of medical diagnostic laboratory services in Central and Eastern Europe. The Group, which is based in Germany, presently employs over 7,000 employees and is currently represented in Germany, Italy, Switzerland, Austria, Belgium, the Czech Republic, Hungary, the Slovak Republic, Slovenia, Romania, Macedonia, Croatia, Poland, the Republic of Belarus, Estonia, Lithuania, Finland, Norway, the United Kingdom, the United Arab Emirates, Cyprus, and Turkey.

2 General

2.1 Basis for preparing the financial statements

The unaudited interim consolidated financial statements for SYNLAB HOLDING and its subsidiaries were prepared in compliance with IAS 34. The condensed interim consolidated financial statements do not contain all information and disclosures required for consolidated financial statements prepared as of the end of a fiscal year and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The consolidated financial statements are prepared in euros. Unless otherwise indicated, all amounts are rounded up or down to the nearest thousand euros in accordance with common commercial rounding practice.

The following key exchange rates were applied:

	Closing rate		Quarterly average exchange rate	
1 euro =	**03/31/2015**	**12/31/2014**	**Q1/2015**	**Q1/2014**
Pound sterling (GBP)	0.7273	0.7789	0.7436	0.8278
Polish zloty (PLN)	4.0854	4.2732	4.1934	4.1842
Romanian leu (RON)	4.4098	4.4821	4.4516	4.5019
Swiss francs (CHF)	1.0463	1.2024	1.0722	1.2235
Czech crowns (CZK)	27.530	27.725	27.6273	27.4413
Turkish lira (TRY)	2.8075	2.8258	2.7729	3.037
Hungarian forints (HUF)	299.43	315.54	308.9433	308.0567
United Arab Emirates dirhams (AED)	3.9864	4.4660	4.1459	5.034

2.2 New and revised standards and interpretations

The recognition and measurement methods used in preparing the consolidated financial statements of SYNLAB HOLDING generally correspond to the methods used in the previous year, with the exception of those changes in IFRS accounting standards whose application is mandatory as of January 1, 2015. The recognition and measurement methods used thus comply with the IFRS applicable for 2015 as adopted by the EU.

In the interim reporting period, the Group took into account the following revised or new IFRS standards and interpretations, to the extent that these are applied.

Improvements to IFRS (2010 - 2012)

The Improvements to the IFRS published in 2010 - 2012 have been compiled as an omnibus standard and were published in December 2013. It contains amendments to various IFRS, most of which are to be applied in fiscal years beginning on or after July 1, 2014. As a result, application of the following amendments is mandatory from January 1, 2015:

- IFRS 2: Clarifies the definition of vesting conditions and in particular definitions of service and performance conditions;

2 General (Continued)

- IFRS 3: Clarifies the classification and measurement of contingent consideration in relation to business combinations. Accordingly, classification of an obligation to pay contingent consideration as a liability or as equity is solely determined based on IAS 32.11. A contingent consideration item is to be measured at fair value and the resulting changes recognized in profit or loss;
- IFRS 8: Requirements for the aggregation of operating segments and reconciliation of total segment assets with the entity's assets;
- IFRS 13: Clarifies rationale for amending IFRS 9 with regard to the measurement of short-term receivables and payables as a result of the publication of IFRS 13;
- IAS 16: Amendments to the treatment of accumulated depreciation under the revaluation method.
- IAS 24: Clarifies that external entities providing key planning, managerial and supervisory services (external key management personnel services) to a company are to be treated by the reporting company as a 'related party' in accordance with IAS 24, and includes an exemption for disclosures of compensation paid for these management services by an external management entity to its own employees.
- IAS 38: Amendments to the treatment of accumulated depreciation under the revaluation method.

Their first-time application will not have any impact on the financial position, financial performance and cash flows of the Group.

Improvements to IFRS (2011 - 2013)

The Improvements to the IFRS published in 2011 - 2013 have been compiled as an omnibus standard and were published in December 2013. It contains amendments to various IFRS whose application is mandatory for fiscal years beginning on or after July 1, 2014. Application of the following amendments is mandatory from January 1, 2015:

- IFRS 3: Clarifies the exclusion of the formation of joint arrangements from the scope of IFRS 3.
- IFRS 13: Clarifies the scope of application of the portfolio exception as per IFRS 13.48 ff.
- IAS 40: Clarifies the scope of IFRS 3 and IAS 40 regarding classification of real estate as investment property or owner-occupied property.

As expected, these changes did not have an impact on the Group's financial position, financial performance and cash flows.

IFRIC 21 Levies

The IASB published IFRIC Interpretation 21 in May 2013. This interpretation provides that a company operating in a particular market has to recognize a liability for a levy imposed by the competent authority at the time the business transaction triggering the levy occurs. The interpretation also clarifies that a levy which depends for example on reaching a defined minimum transaction volume may only be classified as a liability once the volume reaches the defined threshold. This interpretation is to be applied for the first time in fiscal years beginning on or after June 17, 2014. The application of this new standard did not have any impact on the financial position, financial performance and cash flows of the Group.

3 Changes in the scope of consolidation

The following changes in the scope of consolidation took place in the interim reporting period.

3.1 Business combinations

In the first quarter of 2015, laboratory activities were expanded by way of the following acquisitions.

Company	Country	Type	Date
Ingenieurbüro Gschwandtner	DE	asset deal	01/01/2015
ACR Labor AG	CH	share deal	01/05/2015
Medilab LTD	CY	share deal	01/13/2015
Laboratorio Di Analisi Dott. Mario Settimelli S.r.l.	IT	share deal	03/10/2015
Synlab tesdelo service GmbH	DE	share deal	01/01/2015

As of January 1, 2015 synlab tesdelo service GmbH (formerly Palmetto Clean Technologies GmbH) was acquired. It was purchased in two steps: 60% of shares effective January 1, 2015 and the remaining 40% in an unconditional forward transaction by December 31, 2017. The company is a full-service provider for the analysis of drinking water and is one of Germany's leading water testing companies. As synlab tesdelo service GmbH does not carry out any laboratory analysis work itself, but instead contracts specialist laboratories, the acquisition created vertical integration, thus enabling the provision of the full range of water testing services.

At the time the publication of the interim financial statements was approved, not all of the data required for the final presentation of these acquisitions in the interim consolidated financial statements were available. The information provided below is thus provisional.

At the date of acquisition or first-time consolidation, the fair values of the identifiable assets of the companies Ingebieurbüro Gschwandter and Medilab LTD were as follows:

	KEUR
Non-current assets	
Intangible assets	120
Property, plant and equipment	53
Current assets	
Inventories	17
Trade receivables	454
Other current assets	541
Cash	3,823
Total assets	**5,008**
Current liabilities	
Short-term interest-bearing loans and borrowings	7
Other current provisions	1
Trade payables	115
Other current financial liabilities	10
Total liabilities	**133**
Total identifiable net assets at fair value	**4,875**
Shareholdings	
Goodwill from company acquisition	10,605
Total consideration	**15,480**

3 Changes in the scope of consolidation (Continued)

The consideration breaks down as follows:

	KEUR
Purchase price 1	10,880
Purchase price adjustment resulting from contingent consideration (Earn-Out 1)	3,255
Purchase price adjustment resulting from contingent consideration (Earn-Out 2)	1,020
Other purchase price	325
Total consideration	**15,480**

The fair value of trade receivables is 454 thousand euros. The gross value of trade receivables is 454 thousand euros. Impairment losses on trade receivables were recognized in the amount of 0 thousand euros.

Goodwill in the amount of 10,605 thousand euros comprises the value of expected synergies from the company acquisition. The goodwill is allocated in full to the Rest of World CGU. Most of the goodwill recognized is expected to be non-deductible for tax purposes.

As the data relating to the company acquired on March 10, 2015, Laboratorio Di Analisi Dott. Mario Settimelli S.r.l., are still incomplete, no precise information about the revenue contribution and the contribution to consolidated profit or loss for the period before and after the acquisition can be provided for this company.

The acquired companies Medilab LTD and synlab tesdelo service GmbH have contributed 720 thousand euros to revenue and 368 thousand euros to consolidated profit or loss since their acquisition.

The acquired company ACR Labor AG was merged with synlab Suisse SA immediately after the acquisition. Due to this merger, no information can be provided about this company's contribution to revenue and consolidated profit or loss as it cannot be derived from the financial data of the acquiring entity.

The contribution of the acquisition Ingenieurbüro Gschwandtner (asset deal) cannot be derived from the financial information of the acquiring company, either.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(15,480)
Outstanding additional purchase price from contingent consideration (Earn-Out 1)	20
Outstanding additional purchase price from contingent consideration (Earn-Out 2)	1,020
Portion of other purchase price not yet affecting cash flows	325
Cash consideration	**(14,115)**
Net cash of acquired company	3,823
Actual cash outflow due to company acquisition	**(10,292)**

As part of the purchase agreement with the previous owners of Medilab LTD, several contingent consideration elements were agreed. The first and second earn-outs are based on the percentage of free cash held by Medilab LTD as of the reporting date December 31, 2014. We have already paid 75% of the free cash as of December 31, 2014 amounting to 3,235 thousand euros at the closing date. As of March 31, 2015, the outstanding purchase price relating to these earn-outs totals 1,000 thousand euros and is due in the second quarter of 2015. No range is stated for this amount. The third earn-out, due in Q2/2016, is based on a defined threshold value for the company's EBITDA as of December 31, 2015, multiplied by a certain factor. The range for this earn-out is 0 to 1,700 thousand euros. Based on the company's budget, this threshold is not expected to be attained. As a result, the third earn-out is estimated at 0 thousand euros. Another purchase price is dependent on the subsequent delivery of specified documentation to the SYNLAB GROUP and is due in 2016. The range for this earn-out is 0 to 325 thousand euros. As it is assumed that the documents will be delivered, this other purchase price has been recognized in the full amount.

As part of the purchase agreement with the previous owners of Ingenieurbüro Gschwandtner, contingent consideration elements were agreed. The earn-outs, due in Q1/2016 and 2017, respectively, are calculated by reference to the percentage change in average revenue for 2011 to 2013 compared with revenue in 2015 and 2016, respectively. The range is 0 euros to a maximum of 35 thousand euros. On the basis of the company's budget, the value of the earn-outs is estimated at a total of 40 thousand euros.

For the business combination of the companies ACR Labor AG, Laboratorio Di Analisi Dorr. Mario Settimeli and synlab tesdelo service GmbH amounting to 5,521 thousand euros no purchase price allocation has been prepared due to the small timeframe between the acquisition and balance sheet date and the availability of reliable financial information. The consideration for these business combinations is recorded in other non-current assets.

As part of the purchase agreement with the previous owners of ACR Labor AG, three contingent consideration elements were agreed. The first earn-out, due in Q2/2015, is the positive balance of current assets and non-current liabilities, based on the company's 2014 financial statements. The earn-out does not specify a range and comes to 166 thousand Swiss francs (138 thousand euros). The second earn-out, due in Q2/2016, is calculated on the basis of a defined portion of the annual revenue for 2015 (i.e. revenue with specified customers of ACR contributed by ACR and revenue generated with joint rheumatology customers) less the fixed purchase price. The range is 0 thousand Swiss francs to 450 thousand Swiss francs and is estimated at the maximum value of 450 thousand Swiss francs. The third earn-out, due in Q2/2017, is also calculated on the basis of a defined portion of the annual revenue for 2017 (i.e. revenue with specified customers of ACR contributed by ACR and revenue generated with joint rheumatology customers) less the sum total of the fixed purchase price and the second earn-out. The range for this earn-out is 0 to 1,000 thousand Swiss francs. On the basis of the company's budget and in light of the fact that earn-out 2 is estimated at its maximum value, the estimated value of the third earn-out is 0 thousand Swiss francs.

As part of the purchase price for Laboratorio Di Analisi Dott. Mario Settimelli S.r.l. , a purchase price adjustment was agreed based on the difference between current assets (excluding deferred taxes and intangible assets) and liabilities. If positive, this difference is payable to the seller; if negative, a receivable will become due from the seller. The calculation will be based on the company's balance sheet as of February 28, 2015. The range for this conditional purchase price adjustment is −700 thousand euros to −300 thousand euros. Management estimates this amount at −400 thousand euros. The net amount of the outstanding fixed purchase price of 900 thousand euros less the estimated adjustment of 400 thousand euros is recognized under the provisions for purchase price adjustments in the amount of 500 thousand euros.

3.2 Other changes

The following mergers took place before the interim reporting date:

Merged company	Country	Absorbing company	Merger date
Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C.	IT	Synlab Emilia Romagna S.r.l.	01/01/2015
Bureco AG	CH	synlab Pharma Institute AG formerly Swiss BioAnalytics AG)	01/01/2015

In addition, Ärztliche Laborgemeinschaft Bonn GbR was liquidated as of January 1, 2015.

Company	Country	Deconsolidation date	Share
Ärztliche Laborgemeinschaft Bonn GbR	DE	01/01/2015	SPE

Liquidation and deconsolidation did not have any effect on consolidated profit or loss.

4 Additional disclosures to the statement of comprehensive income

Other operating income includes passed-on consultancy expenses amounting to 473 thousand euros (prior year: 146 thousand euros) as well as income from a recharge against the seller of Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL amounting to 437 thousand euros (prior year: 0 thousand euros) in connection with a legal dispute regarding the acquisition by synlab. Income from disposals of non-current assets amounted to 43 thousand euros (prior year: 13 thousand euros).

Personnel expenses include termination benefits amounting to 118 thousand euros (prior year: 22 thousand euros).

Other operating expenses include restructuring expenses of 575 thousand euros (prior year 138 thousand euros), losses from disposal of non-current assets of 41 thousand euros (prior year: 2 thousand euros), expenses for legal disputes in Belgium in connection with a company acquisition of 332 thousand euros (prior year: 0 thousand euros) as well as expenses related to company acquisitions of 1,085 thousand euros (prior year: 247 thousand euros).

5 Depreciation, amortization and impairment of property, plant and equipment, intangible assets and other assets

Goodwill developed as follows:

	KEUR
Acquisition cost and cost of conversion	
Balance as of December 31, 2013	**433,980**
Foreign currency translation	2,244
Changes in the scope of consolidation	11,441
Balance as of March 31, 2014	**447,665**
Acquisition cost and cost of conversion	
Balance as of December 31, 2014	**456,350**
Foreign currency translation	12,739
Changes in the scope of consolidation	10,605
Balance as of March 31, 2015	**479,694**
Impairments	
Balance as of December 31, 2013	**(83,130)**
Foreign currency translation	2
Changes in the scope of consolidation	0
Balance as of March 31, 2014	**(83,128)**
Impairments	
Balance as of December 31, 2014	**(83,095)**
Foreign currency translation	(22)
Changes in the scope of consolidation	0
Balance as of March 31, 2015	**(83,117)**
Carrying amounts	
as of December 31, 2013	350,850
as of March 31, 2014	364,537
as of December 31, 2014	373,255
as of March 31, 2015	396,577

The changes in the scope of consolidation are attributable to the acquisition of Medilab LTD as of January 13, 2015. As the SYNLAB GROUP did not have sufficient data available to properly present the acquisition as of the reporting date, the recognized goodwill is a provisional figure. See section 3.1 'Acquisitions'.

There were no events in the interim reporting period which would have led to an impairment of property, plant and equipment, intangible assets or other assets.

6 Intangible assets

	Customer lists	Trademarks	Concessions, industrial property rights and similar rights	Prepayments rendered	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Acquisition cost and cost of conversion					
Balance as of December 31, 2013	**403,074**	**20,009**	**39,889**	**1,195**	**464,167**
Foreign currency translation	275	(15)	(204)	0	56
Additions	519	0	652	299	1,470
Reclassifications	0	0	49	(49)	0
Disposals	0	0	0	0	0
Changes in the scope of consolidation	2,023	0	1,259	0	3,282
Balance as of March 31, 2014	**405,891**	**19,994**	**41,645**	**1,445**	**468,975**
Balance as of December 31, 2014	**412,986**	**24,670**	**48,490**	**1,289**	**487,435**
Foreign currency translation	11,052	23	770	3	11,848
Additions	36	0	971	108	1,115
Reclassifications	0	0	125	(125)	0
Disposals	0	0	0	0	0
Changes in the scope of consolidation	120	0	0	0	120
Balance as of March 31, 2015	**424,194**	**24,693**	**50,356**	**1,275**	**500,518**
Amortization and impairment					
Balance as of December 31, 2013	**(117,713)**	**(18,812)**	**(21,633)**	**0**	**(158,158)**
Foreign currency translation	(92)	9	97	0	14
Amortization and impairment	(8,533)	(749)	(2,097)	0	(11,379)
Impairment reversals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	0	0	0	0	0
Balance as of March 31, 2014	**(126,338)**	**(19,552)**	**(23,633)**	**0**	**(169,523)**
Balance as of December 31, 2014	**(131,270)**	**(21,068)**	**(29,751)**	**0**	**(182,089)**
Foreign currency translation	(3,781)	(23)	(407)	0	(4,211)
Amortization and impairment	(8,693)	(1,106)	(2,215)	0	(12,014)
Impairment reversals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	0	0	0	0	0
Balance as of March 31, 2015	**(143,744)**	**(22,197)**	**(32,374)**	**0**	**(198,315)**
Carrying amounts					
as of December 31, 2013	285,361	1,197	18,256	1,195	306,009
as of March 31, 2014	279,553	442	18,012	1,445	299,452
as of December 31, 2014	281,716	3,602	18,739	1,289	305,346
as of March 31, 2015	280,450	2,496	17,982	1,275	302,203

7 Property, plant and equipment

	Investment in non-Group buildings	Technical machines and equipment	Vehicle fleet	Other equipment, fixtures and fittings, and office equipment	Prepayments and assets under construction	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Acquisition cost and cost of conversion						
Balance as of December 31, 2013	**23,565**	**50,186**	**2,769**	**37,437**	**1,994**	**115,951**
Foreign currency translation	(21)	(71)	3	(28)	3	(114)
Additions	200	1,131	137	722	1,841	4,031
Reclassifications	(592)	3	0	620	(31)	0
Disposals	0	(39)	(14)	(33)	0	(86)
Changes in the scope of consolidation	0	7	0	54	0	61
Balance as of March 31, 2014	**23,152**	**51,217**	**2,895**	**38,772**	**3,807**	**119,843**
Balance as of December 31, 2014	**26,386**	**53,364**	**2,943**	**45,253**	**2,316**	**130,262**
Foreign currency translation	384	1,583	243	1,379	10	3,599
Additions	439	1,690	96	1,361	807	4,393
Reclassifications	968	331	0	115	(1,414)	0
Disposals	(58)	(471)	(50)	(121)	0	(700)
Changes in the scope of consolidation	0	14	1	38	0	53
Balance as of March 31, 2015	**28,119**	**56,511**	**3,233**	**48,025**	**1,719**	**137,607**
Depreciation and impairment						
Balance as of December 31, 2013	**(9,718)**	**(17,713)**	**(1,628)**	**(19,537)**	**0**	**(48,596)**
Foreign currency translation	2	51	(2)	20	0	71
Depreciation and impairment	(654)	(2,255)	(123)	(1,632)	0	(4,664)
Reclassifications	0	0	0	0	0	0
Disposals	0	39	4	32	0	75
Balance as of March 31, 2014	**(10,370)**	**(19,878)**	**(1,749)**	**(21,117)**	**0**	**(53,114)**
Balance as of December 31, 2014	**(11,729)**	**(25,331)**	**(2,009)**	**(24,207)**	**0**	**(63,276)**
Foreign currency translation	(299)	(1,266)	(176)	(929)	0	(2,670)
Depreciation and impairment	(808)	(2,238)	(130)	(1,954)	0	(5,130)
Reclassifications	0	0	0	0	0	0
Disposals	58	192	25	106	0	381
Balance as of March 31, 2015	**(12,778)**	**(28,643)**	**(2,290)**	**(26,984)**	**0**	**(70,695)**
as of December 31, 2013	13,847	32,473	1,141	17,900	1,994	67,355
as of March 31, 2014	12,782	31,339	1,146	17,655	3,808	66,730
as of December 31, 2014	14,657	28,033	934	21,046	2,316	66,986
as of March 31, 2015	15,341	27,868	943	21,041	1,719	66,912

8 Capital reserves

As from fiscal year 2011, the Company has indirectly granted members of management and executives of SYNLAB HOLDING and its German and foreign subsidiaries shares in the ultimate parent, SYNLAB HOLDING, as a form of share-based payment. This involves cash payment of a purchase price determined by reference to the fair value of the shares on the issue date; alternatively, the purchase price can be financed by a loan granted on arm's length terms. The shares thus acquired are subject to a vesting period. After this vesting period, i.e. after a good leaver event or an exit, the beneficiary receives a payment based on his or her share in synlab Management-Beteiligungs GmbH & Co. KG. However, commitments are forfeited if the beneficiary's employment contract is terminated in a bad leaver event, i.e. before the end of the vesting period.

The fair value of the shares granted was calculated using the same parameters and estimates as used for the period ended December 31, 2014. In the first quarter of 2015 this arrangement gives rise to before-tax expenses for share-based payment, which are contained in profit, of 136 thousand euros (prior year: 136 thousand euros).

9 Accumulated other comprehensive income

Exchange differences from foreign operations

The reserve for currency translation differences serves to account for differences resulting from translation of the financial statements of foreign subsidiaries. As of March 31, 2015, accumulated other comprehensive income included currency translation differences in the amount of 31,537 thousand euros (March 31, 2014: 15,206 thousand euros).

Since the beginning of 2015, the Group has been affected by the devaluation of the euro against the Swiss franc, impacting its financial assets and liabilities and the contribution of the Swiss companies to profit and loss. For example, the lower euro-Swiss franc exchange rate resulted in unrealized exchange losses on intercompany transactions of 530 thousand euros. This amount was recognized as finance costs. These losses were offset by the effects of the translation of the other income statement items which pushed revenue up in the first quarter by 4,890 thousand euros and EBITDA up by 1,118 thousand euros. In addition, the translation of the functional currency (CHF) to the presentation currency had a positive exchange rate effect of 20,016 thousand euros on total assets.

Actuarial gains and losses recorded in equity and any related deferred taxes

Additionally, pursuant to the revised IAS 19, actuarial gains and losses and any related deferred taxes have been recorded directly in equity since 2013. For the interim reporting period, the Group recorded actuarial losses and related deferred taxes in the amount of 1,320 thousand euros (March 31, 2014: 73 thousand euros), resulting in a net negative balance of 5,805 thousand euros as of March 31, 2015 (March 31, 2014: −314 thousand euros).

10 Disbursed and proposed dividends

As in the previous year, no dividends were disbursed by the parent company during the interim reporting period.

11 Financial instruments

The carrying amounts, amounts recognized and fair values by valuation categories are as follows:

	March 31, 2015						
	Amounts recognized in the statement of financial position according to IAS 39						
	Valuation categories pursuant to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized directly in equity	Fair value recognized through profit or loss	Value recognized pursuant to IAS 17	Fair value
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Assets		**229,394**	**223,813**	**5,579**	**3**	**0**	**229,394**
Cash and cash equivalents	**LaR**	75,973	75,973	0	0	0	75,973
Trade receivables	**LaR**	130,762	130,762	0	0	0	130,762
Other non-current financial assets							
Non-current receivables	**LaR**	2,497	2,497	0	0	0	2,497
Equity investments	**AfS**	5,579	0	5,579	0	0	5,579
Derivatives not used as hedges	**AtFVPL**	3	0	0	3	0	3
Other current financial assets (less prepaid expenses)	**LaR**	14,580	14,580	0	0	0	14,580
Liabilities and shareholders' equity		**643,065**	**623,336**	**0**	**4,177**	**19,625**	**652,801**
Trade payables	**FLAC**	66,943	66,943	0	0	0	66,943
Interest-bearing loans and borrowings:							
Interest-bearing bank loans/overdraft facilities	**FLAC**	520,400	520,400	0	0	0	530,136
Liabilities from finance leases	**n/a**	19,625	0	0	0	19,625	19,625
Derivatives not used as hedges	**FLHfT**	104	0	0	104	0	104
Other	**FLAC**	98	98	0	0	0	98
Other financial liabilities:							
Non-controlling interests in a partnership (puts on NCI)	**FLHfT**	4,072	4,072	0	4,072	0	4,072
Other	**FLAC**	31,823	31,823	0	0	0	31,823
Thereof aggregated according to valuation category pursuant to IAS 39							
Loans and receivables	**LaR**	223,813	223,813	0	0	0	223,813
Financial assets available for sale	**AfS**	5,579	0	5,579	0	0	5,579
Financial liabilities valued at amortized cost	**FLAC**	619,263	619,263	0	0	0	628,999
Financial liabilities available for sale	**FLHfT**	4,177	0	0	4,177	0	4,177
Financial assets recognized at fair value through profit or loss	**AtFVPL**	3	0	0	3	0	3

11 Financial instruments (Continued)

	December 31, 2014						
	Amounts recognized in the statement of financial position according to IAS 39						
	Valuation categories pursuant to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized directly in equity	Fair value recognized through profit or loss	Value recognized pursuant to IAS 17	Fair value
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Assets		**220,673**	**220,616**	**54**	**3**	**0**	**220,673**
Cash and cash equivalents	LaR	87,240	87,240	0	0	0	87,240
Trade receivables	LaR	119,692	119,692	0	0	0	119,692
Other non-current financial assets:							
Non-current receivables	LaR	1,285	1,285	0	0	0	1,285
Equity investments	AfS	54	0	54	0	0	54
Derivatives not used as hedges	AtFVPL	3	0	0	3	0	3
Other current financial assets (less prepaid expenses)	LaR	12,399	12,399	0	0	0	12,399
Liabilities and shareholders' equity		**637,268**	**612,134**	**0**	**4,767**	**20,367**	**648,011**
Trade payables	FLAC	77,969	77,969	0	0	0	77,969
Interest-bearing loans and borrowings:							
Interest-bearing bank loans/overdraft facilities	FLAC	497,895	497,895	0	0	0	508,638
Liabilities from finance leases	n/a	20,367	0	0	0	20,367	20,367
Derivatives not used as hedges	FLHfT	546	0	0	546	0	546
Other	FLAC	115	115	0	0	0	115
Other financial liabilities:							
Non-controlling interests in a partnership (puts on NCI)	FLHfT	4,221	0	0	4,221	0	4,221
Other	FLAC	36,155	36,155	0	0	0	36,155
Thereof aggregated according to valuation category pursuant to IAS 39							
Loans and receivables	LaR	220,616	220,616	0	0	0	220,616
Financial assets available for sale	AfS	54	0	54	0	0	54
Financial liabilities valued at amortized cost	FLAC	612,134	612,134	0	0	0	622,877
Financial liabilities available for sale	FLHfT	4,767	0	0	4,767	0	4,767
Financial assets recognized at fair value through profit or loss	AtFVPL	3	0	0	3	0	3

The fair values of interest-bearing loans and borrowings are determined using the respective applicable yield curves and credit-spread curves for the respective currency. These fair values are classified to hierarchy level 2.

As of March 31, 2015 and the reporting date, the SYNLAB GROUP measured available-for-sale financial assets, derivative financial instruments and a non-controlling interest in a partnership (puts on NCI) at fair value. The fair value of derivative financial liabilities is measured using the mark-to-market method and interest rates congruent with the terms of the liabilities. These fair values are classified to hierarchy level 2.

The fair value of non-controlling interests in a partnership (puts on NCI) was measured based on the compensation formula set forth in the partnership agreement and in consideration of the Company's planning and market interest rates. The fair value thus measured is therefore classifiable to hierarchical level 3 per IFRS 13, and led to a charge against earnings in the amount of 262 thousand euros in the year under review (previous year: 796 thousand euros).

There was no change in classification in the past fiscal year.

The reduction in purchase price obligations of 7,210 thousand euros is related to the payments of the fixed purchase price made on January 7, 2015 as well as the payment of purchase price adjustment agreed in December 2014 for the acquisition of Mater Dei S.r.l., Italy, of 7,000 thousand euros and for Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C., Italy, of 210 thousand euros. Furthermore, purchase price liabilities increased by 700 thousand euros as a result of the acquisition of synlab tesdelo service GmbH.

11 Financial instruments (Continued)

Income from changes in contingent considerations break down as follows: 466 thousand euros (prior year: 0 thousand euros) for the acquisition of synlab Pharma Institute AG and 332 thousand euros (prior year: 0 thousand euros) for provisions for litigations, which were founded prior to the acquisition at Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL and have been closed after the acquisition.

Provisions for onerous contracts in the hospital business were utilized in an amount of 665 thousand euros.

Allocations to the provisions for contingent consideration break down as follows: 325 thousand euros of non-current provisions and 1,000 thousand euros of current provisions for the acquisition of Medilab Ltd., Cyprus, 500 thousand euros for Laboratorio di Analisi Dott. Mario Settimelli S.r.l, 430 thousand euros for the acquisition of ACR Labor AG, Switzerland, and 200 thousand euros for the acquisition of synlab tesdelo service GmbH, Germany.

The increase in interest-bearing bank loans and overdraft facilities shown in the above table relates mainly to the drawdown of a further 20,000 thousand euros as of January 5, 2015 under the uncommitted acquisition facility of 80,000 thousand euros which was provided at the end of 2014. A further 60,000 thousand euros is still available for drawing under this facility. Most of the interest-bearing bank loans and overdraft facilities presented in the above table relate to a loan agreement concluded in 2012 with a volume of 395,000 thousand euros and a further 75,000 thousand euros under an uncommitted acquisition facility which SYNLAB HOLDING and various subsidiaries used to refinance existing bank loans. This senior facilities agreement comprises committed facilities with an amortizing tranche A1 of 115,000 thousand euros and another interest-only tranche A2 of 160,000 thousand euros. In addition, other committed tranches were granted to refinance mezzanine loans, as was a revolving credit facility of 25,000 thousand euros. On March 28, 2013, the drawdown of a further tranche B2 as of June 28, 2013 of 75,000 thousand euros and the re-designation of portions of tranches A2 and A3 and the committed acquisition facility to a new tranche B1 of 105,261 thousand euros were agreed in connection with this loan agreement. In a further addendum to the loan agreement of December 18, 2013, it was agreed to convert 69.17% of the amortizing tranche A1 to an interest-only tranche A5 as of January 31, 2014. In 2014, two other tranches of the revolving credit facility of 10,000 thousand euros and the uncommitted acquisition facility of 110,000 thousand euros were granted. These facilities were drawn down in amounts of 7,000 thousand euros and 30,000 thousand euros, respectively, as of December 31, 2014.

12 Related party disclosures

12.1 Receivables and payables concerning related parties

	March 31, 2015				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Loans to related parties	0	78	0	347	**425**
Receivables from related parties	2,807	2,899	8	855	**6,569**
Borrowings from related parties	0	0	(443)	0	**(443)**
Liabilities to related parties	0	(1,095)	(1,512)	(303)	**(2,910)**

	December 31, 2014				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Loans to related parties	0	83	0	0	**83**
Receivables from related parties	2,385	2,046	1	664	**5,096**
Borrowings from related parties	0	0	(443)	0	**(443)**
Liabilities to related parties	0	(1,112)	(3,662)	(178)	**(4,952)**

12 Related party disclosures (Continued)

12.2 Income and expenses concerning related parties

	March 31, 2015				
	Companies with significant influence on the Group	**Associated companies**	**Companies in which managers hold key positions**	**Other**	**Total**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Goods and services purchased from related parties	0	(625)	0	0	**(625)**
Goods and services sold to related parties	406	962	0	189	**1,557**
Interest income	16	0	0	6	**22**
Interest expense	0	0	0	0	**0**
Profit/loss from shareholdings accounted for using the equity method	0	(190)	0	0	**(190)**

	March 31, 2014				
	Companies with significant influence on the Group	**Associated companies**	**Companies in which managers hold key positions**	**Other**	**Total**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Goods and services purchased from related parties	0	(883)	0	0	**(883)**
Goods and services sold to related parties	0	909	0	122	**1,030**
Interest income	0	0	0	4	**4**
Interest expense	0	0	(1)	0	**(1)**
Profit/loss from shareholdings accounted for using the equity method	0	(44)	0	0	**(44)**

Trade receivables do not bear interest and are usually due within 30 to 120 days. Sales to and purchases from related parties are made on an arm's length basis.

There are no guarantees for receivables from or payables to related parties. Interest on other receivables from related companies is charged at normal market rates.

13 Segment reporting

For management purposes, the Group is organized into nine separately managed and monitored segments. Reconciliations include the central functions, financing and taxes, and consolidation. The Group's laboratory business is subject to various opportunity and risk profiles as well as varying government regulations in the countries where the Group operates; thus the internal reporting structure is organized according to geographic segmentation of the Group.

SYNLAB HOLDING management has the highest discretionary authority. EBITDA of the business entities is monitored separately by management in order to make decisions regarding distribution of resources and determine the profitability of the entities. EBITDA figures are used to measure segment performance and are reflected by EBITDA in the consolidated financial statements. Group financing (including finance costs and income) and income taxes are managed at Group level, however, rather than at the individual business segment level.

Accounting principles used in deriving segment information conform with the accounting rules used in the consolidated financial statements. Transfer prices between business segments are determined based on normal market conditions for transactions with third parties.

Because Group assets are of minor importance for management of the Company, Company management does not monitor these separately by business segment.

13 Segment reporting (Continued)

Description of segments subject to reporting requirements

The SYNLAB GROUP portfolio comprises activities in 22 countries, distinguishing only the following segments according to the opportunity and risk profile: Germany, Switzerland, Italy, Belgium, the Czech Republic, Austria, the Slovak Republic, Hungary, Northern Europe with Estonia, Finland, Lithuania and Norway, and Other (Rest of World) comprising Group activities in Cyprus, Slovenia, Macedonia, Croatia, Romania, Poland, the Republic of Belarus, the United Kingdom, Turkey and the United Arab Emirates which individually do not fulfill the quantitative thresholds and are thus grouped into one reportable segments. As of January 1, 2015, the activities of the new acquisition Medilab Ltd., Cyprus, have been allocated to the Rest of World segment.

Reconciliations

Reconciliations include all Group central functions such as management, legal, Group finances, internal audit and strategic procurement which cannot be attributed to individual operating segments. Furthermore, reconciliations include finance income and expenses and taxes because they are centrally managed by the Group, and therefore cannot be attributed to individual business segments, as well as the consolidation transactions to be conducted among the individual segments.

Income from transactions with other segments is eliminated for consolidation purposes.

	Q1/2015						
	Germany	**Switzerland**	**Italy**	**Czech Republic**	**Belgium**	**Hungary**	**Austria**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Revenue							
External customers	100,396	25,965	20,042	12,345	6,811	6,067	5,162
Other segments	1,971	11	4	13	0	8	25
Total revenue	**102,367**	**25,976**	**20,046**	**12,358**	**6,811**	**6,075**	**5,187**
Results							
Material expenses	(27,608)	(4,560)	(4,327)	(2,669)	(1,374)	(1,893)	(1,101)
Personnel expenses	(38,174)	(10,104)	(5,303)	(3,526)	(1,790)	(2,034)	(1,996)
Expenses on rental and lease agreements	(3,515)	(712)	(1,346)	(767)	(260)	(268)	(172)
Transport expenses	(4,627)	(458)	(431)	(167)	(82)	(204)	(124)
Other operating income	995	515	53	206	450	48	158
Other operating expenses	(15,361)	(5,008)	(4,036)	(2,320)	(1,853)	(1,075)	(530)
EBITDA = segment result	**14,077**	**5,649**	**4,656**	**3,115**	**1,902**	**649**	**1,422**
Other information							
Depreciation, amortization and impairment	(7,999)	(1,998)	(2,448)	(1,891)	(834)	(498)	(362)

13 Segment reporting (Continued)

	North Europe	Slovakia	Other (ROW)	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue						
External customers	5,441	2,838	7,253	192,320	0	192,320
Other segments	0	0	37	2,069	(2,069)	0
Total revenue	**5,441**	**2,838**	**7,290**	**194,389**	**(2,069)**	**192,320**
Results						
Material expenses	(1,875)	(999)	(2,779)	(49,185)	1,758)	(47,427)
Personnel expenses	(1,576)	(1,090)	(1,940)	(67,533)	(1,065)	(68,598)
Expenses on rental and lease agreements	(256)	(231)	(329)	(7,856)	(284)	(8,140)
Transport expenses	(239)	(19)	(128)	(6,479)	77)	(6,402)
Other operating income	119	112	145	2,801	729	3,530
Other operating expenses	(459)	(503)	(870)	(32,015)	(72)	(32,087)
EBITDA = segment result	**1,155**	**108**	**1,389**	**34,122**	**(926)**	**33,196**
Other information						
Depreciation, amortization and impairment	(535)	(309)	(266)	(17,138)	(6)	(17,144)
Operating profit/loss						**16,052**
Income from associated companies						(190)
Finance income						4,039
Finance costs						(13,442)
Revaluation of non-controlling interests in partnerships						(241)
Profit/loss before tax						**6,218**
Income taxes						(2,900)
Consolidated profit/loss for the year						**3,318**

	Q1/2014						
	Germany	Switzerland	Italy	Czech Republic	Belgium	Hungary	Austria
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue							
External customers	104,593	20,771	17,440	11,592	6,240	6,327	4,998
Other segments	1,253	0	0	0	0	3	49
Total revenue	**105,846**	**20,771**	**17,440**	**11,592**	**6,240**	**6,330**	**5,047**
Results							
Material expenses	(29,520)	(4,077)	(3,539)	(2,687)	(1,282)	(1,936)	(974)
Personnel expenses	(38,802)	(7,767)	(4,628)	(3,194)	(1,496)	(1,986)	(1,899)
Expenses on rental and lease agreements	(3,994)	(542)	(841)	(711)	(216)	(266)	(165)
Transport expenses	(5,007)	(345)	(627)	(165)	(67)	(199)	(142)
Other operating income	2,043	168	58	93	68	37	260
Other operating expenses	(14,659)	(3,684)	(3,720)	(2,226)	(1,298)	(1,001)	(691)
EBITDA = segment result	**15,907**	**4,524**	**4,143**	**2,702**	**1,949**	**980**	**1,436**
Other information							
Depreciation, amortization and impairment	(8,433)	(1,734)	(1,674)	(1,602)	(842)	(538)	(337)

13 Segment reporting (Continued)

	North Europe	Slovakia	Other (ROW)	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue						
External customers	4,512	3,117	5,461	185,050	0	185,050
Other segments	0	0	32	1,337	(1,337)	0
Total revenue	**4,512**	**3,117**	**5,493**	**186,387**	**(1,337)**	**185,050**
Results						
Material expenses	(1,637)	(1,013)	(2,165)	(48,830)	1,298)	(47,532)
Personnel expenses	(1,295)	(1,161)	(1,524)	(63,752)	(1,036)	(64,788)
Expenses on rental and lease agreements	(164)	(168)	(276)	(7,343)	(32)	(7,375)
Transport expenses	(226)	(18)	(133)	(6,929)	72)	(6,857)
Other operating income	44	107	250	3,128	(246)	2,882
Other operating expenses	(392)	(518)	(957)	(29,146)	(110)	(29,256)
EBITDA = segment result	**842**	**346**	**688**	**33,515**	**(1,391)**	**32,124**
Other information						
Depreciation, amortization and impairment	(459)	(217)	(206)	(16,042)	2	(16,044)

	KEUR
Operating profit/loss	**16,080**
Income from associated companies	(44)
Finance income	249
Finance costs	(7,675)
Revaluation of non-controlling interests in partnerships	40
Profit/loss before tax	**8,649**
Income taxes	(3,214)
Consolidated profit/loss for the year	**5,435**

There is no particular dependency on important large customers.

14 Contingent liabilities

Contingent liabilities totaled 5,632 thousand euros as of March 31, 2015 (December 31, 2014: 5,647 thousand euros). These mainly comprise lease guarantees for buildings and equipment in the amount of 5,221 thousand euros (December 31, 2014: 5,237 thousand euros), and a contract performance guarantee in the amount of 300 thousand euros (December 31, 2014: 300 thousand euros). As in the previous year, a contract performance guarantee granted by UniCredit for Synlab Polska is also reported in the amount of 99 thousand euros (December 31, 2014: 45 thousand euros).

15 Events after the interim reporting period

The following significant acquisitions and new company formations took place after the interim reporting date and before release of these interim consolidated financial statements:

Name of acquired company	Country	Date of acquisition (effective date)	Revenue contribution* 2015 (KEUR)	EBITDA contribution* 2015 (KEUR)	Purchase price (KEUR)	Shareholding
Laboratorio Mariani—Analisi Mediche ed Allergologia S.N.C	IT	04/01/2015	517	74	Fixed 1,200	asset deal
Kiwa GmbH	DE	05/01/2015	1,267	317	Fixed 1,317	asset deal
Medven Group		05/06/2015	1,615	277	Fixed 1,620 Estimated variable: 500	
—Medven Africa Limited	—IMN					—share deal—75%
—Medlab Ghana Limited	—GH					—share deal—100%
—Medical Imaging Ghana Limited	—GH					—share deal—100%
Medical Group ROMGERMED	RO	05/07/2015	1,615	636	Fixed 6,192	
—SC CMI DR. Marinescu Dana Mihaela SRL						—share deal—100%
—SC CMI R IACOBESCU CANCA SRL						—share deal—100%
—MEDSENSE SERVICII MADICALE SRL						—share deal—100%
—ZOSTALAB SRL						—share deal—100%
—ROMGERVET SRL (veterinary)						—share deal—99.01%
—SC SANOMED SRL						—asset deal
—SC CLINICA ROMGERMED SRL						—asset deal
—Viper Internet SRL						—asset deal

(*) The revenue and EBITDA contributions for 2015 reflect current corporate planning

All acquisitions were aimed at strengthening the Group's presence in a particular region or area of specialization.

Detailed information required by IFRS 3, i.e. items IFRS 3 B64e, f, h, i, j, and k, regarding business combinations taking place after the end of the reporting period, cannot be provided for the aforementioned business combinations at present because at the time the interim consolidated financial statements were released for publication the various sellers were unable to provide final financial statement figures.

Augsburg, June 11, 2015

SYNLAB HOLDING GmbH Management

Dr. med. Bartl Wimmer	Markus Stötter
Managing Director	*Managing Director*

The following auditors' report is a translation of the German-language auditors' report (Bestätigungsvermerk), which refers to the consolidated financial statements and the group management report of synlab Holding GmbH, Augsburg, prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German Commercial Law pursuant to Sec. 315a(1) HGB (German Commercial Code [Handelsgesetzbuch]) as of and for the year ended December 31, 2014 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages.

Auditor's report

We have audited the consolidated financial statements prepared by synlab Holding GmbH, Augsburg, comprising the balance sheet, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, as well as the management report for the fiscal year from January 1, to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (German Commercial Code [Handelsgesetzbuch]) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, 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 the applicable financial reporting framework and in the group management report are detected with reasonable assurance. When determining the audit procedures, the knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the 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 statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and in accordance with these requirements give a true and fair view of the net assets, financial position and results of operations of the Group. 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.

Eschborn, Frankfurt/Main, March 27, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kretschmer	Karoleev
Wirtschaftsprüfer (German Public Auditor)	*Wirtschaftsprüfer (German Public Auditor)*

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of financial position as of December 31, 2014

	Notes	12/31/2014	12/31/2013
		KEUR	KEUR
TOTAL ASSETS		**992,266**	**954,014**
Non-current assets		**751,462**	**729,370**
Goodwill	6.1/6.2	373,255	350,850
Intangible assets	6.3	305,346	306,009
Property, plant and equipment	6.4	66,986	67,355
Investments in companies accounted for using the equity method	6.5	3,122	2,325
Other non-current assets	6.6	1,342	1,545
Deferred tax assets	5.10	1,411	1,286
Current assets		**240,804**	**224,644**
Inventories	6.7	17,106	19,212
Trade receivables	6.8	119,692	118,447
Income tax receivables	5.10	1,037	5,543
Other current assets	6.9	15,729	16,863
Cash and cash equivalents	6.10	87,240	64,579
TOTAL EQUITY AND LIABILITIES		**992,266**	**954,014**
Total equity		**244,080**	**216,405**
Equity of parent company shareholders		**242,786**	**215,030**
Subscribed capital	6.11.1	2,771	2,771
Capital reserves	6.11.2	199,661	199,684
Accumulated profit/loss		31,613	0
Cumulative changes in equity not recognized through profit /loss	6.11.3	8,741	12,575
Non-controlling interests		1,294	1,375
Non-current liabilities		**569,434**	**548,198**
Interest-bearing loans and borrowings	6.13	488,290	466,406
Pensions and similar obligations	6.14	19,662	11,437
Other provisions	6.15	3,137	14,845
Other financial liabilities	6.16	4,581	3,018
Deferred tax liabilities	5.10	53,764	52,492
Current liabilities		**178,752**	**189,411**
Interest-bearing loans and borrowings	6.13	30,633	41,844
Other provisions	6.15	12,935	10,464
Income tax liabilities	5.10	6,495	10,602
Trade payables		77,969	82,541
Other financial liabilities	6.16	35,795	27,769
Other liabilities	6.17	14,925	16,191

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of comprehensive income for the fiscal year January 1 to December 31, 2014

	Notes	1/1 - 12/31/2014	1/1 - 12/31/2013
		KEUR	KEUR
Revenue	5,1	729,362	671,165
Materials expenses	5,2	(181,137)	(177,380)
Personnel expenses	5.3	(257,102)	(240,680)
Expenses on rental and lease agreements	5.4	(31,524)	(28,267)
Transport expenses	5.5	(27,678)	(26,836)
Other operating income	5.6	27,355	12,625
Other operating expenses	5.7	(138,046)	(125,524)
Depreciation, amortization and impairment	5.8	(65,764)	(62,519)
Income from reversal of impairments of customer lists	6.3	21,000	0
Operating profit/loss		**76,466**	**22,584**
Share of profit of associates	5.9	(677)	575
Financial income	5.9	3,150	4,001
Financial expenses	5.9	(33,822)	(33,829)
Revaluation on shares in partnerships with a non-controlling interest	5.9	(796)	(1,006)
Income before tax		**44,321**	**(7,675)**
Income tax expense	5.10	(12,122)	(7,478)
Consolidated profit/loss for the year		**32,199**	**(15,153)**
Attributable to non-controlling interests		586	(86)
Attributable to the parent		31,613	(15,067)
Other comprehensive income			
Exchange differences from foreign operations	6.11.3	1,785	(6,949)
Other comprehensive income potentially reclassifiable to profit or loss		**1,785**	**(6,949)**
Actuarial gains and losses recorded in other comprehensive income	6.11.3	(6,756)	42
Deferred taxes on actuarial gains and losses recorded in other comprehensive income		1,249	0
Other comprehensive income not reclassifiable to profit or loss		**(5,507)**	**42**
Other comprehensive income		**(3,722)**	**(6,907)**
Total comprehensive income		**28,477**	**(22,060)**
Attributable to non-controlling interests		698	(178)
Attributable to the parent		27,779	(21,882)

synlab Holding GmbH, Augsburg, Germany

Consolidated cash flow statement for the fiscal year January 1 to December 31, 2014

	Notes	01/01 - 12/31/2014	01/01 - 12/31/2013
		KEUR	KEUR
Profit/loss for the year		32,199	(15,153)
Income tax expense	5.10	12,122	7,478
Earnings before tax		**44,321**	**(7,675)**
Financial income / expenses	5.9	31,349	29,253
Expenses on revaluation of shares in partnerships with a non-controlling interest	5.9	796	1,006
Operating profit/loss		**76,466**	**22,584**
Depreciation, amortization, impairment and reversal of impairment	5.8	44,764	62,519
Change in non-current provisions		(8,858)	378
Profit/loss from the disposal of non-current assets		(508)	(144)
Adjustments to impairment of current assets		4,778	4,200
Other changes related to non-cash items		543	(947)
Profit/loss before changes in net working capital		**117,185**	**88,590**
Change in inventories		2,223	(673)
Change in trade receivables		(3,327)	(4,738)
Change in trade payables		(5,977)	4,820
Change in other net working capital		(4,972)	(8,675)
Income taxes paid		(13,369)	(9,724)
Cash flow from operating activities		**91,763**	**69,600**
Acquisition of subsidiaries net of cash acquired	4	(23,168)	(91,469)
Purchase of intangible assets	6.3	(8,354)	(5,798)
Purchase of property, plant and equipment	6.4	(15,041)	(10,722)
Proceeds from sale of property, plant and equipment		3,196	2,046
Proceeds from sale of intangible assets		250	23
Interest received		2,207	2,224
Cash flow from investing activities		**(40,910)**	**(103,696)**
Proceeds from interest-bearing loans and borrowings		37,000	142,836
Repayments of interest bearing loans and borrowings		(22,353)	(43,831)
Payments for financial leases		(8,641)	(9,693)
Dividends and other payments to non-controlling interests		(554)	(465)
Interest paid		(33,820)	(33,712)
Cash flows from financing activities		**(28,368)**	**55,135**
Cash and cash equivalents at beginning of period	6.10	64,579	43,787
Net foreign exchange differences		176	(247)
Net change in cash and cash equivalents		22,485	21,039
Cash and cash equivalents at end of period	6.10	87,240	64,579

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of changes in equity for the fiscal year January 1 to December 31, 2014

	Attributable to parent company shareholders						
	Subscribed capital	**Capital reserves**	**Net profit**	**Cumulative changes in equity not recognized through P/L**	**Total**	**Non-controlling interests**	**Total**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Notes	6.11.1	6.11.2		6.11.3			
Status as of 01/01/2013	**2,762**	**212,287**	**(64)**	**19,390**	**234,375**	**802**	**235,177**
Consolidated profit/loss for the year	—	—	(15,067)	—	(15,067)	(86)	(15,153)
Other comprehensive income	—	—	—	(6,815)	(6,815)	(92)	(6,907)
Total comprehensive income for the year	—	—	(15,067)	(6,815)	(21,882)	(178)	(22,060)
Increase in capital	9	2,475	—	—	2,484	—	2,484
Changes in the scope of consolidation	—	(95)	—	—	(95)	874	779
Share-based payments	—	148	—	—	148	—	148
Utilization of capital reserve to compensate for negative retained earnings	—	(15,131)	15,131	—	—	—	—
Dividends	—	—	—	—	—	(123)	(123)
Status as of 12/31/2013	**2,771**	**199,684**	**0**	**12,575**	**215,030**	**1,375**	**216,405**
Status as of 01/01/2014	**2,771**	**199,684**	**0**	**12,575**	**215,030**	**1,375**	**216,405**
Consolidated profit/loss for the year	—	—	31,613	—	31,613	586	32,199
Other comprehensive income	—	—	—	(3,834)	(3,834)	112	(3,722)
Total comprehensive income for the year	—	—	31,613	(3,834)	27,779	698	28,477
Changes in the scope of consolidation	—	(566)	—	—	(566)	(731)	(1,297)
Share-based payments	—	543	—	—	543	—	543
Dividends	—	—	—	—	—	(48)	(48)
Status as of 12/31/2014	**2,771**	**199,661**	**31,613**	**8,741**	**242,786**	**1,294**	**244,080**

synlab Holding GmbH, Augsburg, Germany

Notes to the consolidated financial statements for the fiscal year January 1 to December 31, 2014

1 Information on the Company

These consolidated financial statements were prepared by synlab Holding GmbH (hereinafter: 'the Company' or 'SYNLAB HOLDING'), Augsburg, Germany, the parent company of the SYNLAB HOLDING Group (SYNLAB GROUP). The Company is recorded in the Commercial Register at the Local Court in Augsburg under number HRB 24668. The registered address is Gubener Strasse 39, 86156 Augsburg, Germany.

The SYNLAB GROUP is one of the largest suppliers of medical diagnostic laboratory services in Central and Eastern Europe. The Group, which is based in Germany, presently employs over 7,000 employees and is currently represented in Germany, Italy, Switzerland, Austria, Belgium, the Czech Republic, Hungary, the Slovak Republic, Slovenia, Romania, Macedonia, Croatia, Poland, the Republic of Belarus, Estonia, Lithuania, Finland, Norway, the United Kingdom, the United Arab Emirates, and Turkey.

The Company's service portfolio encompasses analyses in the areas of human medicine, microbiology and human genetics, as well as routine diagnostics, preventive medical examinations, and pathology—all performed by the Company's own laboratories. Having acquired INTERLAB GmbH central lab services—worldwide in 2014, the SYNLAB GROUP now also offers clinical trial services commissioned by the pharmaceutical and biotechnology industries. Customers include public health agencies, clinics, hospitals, doctors, and private individuals.

The consolidated financial statements prepared for SYNLAB HOLDING and its subsidiaries as of December 31, 2014 (hereinafter: 'the Corporation' or 'the Group') were released for publication by management resolution on March 27, 2015. German law requires that the consolidated financial statements be approved by shareholders.

2 Accounting policies

2.1 Basis for preparing the financial statements

The consolidated financial statements for SYNLAB HOLDING and its subsidiaries were prepared in compliance with International Financial Reporting Standards (IFRS) as applicable in the European Union for fiscal year 2014, and in compliance with Sec. 315a (1) and (3) of German Commercial Code (HGB). International Financial Reporting Standards (IFRS) encompass International Accounting Standards (IAS), the interpretations issued by the IFRS Interpretation Committee (IFRIS IC), and the interpretations of the Standing Interpretation Committee (SIC).

As a rule, the consolidated financial statements are prepared using the acquisition cost method, Exceptions to this are derivative financial instruments, financial instruments held for sale, and non-controlling interests in a partnership ("puts on NCI"), which are measured at fair value.

Current and non-current assets and liabilities are reported in the statement of financial position. The income statement for the period is prepared using the nature of expense method. Any combined line items disclosed in the consolidated statement of comprehensive income or the consolidated statement of financial position are reported as separate line items in the Notes.

The consolidated financial statements are prepared in euros. Unless otherwise indicated, all amounts are rounded up or down to the nearest thousand euros in accordance with common commercial rounding practice.

2.2 Consolidation standards

The consolidated financial statements include the annual financial statements of SYNLAB HOLDING and its subsidiaries as of December 31, 2014. The number of subsidiaries, associated companies and joint venture companies included in the consolidated financial statements for 2014 breaks down into domestic and foreign subsidiaries as follows:

	2014	**2013**
Domestic	63	65
Foreign	50	48
Total	**113**	**113**

2 Accounting policies (Continued)

Changes in the scope of consolidation were as follows:

	Full consolidation	Consolidated using the equity method
Status as of December 31, 2013	**110**	**3**
First-time consolidation	12	1
Merged	(13)	0
As of December 31, 2014	**109**	**4**

The following companies were consolidated for the first time in 2014:

Company	Country	Initial consolidation	Shareholding	Consolidation method
Laboratoire Leblois, Investigations Biologiques et Medicales SPRL	BE	04/28/2014	100.0%	Full consolidation
Swiss BioAnalytics AG	CH	06/30/2014	100.0%	Full consolidation
INTERLAB GmbH central lab services—worldwide	DE	02/01/2014	100.0%	Full consolidation
Vertragsärztliche Laborgemeinschaft Brandenburg-Templin	DE	07/01/2014	SPE	Full consolidation
Centro Diagnostico Riminese S.r.l.	IT	04/02/2014	100.0%	Full consolidation
Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C.	IT	10/01/2014	100.0%	Full consolidation
Laboratorio Analisi per la Diagnostica Medica—IV Miglio S.r.l.	IT	07/01/2014	100.0%	Full consolidation
Analisi Mediche Minerva S.r.l.	IT	10/01/2014	100.0%	Full consolidation
Poliambulatorio Dante—Società a responsabilità limitata	IT	04/02/2014	100.0%	Full consolidation
Analisi Cliniche Alfa S.r.l.	IT	11/02/2014	100.0%	Full consolidation
Mater Dei S.r.l.	IT	11/02/2014	100.0%	Full consolidation
Lab1 AS	NO	12/31/2014	51.0%	Full consolidation
The Christie Pathology Partnership LLP	UK	06/01/2014	50.1%	Equity method

The following companies were merged or acquired in 2014:

Merged company	Country	Absorbing company	Merger date
ANECLAB GmbH	AT	Synlab Umweltinstitut GmbH	01/01/2014
RMA lab s.r.o.	CZ	synlab czech s.r.o.	07/01/2014
BH Vimperk services s.r.o.	CZ	synlab czech s.r.o.	07/01/2014
FL Holding 1 GmbH	DE	synlab Holding GmbH	01/01/2014
FL Holding 2 GmbH	DE	FL Holding 1 GmbH	01/01/2014
TIS Transfusionsinstitut Synlab GmbH	DE	synlab Medizinisches Versorgungszentrum Weiden GmbH	01/01/2014
MVZ links der Traun	DE	synlab Medizinisches Versorgungszentrum Augsburg GmbH	01/01/2014
GENOID Kft.	HU	Synlab Hungary Kft.	01/01/2014
Laboratórium Korlátolt Felelösségü Társaság	HU	Synlab Hungary Kft.	01/01/2014
Centro Diagnostico Riminese S.r.l.	IT	Synlab Emilia Romagna S.r.l.	04/30/2014
Analisi Mediche Minerva S.r.l.	IT	Synlab Italia S.r.l.	11/01/2014
Poliambulatorio Dante—Società a responsabilità limitata	IT	Synlab Emilia Romagna S.r.l.	04/30/2014
Synlab clinical trial Ltd.	UK	Synlab UK Limited	12/31/2014

2 Accounting policies (Continued)

In 2013, the following companies were consolidated for the first time or were subject to a change in the consolidation method:

Company	Country	Initial consolidation	Shareholding	Consolidation method
Freiburg Medical Laboratory Middle East LLC	AE	08/01/2013	70.0%	Change from equity method to full consolidation
ANECLAB GmbH	AT	01/01/2013	60.0%	Full consolidation
Med. Labor Olten MLO AG	CH	01/01/2013	100.0%	Full consolidation
Ärztelabor Westbahnhof AG	CH	01/01/2013	100.0%	Full consolidation
Bureco AG	CH	01/01/2013	100.0%	Full consolidation
Aneclab s.r.o.	CZ	01/01/2013	100.0%	Full consolidation
RMA lab s.r.o.	CZ	01/01/2013	100.0%	Full consolidation
BH Vimperk services s.r.o.	CZ	06/13/2013	100.0%	Full consolidation
MED Laborunion GmbH	DE	01/01/2013	20.83%	Equity method
Medizinisches Versorgungszentrum synlab Hämatologisches Labor Köln GmbH	DE	08/13/2013	100.0%	Full consolidation
Schubert Med.prod. GmbH & Co. KG	DE	01/01/2013	33.0%	Equity method
synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH .	DE	04/10/2013	100.0%	Full consolidation
synlab Medizinisches Versorgungszentrum Pathologie Mannheim GmbH	DE	04/10/2013	100.0%	Full consolidation
synlab Medizinisches Versorgungszentrum Stuttgart GmbH (formerly Labomed GmbH, Stuttgart)	DE	05/01/2013	100.0%	Full consolidation
Ärztliche Laborgemeinschaft Oberhausen GbR	DE	10/01/2013	SPE	Full consolidation
KRH Labor GmbH	DE	05/31/2013	49.0%	Equity method
synlab Holding Estonia OÜ	EE	07/31/2013	100.0%	Full consolidation
Quattromed HTI Laborid OÜ	EE	07/31/2013	100.0%	Full consolidation
Viljandi Tervisekeskus OÜ	EE	07/31/2013	100.0%	Full consolidation
Medicap Holding AS	EE	07/31/2013	100.0%	Full consolidation
synlab Holding Finland OY	FI	07/31/2013	100.0%	Full consolidation
Synlab Finland OY (formerly Quattromed Finland OY)	FI	07/31/2013	100.0%	Full consolidation
Spectromass Analitikai Labortórium Kft.	HU	01/01/2013	100.0%	Full consolidation
Synlab Emilia Romagna S.r.l. (formerly Laboratorio Analisi Chimico Cliniche A Fleming Srl.) .	IT	04/02/2013	100.0%	Full consolidation
Synlab Lazio S.r.l.	IT	03/25/2013	100.0%	Full consolidation
synlab Lietuva (formerly UAB "SORPO")	LT	07/31/2013	100.0%	Full consolidation

The company Spectromass Analitikai Laboratórium Kft., which was acquired in 2012 and had not been consolidated as of December 31, 2012, was consolidated for the first time as of January 1, 2013.

The company Freiburg Medical Laboratory Middle East LLC, which was consolidated using the equity method in 2012, has been fully consolidated as of August 1, 2013. The newly formed company KRH Labor GmbH as well as the existing shareholdings in MED Laborunion GmbH and Schubert Med.

2 Accounting policies (Continued)

prod. GmbH & Co. KG, which had not been consolidated previously for reasons of materiality, were consolidated using the equity method for the first time in 2013.

On February 5, 2013, the SYNLAB GROUP acquired a further 1.82% shareholding in BZH GmbH at a purchase price of 16 thousand euros. Thus the shareholding increased from 51.02% to 52.84%. On July 18, 2013, the SYNLAB GROUP also acquired the remaining 49% shareholding in BILACON Institut für Biotechnologie, Laboranalytik und Consulting GmbH at a purchase price of 35 thousand euros, increasing the shareholding from 51% to 100%. Both companies had been fully consolidated in 2012.

The following companies were merged or acquired in 2013

Merged company	Country	Absorbing company	Merger date
Laboratoire Biosemois SPRL	BE	Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL	01/01/2013
Med. Labor Olten MLO AG	CH	synlab Suisse SA	01/01/2013
Ärztelabor Westbahnhof AG	CH	synlab Suisse SA	01/01/2013
Anamedica SA synlab Medizinisches Versorgungszentrum	CH	synlab Suisse SA synlab Medizinisches	01/01/2013
Brandenburg a. d. Havel GmbH	DE	Versorgungszentrum Berlin GmbH	01/01/2013
BILACON Institut für Biotechnologie, Laboranalytik und Consulting GmbH	DE	synlab Umweltinstitut GmbH	01/01/2013
synlab Holding Estonia OÜ	EE	Quattromed HTI Laborid OÜ	12/16/2013
Medicap Holding AS	EE	Quattromed HTI Laborid OÜ	12/16/2013
SYNLAB LAB SERVICES S.r.l.	RO	LABORATOARELE SYNLAB S.r.l.	01/01/2013
3B LAB d.o.o.	SI	Adrialab d.o.o.	01/01/2013
Malá Praha spol s.r.o.	SK	synlab slovakia s.r.o.	07/01/2013

The following companies were liquidated and deconsolidated in 2013:

Company	Country	Deconsolidation date	Shareholding
Orga-Lab GmbH	DE	12/31/2013	100%

The subsidiaries' annual financial statements are prepared using the same accounting policies and as of the same reporting date as the parent's annual financial statements. All intra-group balances, transactions, unrealized profits and losses from intragroup transactions and dividends are eliminated in full. Subsidiaries are fully consolidated as of the date on which the Group gains control. Their consolidation ends as soon as the subsidiary is no longer controlled by the parent company.

The Group controls an investee only if the Group

- has power over the investee (i.e. the Group has existing rights that give it the ability to direct those activities that significantly affect the investee's returns),
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to affect the investee's returns through its power over the investee.

If the Group does not have the majority of voting rights or any equivalent rights in an investee, it will consider all facts and circumstances in establishing whether it has power over a particular investee. These include:

- A contractual agreement with other voting shareholders,
- any rights from other contractual agreements, and
- voting rights and potential voting rights of the Group.

Any assets, liabilities, income and expenditures of a subsidiary acquired or disposed of during the reporting period are reported in the consolidated statement of financial position or statement of comprehensive income as of the date the Group gains control of the subsidiary until the date control over the subsidiary ends.

2 Accounting policies (Continued)

A subsidiary's losses are attributed to non-controlling interests even though this may result in a negative balance. Any change in the shareholding in a company while control is retained is recorded as an equity transaction. When a parent company loses control over a subsidiary, the following steps are taken:

- The subsidiary's assets (including goodwill) and liabilities are derecognized.
- The carrying amount of the non-controlling interest in the subsidiary is derecognized.
- Cumulative translation differences reported in equity are derecognized.
- Fair value of consideration received is recorded.
- Fair value of remaining interest is recorded.
- Profit or loss is recorded in the consolidated statement of comprehensive income.
- Elements of other comprehensive income accruing to the parent company are reclassified to the consolidated statement of comprehensive income or to retained earnings, if so required by IFRS.

2.3 Summary of significant accounting policies

2.3.1 Business combinations and goodwill

Business combinations are recorded using the purchase method. Acquisition costs incurred for the acquisition of a company comprise the sum total of transferred consideration measured at fair value as of the date of acquisition and the non-controlling interests in the acquired company. For each business combination, the acquiring entity measures the non-controlling interests in the acquired company either at fair value or based on the relevant share of the identifiable net assets of the acquired company. Any costs thus incurred are recorded as expenses and are presented as other operating expenses.

When the Group acquires a company, it determines a suitable classification and designation of financial assets and liabilities assumed in accordance with contractual terms, the economic situation and conditions prevailing at the time of acquisition. This includes separate reporting of any derivatives embedded in host contracts.

In a subsequent business combination, the share in the equity of the acquired company previously held by the purchaser is revalued at fair value as of the acquisition date, and the resulting profit or loss is recognized in profit or loss. When the subsequent business combination results in changed ownership while maintaining control, the acquisition is accounted for as a transaction between owners. Any changes in value between majority and minority shareholders are recorded in equity.

The agreed contingent consideration is measured at fair value as of the acquisition date. Any subsequent adjustments to the fair value of the contingent consideration in the form of an asset or a liability are reported either in the consolidated statement of comprehensive income or in other comprehensive income, in accordance with IAS 39. Contingent consideration classified as equity is not revalued; subsequent compensation is recorded as equity.

Goodwill is initially measured at acquisition cost, which is calculated as the excess of transferred consideration and the amount of the non-controlling interest over the acquired identifiable assets and liabilities of the Group. If this consideration amount is exceeded by the fair value of the net assets of the acquired subsidiary, the difference is recorded in the consolidated statement of comprehensive income. Goodwill is subsequently measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the course of a business combination is attributed to the cash-generating units (CGUs) in the Group which are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquired company are attributed to these CGUs.

If goodwill was attributed to a cash-generating unit (CGU) and a business unit of this CGU is sold, the goodwill attributable to the business unit sold is included in profit/loss from the sale of that business unit as part of the carrying amount of the business unit. The value of the portion of goodwill sold is determined based on the ratio of values of the business unit sold to the remaining part of the CGU.

2 Accounting policies (Continued)

2.3.2 Associated companies and joint operations

Companies over which the Group has a significant influence are accounted for using the equity method as associated companies. In contrast to control over a company, a significant influence only means the power to participate in financial operating policy decisions.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement. It exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint operations are also accounted for using the equity method.

In accordance with the equity method, shares in associated companies and joint ventures are initially recognized at their acquisition cost. Subsequently the carrying amount changes in accordance with the change in net assets of the associated company or joint operation since the acquisition date less accumulated impairment losses.

The Group's share in the associated company's profits is reported as a separate line item in profit or loss for the period. The Group records its share of any changes directly recorded in the associated company's consolidated equity in the Group's statement of changes in equity as applicable. Goodwill resulting from the acquisition of an associated company is included in the carrying amounts of the investments in associated companies or joint ventures and is neither subject to amortization nor to separate impairment testing.

Following application of the equity method, the Group decides whether to record an additional impairment on shareholdings in associated companies. At every reporting date, the Group assesses whether there are any objective indications of impairment of its shareholdings in an associated company. If this is the case, the difference between the fair value and the carrying amount of the shareholding is recognized as an impairment in profit or loss.

Upon the loss of significant influence over an associated company or joint venture, the existing shareholdings in the company are measured at fair value. The difference between carrying amount and fair value or net sale proceeds as applicable is recognized as a gain/loss in the consolidated statement of comprehensive income.

Thus the comprehensive income attributable to the equity holders of the parent includes the share in the profit or loss for the period of the associated company or joint venture as well as any impairment and effects from any loss of significant influence in a company.

2.3.3 Foreign currency translation

The consolidated financial statements are prepared in euros, the parent company's functional currency. Each company within the Group determines its own functional currency, which, as a rule, is the respective local currency. The line items in the subsidiaries' financial statements are recorded in the respective functional currency.

Foreign currency transactions and balances

The Group companies initially translate foreign currency transactions into the respective functional currencies at the mean rate of exchange on the day of the business transaction. Monetary assets and liabilities recorded in a foreign currency are translated into the functional currency at each reporting date at the mean rate of exchange. All translation differences are recognized in profit or loss. Non-monetary items valued at historical purchase cost or cost of conversion in a foreign currency are translated on the day of the business transaction.

Group companies

Assets and liabilities of foreign business operations are translated into euros at the reporting date rate (mean rate of exchange). Annual average exchange rates are used for translating income and expense amounts. The resulting translation differences are recorded in other comprehensive income. The values thus recorded for foreign business operations are reclassified into the consolidated statement of comprehensive income upon sale of the respective foreign business operations.

The following key exchange rates were applied:

	Closing rate		Annual average exchange rate	
1 euro =	12/31/2014	12/31/2013	2014	2013
Pound sterling (GBP)	0.7789	0.8337	0.8042	0.8502
Polish zloty (PLN)	4.2732	4.1543	4.1874	4.1940
Romanian leu (RON)	4.4821	4.4847	4.4472	4.4177
Swiss francs (CHF)	1.2024	1.2276	1.2131	1.2305
Czech crowns (CZK)	27.725	27.425	27.553	25.980
Turkish lira (TRY)	2.8258	2.9344	2.9034	2.5351
Hungarian forints (HUF)	315.54	297.04	309.23	297.34
United Arab Emirates dirhams (AED)	4.4660	5.0576	4.8394	4.8819

2.3.4 Recognition of income

Income is recognized as and when it is probable that the economic benefit will accrue to the Group and the amounts can be reliably determined, regardless of the payment date. Income is measured at the fair value of the consideration received or the consideration to be received in accordance with contractual payment terms; taxes or other duties are not considered. Recognition of income requires the fulfillment of the following criteria:

Provision of services

Income from laboratory services is recognized to the extent that the profit or loss of the business can be reliably estimated and it is sufficiently probable that the economic benefit will accrue to the company. In case of analyses not yet completed, work in progress is recorded in the amount of reimbursable expenses incurred.

Sale of goods

Income is recognized when the significant risks and rewards associated with ownership of the goods and products sold have been transferred to the buyer. This usually takes place upon delivery of the goods and products.

Dividends

Income is recognized when a legal claim to payment arises.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income or expense is recognized using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period as applicable, to the net carrying amount of the financial asset or liability. Interest income is presented in the profit and loss statement as part of finance income.

2.3.5 Taxes

Current income taxes

Current tax receivables and tax payables for the current period are measured at the amount equaling the expected refund from or payment to the tax authorities. Calculation of these values is based on tax rates and tax laws effective in the country in which the Group operates and generates taxable income at the reporting date. Current taxes that are related to items recorded directly in equity are not recorded in the consolidated statement of comprehensive income but rather in equity. Management regularly reviews individual tax situations with respect to whether there is room for interpretation taking into consideration applicable tax provisions. Provisions for tax liabilities are accrued if necessary.

2 Accounting policies (Continued)

Deferred taxes

Provisions for deferred taxes are accrued using the liability method with respect to temporary differences in the value of an asset or liability in the statement of financial position and its value in the tax accounts at the reporting date.

Deferred tax liabilities are recorded for all temporary taxable differences, with the exception of:

- deferred tax liabilities resulting from the initial recognition of goodwill, an asset or liability from a transaction which is not a business combination and at the transaction date neither influences the accounting profit or loss nor the taxable profit or loss for the period,
- deferred tax liabilities from temporary taxable differences connected with investments in subsidiaries, affiliated companies, or shares in joint ventures, if the temporal course of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recorded for all deductible temporary differences, unused tax loss carryforwards (including interest carryforwards) and unused tax credits to the extent that it is probable that the taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards or interest carryforwards and unused tax credits can be offset, with the exception of:

- deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or liability from a transaction that is not a business combination and which, at the transaction date, neither influences the accounting consolidated profit or loss nor the taxable profit or loss for the period,
- deferred tax assets from deductible temporary differences in connection with investments in subsidiaries if it is probable that the temporary differences will not be reversed in the foreseeable future or that no taxable income will be available against which temporary differences can be offset.

The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that there is sufficient taxable income against which the deferred tax assets can at least be partially offset. Deferred tax assets that are not recognized are reviewed on each reporting date and then recognized in the amount that it has become probable that future taxable income will make possible the realization of the deferred tax assets. Deferred tax assets and liabilities are measured based on those tax rates that will probably become effective in the period in which an asset is realized or a liability paid. The tax rates (and tax laws) effective at the reporting date are used as a basis. Deferred taxes that are directly related to items that do not affect profit or loss are also recorded without any effect on profit or loss. Deferred tax assets and liabilities may be offset if and when the Group has an enforceable claim to offset the current tax assets against actual tax liabilities which are attributable to income taxes of the same taxable unit and are imposed by the same tax authority.

If a business combination gives rise to deferred tax benefits that do not fulfill the criteria for separate recognition as of the date of acquisition, such benefits are recognized in the following periods as long as this is in line with new information regarding facts and circumstances existing at the time of acquisition. The adjustment made is either an impairment of goodwill, if such takes places during the valuation period (and as long as it does not exceed goodwill), or recorded in consolidated profit or loss.

Value-added tax

Revenues, expenses and assets subject to VAT are recognized net of VAT. The following cases are exceptions to this rule:

- If VAT incurred upon the acquisition of assets or the utilization of services cannot be reclaimed from the tax authority, the VAT is recognized as part of the cost of conversion of the asset or as part of the expenses.
- Receivables and liabilities are recognized with the respective VAT amounts included.
- In the case of Group companies for which only partial reimbursement of VAT is possible, the non-reimbursable portion of VAT is not deducted.

2 Accounting policies (Continued)

- In the case of Group companies for which no reimbursement of VAT is possible, no VAT is deducted.

The VAT amount to be refunded by or paid to the tax authority is recognized in the statement of financial position under "Other current assets" or under "Other financial liabilities".

2.3.6 Intangible assets and property, plant and equipment

Intangible assets are recognized for the first time at acquisition cost or at cost of conversion. The cost of intangible assets acquired in the scope of a business combination is calculated as the fair value at date of acquisition. In subsequent periods, the intangible assets are recorded at cost or at cost of conversion less accumulated amortization and any accumulated impairment losses, if applicable. Research expenditures are recorded in the period in which they are incurred. Development costs, with the exception of the portion to be capitalized, are not capitalized, but rather recorded in profit or loss in the period in which they are incurred.

Property, plant and equipment is recorded at acquisition cost or cost of conversion less accumulated scheduled depreciation and/or accumulated impairment losses. Acquisition cost or cost of conversion includes costs for replacement parts for property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria have been fulfilled. If material parts of property, plant and equipment must be replaced at regular intervals, the Group capitalizes such parts as separate assets with specific useful lives or depreciation periods. Costs incurred for a major inspection are correspondingly capitalized at carrying amount as replacement cost of the asset if the criteria for recognition have been fulfilled. Any other maintenance and repair costs are recorded in profit or loss. The net present value of expected costs for disposal of an asset after its use is included in the cost or cost of conversion of the respective asset if the criteria for recognition have been fulfilled.

Intangible assets and property, plant and equipment are always depreciated over their economic lives and inspected for any possible impairment loss whenever there is any indication that the intangible asset might be impaired. Duration and method of depreciation are reviewed at least at the end of each reporting period. Any necessary changes to duration or depreciation method due to changes in the expected useful life or the expected deterioration of the future economic benefits of the asset are treated as changes in estimates. Amortization of intangible assets and depreciation of property, plant and equipment are recorded in the statement of comprehensive income under "Depreciation and amortization". Profit or loss from the disposal of intangible assets and property, plant and equipment is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recorded in the period during which the asset is disposed.

Straight-line amortization and depreciation is charged over the following useful lives of the assets:

Asset	Useful life	Remaining useful life
Intangible assets		
—Customer lists	3 to 20 years	1 to 20 years
—Trademarks	1 to 7 years	1 to 6 years
—Concessions, industrial property rights, and similar rights	3 to 6 years	1 to 6 years
Investments in non-Group buildings	remaining term of the contract, 10 years maximum	
Technical machines and equipment	4 to 10 years	
Vehicle fleet	3 to 5 years	
Other equipment, fixtures and fittings, and office equipment	4 to 10 years	
Buildings	20 to 50 years	

Intangible assets or property, plant and equipment are derecognized either upon disposal or when no economic benefits are expected to flow from further use or from the disposal of the recognized asset. Profit or loss arising from the derecognition of the asset are recorded in consolidated statement of comprehensive income as the difference between the net disposal proceeds and the carrying amount of the asset in the period in which the asset is derecognized. Remaining value, useful life and depreciation/amortization methods of the assets are reviewed at the end of each fiscal year and prospectively adjusted as necessary.

2.3.7 Lease agreements

The decision whether an agreement is classified as a lease is made based on the economic substance of the agreement at the time of the conclusion of the agreement, and requires an estimate as to whether the fulfillment of the agreement depends on the use of a specific asset or assets and whether the agreement grants the right to use this asset, even if this right is not expressly stipulated in the agreement. The Group companies using analysis equipment generally do not have civil-law title to this equipment. Invoicing for this equipment is predominantly "per reported result", whereby it can be assumed that the fee contains not only analysis materials and maintenance costs, but also a fee for provision of the equipment. Pursuant to IFRIC 4 (Determining Whether an Arrangement Contains a Lease), this type of agreement represents a lease agreement if the fulfillment of the agreement is dependent upon the use of a certain asset and the agreement grants a right to use the asset. According to these criteria, it can be assumed that the agreements on the use of analysis equipment contain lease agreements. Based on the content of the agreements, these are predominantly operating leases. The portion of lease components in these agreements is estimated based on the available documents because the parties to the contract have not provided any information.

Payments for operating leases are recorded on a straight-line basis in the consolidated statement of comprehensive income as expenses for rental and lease agreements over the term of the lease agreement.

Finance leases in which essentially all risks and rewards related to the title of the leased asset are transferred to the Group as the lessee result in capitalization of the leased asset at the beginning of the term of the lease. The leased asset is recognized at the lower of its fair value or the present value of the minimum lease payments. Lease payments are divided into finance costs and repayments of the principal in such manner that during the life of the lease a constant interest rate applies to the remaining lease obligation. Finance costs are recorded in profit or loss. Leased assets are depreciated over their useful lives. If transfer of the title to the asset to the Group at the end of the lease is not sufficiently likely, the lease is fully amortized over the shorter of the estimated useful life of the asset and the term of the lease.

2.3.8 Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction or production of an asset are capitalized as part of the cost or cost of conversion of the respective asset if a significant period of time is required to prepare the asset for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

2.3.9 Financial instruments

Financial assets and liabilities

Financial assets within the meaning of IAS 39 are either categorized as financial assets that are measured at fair value through profit or loss, as loans and receivables, as financial investments held to maturity, as financial assets available for sale or as derivatives designated as hedging instruments.

Financial liabilities within the meaning of IAS 39 are either classified as financial liabilities measured at fair value through profit or loss, or as "Other financial liabilities".

The Group determines the classification of its financial assets when they are recognized for the first time. Any necessary and permissible reclassifications are made at the end of the fiscal year. No reclassifications took place in either of the reporting years.

When financial assets and liabilities are first recognized, they are measured at their fair value, and as a rule are recorded as of the conclusion date of the contract. Transaction costs connected with an acquisition are also recognized for all financial assets and liabilities not subsequently measured at fair value through profit or loss.

2 Accounting policies (Continued)

Financial assets and liabilities are only netted in the Group statement of financial position if there is a legal claim at that time to offset the recorded amounts against each other and it is intended to do this on a net basis or to simultaneously repay the corresponding liability when the corresponding asset is realized.

With the exception of derivative instruments as well as non-controlling interests in a partnership ("puts on NCI"), no financial investments were measured at the reporting date either as financial assets that are measured at fair value through profit or loss or as financial investments held to maturity, nor were any financial liabilities classified as financial liabilities measured at fair value through profit or loss.

Primary financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment. Gains or losses are recognized in consolidated profit or loss for the period if loans or receivables are derecognized or impaired. Loans and receivables include Group trade receivables, certain current assets and cash and cash equivalents.

Available-for-sale financial investments are defined as non-derivative financial assets that are classified as available-for-sale and are not categorized otherwise. After initial measurement, financial investments that are available-for-sale are measured at fair value; profit or loss is recorded under "Accumulated other comprehensive income" less any income tax effects. At the date on which the financial investment is derecognized or on which a related impairment is determined, the previously recognized accumulated other comprehensive income is recognized through profit or loss. The fair value of financial investments traded on organized markets is determined using the market bid price quoted at the reporting date. The fair value of financial investments for which no active market exists is assessed using valuation methods. If there is no market and the fair value cannot be reasonably assessed, the asset is recognized at amortized cost.

Financial liabilities and interest-bearing loans are measured at amortized cost using the effective interest rate method. Amortization and derecognition of liabilities are reported through profit or loss.

Derivative financial instruments

The Group uses interest rate swaps, caps and collars as derivative financial instruments for hedging future interest payments. The hedge accounting provided for under IAS 39 was not utilized for the Group financial statements.

Thus derivative financial instruments must be classified as held for trading, and are recorded at fair value through profit or loss as of the conclusion date of the respective contract and thereafter.

The fair value of interest rate swap and collar contracts is determined using the net present value of future contracted payment flows, based on current market data.

Impairment of financial assets

The Group determines at each reporting date whether there is any indication of impairment of a financial asset or a group of financial assets that are not recorded at fair value through profit or loss.

Objective evidence for the occurrence of impairment could include, for example, the repudiation of a draft invoice in a demand for payment, significantly overdue payment or other indications of non-collectability.

With respect to financial investments available for sale, an objective indication of impairment is present if the fair value falls below the carrying amount either for an extended period or by a significant amount. To the extent such an asset is impaired, the cumulative loss previously recognized directly in equity is booked to profit or loss. A reversal of an impairment loss on an equity instrument classified as available for sale at a later point in time is not recorded in profit or loss, but rather reversed in equity.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the Group loses control over the contractual rights on which the financial asset is based. A financial liability is derecognized when the underlying obligation is fulfilled, terminated or has expired.

2.3.10 Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the expected sales price achievable in the course of ordinary business operations less estimated costs of completion and necessary sales and marketing expenses.

Any costs incurred to transport inventories to their present location and to render them in their current condition are capitalized as follows:

Raw materials, consumables and supplies:

- First-in-first-out method (Fifo)

Finished and unfinished products or services:

- Directly attributable materials and production costs as well as reasonable portions of overhead production costs based on the facility's normal production capacity without taking borrowing costs into account

2.3.11 Impairment of non-financial assets

At each reporting date, the Group determines whether situations exist that would necessitate an impairment of non-financial assets. If there is any such indication or if an annual impairment test is necessary for an asset, the Group estimates the recoverable amount of the respective asset. The recoverable amount of an asset is the greater of the fair value of an asset or a CGU less cost of sale and the value-in-use. The recoverable amount must be determined for each individual asset unless a particular asset does not generate any cash flows that are largely independent of other assets or other groups of assets. If the carrying amount of an asset or CGU exceeds its respective recoverable amount, the asset is impaired and is depreciated to recoverable amount.

Value-in-use is the net present value of future expected cash flows using a discount rate before tax that reflects market expectations with respect to the interest rate effect and the specific risk of the asset. Recent market transactions, if applicable, are taken into consideration when determining the fair value less any cost of sale. If there are no such identifiable transactions, a suitable valuation model is used. This is based on valuation multiples or other available indicators of fair value.

The Group bases its impairment decisions on detailed budget and projection calculations that are prepared separately for each Group CGU to which individual assets are allocated. As a rule, these budget and projection calculations cover a span of five years. A long-term growth rate is determined for longer periods of time and used to project future cash flows beyond the fifth year. Impairment costs of continuing business operations, including impairment of inventories, are recorded through profit or loss in the categories relating to the function of the impaired asset within the Company. This does not apply to assets previously revalued to the extent that the increases in value from the revaluation were recorded in other comprehensive income. In such case the impairment is also recorded in other comprehensive income up to the amount of a previous revaluation.

Assets other than goodwill are evaluated at every reporting date as to whether there are indications that a previously recorded impairment loss no longer exists or has been reduced. If such indications are present, the Group assesses the recoverable value of the asset or the CGU. Any previously recorded impairment losses are only reversed if a change in the assumptions that formed the basis for the determination of the recoverable amount has taken place since recording the last impairment loss. The impairment reversal is limited by the fact that the carrying amount of an asset may neither exceed its recoverable amount nor the carrying value that would have remained after scheduled depreciation if in previous years no impairment losses for the asset had been recorded.

2 Accounting policies (Continued)

Goodwill is valued once a year on December 31, and whenever indications suggest a possible impairment. This value is also reviewed if circumstances indicate that impairment may have occurred. The impairment is calculated by determining the recoverable amount of the CGU (or the CGU groups) to which the goodwill is allocated. If the recoverable amount from the CGU is less than the carrying amount of this unit, an impairment loss is recorded. Once impairment losses are recorded on goodwill, such impairment losses are not to be reversed in future periods.

2.3.12 Cash and cash equivalents

The statement of financial position item "Cash and cash equivalents" comprises cash on hand, bank deposits and short-term deposits with a term of less than 3 months. For the purposes of the cash flow statement, cash and cash equivalents comprises cash as defined above and short-term deposits.

2.3.13 Provisions

Principles

A provision is recognized if the Group has a present (legal or constructive) obligation arising from a past event, expenditure of resources with economic benefit to fulfill the obligation is likely, and a reliable assessment of the amount of the obligation is possible. If an accrued liability is expected to be reimbursed at least in part (e.g. liabilities covered under an insurance policy), the reimbursement is classified as a separate asset, provided there is a high probability of it occurring. The expense for such a provision is reported in the consolidated statement of comprehensive income less any reimbursement. If the interest rate effect from a discounting event is substantial, provisions are discounted using a discount rate before tax that reflects the specific risks for the obligation involved. In case of discounting, the increase in the provision resulting from passage of time is recorded as finance costs.

Provisions for restructuring

A provision for restructuring is only recognized if the general requirements for realization of provisions are fulfilled. Furthermore, the Group must follow a formalized restructuring plan setting out detailed requirements regarding the business unit or part of the business unit concerned, the site and the number of employees concerned, as well as a detailed estimate of associated cost and a reasonable time schedule. The employees concerned must justifiably expect that the restructuring will take place, or it must have already begun.

2.3.14 Pensions and other post-employment benefits

Non-current pension provisions comprise defined benefit plans for pensions and other post-employment benefits as well as provisions for German phased retirement programs and long-service awards. Defined-benefit pensions and other post-employment benefit obligations are measured pursuant to IAS 19 (Employee Benefits) using the projected unit credit method. The net present value of the obligation is determined based on the duration of the employee's service, expected salary increases and projected retirement age.

Actuarial gains or losses resulting from changes to actuarial assumptions or differences between former actuarial assumptions and actual developments are recognized directly in equity in the period in which they were incurred, taking into account any deferred taxes. After deduction of plan assets, all obligations are thus fully reflected in the consolidated statement of financial position, eliminating in particular any expense variations from potential changes in calculation parameters. All actuarial gains and losses and any attributable deferred taxes incurred in the respective reporting period are thus part of accumulated other comprehensive income. The Company's obligations from German phased retirement programs result from individual employee contracts. Employees may choose between two variants of the German phased retirement program: The so-called block model requiring the employee to continue working full-time at first, usually followed by an equally long release period; or a 50% part-time employment for the whole period until retirement commences. Actuarial gains and losses from German phased retirement program provisions are recorded in full through profit or loss.

Provisions for long-service awards are accrued for claims based on collective agreements or long-term claims based on other employee agreements depending on the durations of service at the Company in accordance with the regulations of IAS 19. For long-service awards, gains or losses from changes in the calculation parameters are directly recorded in full as profit or loss in the same fiscal year.

In Switzerland, the Group maintains a defined-benefit pension agreement. Swiss companies do not accrue pension provisions as a rule since pensions are paid by pension funds which are legal entities under Swiss law and which provide for appropriate cover while Swiss companies are obligated to pay monthly contributions to these pension fund entities. The accumulated funds are released for retirement payments only. The pension plan assets comprise the savings balance of active insured individuals and the credit balance in the various accounts of the collective foundations as well as the amount of coverage if accrued pension benefits are not guaranteed. Swiss pension funds are responsible for maintaining sufficient liquidity to honor their financial obligations. The governing body is the respective foundation board.

The pooled plan is furthermore a defined benefit plan within the meaning of IAS 19. Because of the current extremely low discount rate assumptions, calculating pension payment obligations in accordance with IFRS/IAS 19 as compared to the applicable rates under Swiss law, generally yields extremely low funding levels, especially for active plan contributors but also, to a lesser extent, for pensioners. In these calculations the company is assumed to be the debtor and the expected funding gap is recognized accordingly in the statement of financial position.

The Group has pension obligations for senior management personnel. These benefits are not re-insured through an external fund.

2.3.15 Non-controlling interests in partnerships/put options

Pursuant to the rules set forth in IAS 32 on the delimitation of equity and liabilities, non-controlling interests in partnerships for which minority partners have a right of termination are recorded as a liability. In the same manner, shares for which the minority shareholder has been granted a put option by the majority partner are to be recognized at the fair value of the purchase price as an obligation. If this is done for a business combination, the business combination is accounted for as if the non-controlling interests had already been acquired. As a result, goodwill is recognized in full. Such shares are shown on the Group statement of financial position as a liability under "Other financial liabilities". Income from these shares which can be withdrawn by the minority partner is shown in the consolidated statement of comprehensive income under "Revaluation of non-controlling interests in partnerships".

2.3.16 Share-based payment

Members of management and other senior managers of the Group receive as remuneration for their work share-based payments in the form of equity instruments (equity-settled share-based payment transactions).

If equity instruments are issued and some or all of the services the company received in return are not clearly identifiable, the services received or to be received that cannot be identified are measured at the difference between the fair value of the share-based payment and the fair value of the identifiable services already received by the date the equity instruments were granted. This difference is then recorded as an expense.

Expenses for equity-settled share-based payment transactions are measured at fair value as of the date the equity is granted. Fair value is determined using a suitable option pricing model. Expenses arising from the granting of equity instruments and the corresponding increase in capital reserves are recognized over the period of time in which the conditions for performance and services are to be fulfilled ('vesting period'). This period ends at the first possibility to exercise the option, that is, when the employee concerned is irrevocably entitled to exercise the option. The cumulative expenses recorded for equity-settled share-based payment transactions thereby reflect at any reporting date up to the date of first possibility of exercising the option the vesting period already expired as well as the number of equity instruments which, based on the best estimate of management, will eventually vest. However, the amount by which the Group's income is reduced or increased reflects the change in cumulative expenses reported at the beginning versus the end of the reporting period.

Forfeited equity instruments granted for remuneration are not recorded as expense. An exception are those equity instruments granted for which non-forfeitability is based on certain market or non-vesting conditions. These equity instruments granted are deemed to be exercisable regardless of whether the market or non-vesting conditions are fulfilled, as long as all performance and service conditions have been fulfilled.

If the underlying conditions of an equity-settled share-based payment transaction are changed, expenses are recorded in the minimum amount of costs that would have been incurred if contractual conditions had not been changed, provided that the original conditions of the remuneration agreement are fulfilled. The company also records the effect of changes that increase the fair value of the share-based payment or are related to any other benefit for the employee, valued at the date of the change.

If an equity-settled share-based payment agreement is canceled, this is treated as if the option had been exercised on the day of cancelation. Expenditure not yet recognized is recorded immediately. This applies to all remuneration agreements for which non-vesting conditions on which either the company or the employee have an influence have not been fulfilled. However, if the canceled remuneration agreement is replaced by another remuneration agreement declared on the day it is granted as replacement for the canceled remuneration agreement, the canceled agreement and the new remuneration agreement are recorded in the statement of financial position as a change to the original remuneration agreement. All cancellations of remuneration agreements based on equity-settled share-based payment transactions are treated equally.

2.3.17 Fair value measurement

The Group measures the fair value of its financial instruments, such as derivatives, as of each reporting date. The fair values of financial instruments measured at amortized cost are listed in Note 7.

The fair value represents the price received for an asset sold or the money paid for a liability transferred in an ordinary business transaction between market players at the measurement date. When measuring the fair value it is assumed that the asset is sold or the liability transferred in a business transaction either on the primary market for such asset sale or liability transfer or the best market for such transactions if no primary market exists.

The Group must have access to either the primary or the best markets.

The fair value of an asset or liability is measured using the market players' assumptions applied in setting the price of the asset or liability. It is also assumed that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to achieve an economic benefit through the highest and best use of the asset or its sale to another market participant who will put the asset to the highest and best use.

The Group uses measurement methods which it considers appropriate under the given circumstances and for which sufficient data is available to perform fair value measurement. It is important however to mainly use appropriate and observable input factors and keep non-observable input factors to a minimum.

Financial instruments recorded on the statement of financial position as measured at fair value are to be organized within a three-level hierarchy, as are all line items for which fair value is to be stated in the Notes. The levels reflect the market-relevance of the respective data used in the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1: Quoted prices for similar assets or liabilities on active markets

Level 2: Directly (prices, for example) or indirectly (derived from prices) observable market inputs other than Level 1

Level 3: Inputs for assets and liabilities not based on observable market data.

For assets or liabilities repeatedly reported in the financial statements the Group determines any hierarchy level re-classification by re-evaluating the existing classification at the end of each reporting period. Such revaluation is based on the lowest-level input parameters which are essential for fair value measurement.

2 Accounting policies (Continued)

In order to meet the requirements for fair value disclosures, the Group has established certain groups of assets and liabilities based on type, characteristics and risks as well as the fair value hierarchy levels mentioned above.

2.4 Significant judgments, estimates and assumptions

When compiling the consolidated financial statements, management makes judgments, estimates and assumptions that affect the amounts of income, expenses, assets, liabilities and contingent liabilities reported as of year-end. However, these estimates and assumptions are uncertain and thus can lead to results which may later require material adjustment of the carrying amount of the assets or liabilities.

In applying Group accounting policies, management made the following judgments which substantially influence amounts in the consolidated financial statements:

Future-related assumptions

The most significant future-related assumptions and any other sources of forecasting uncertainty which pose significant risk involve a possibility that the carrying amount of assets and liabilities must be materially adjusted in the next fiscal year as outlined below. Group assumptions and estimates are based on parameters prevailing at the date the consolidated financial statements were prepared. These circumstances and assumptions regarding future developments may change however depending on market activity and conditions beyond the Group's control, and are only factored into assumptions after their occurrence.

a) Impairment of goodwill and intangible assets with indefinite useful lives

The Group conducts a review of goodwill and intangible assets at least once annually and whenever there are indications that an impairment of goodwill or intangible assets with indefinite useful lives may have occurred. Impairment tests conducted by the Group as of December 31, 2014 are based on calculations of recoverable amount using the discounted cash flow method. Cash flows are projected based on financial planning for the next five years. Cash flows beyond the planning period are projected using individual growth rates. Recoverable amount depends largely on the discount rate used in the discounted cash flow method, on expected cash inflows and outflows, and on the growth rate used for extrapolation.

The assumptions are based on premises derived from the currently available information. In particular, projected results are based on prevailing circumstances as well as realistic prognoses for future results both globally and for the industry. Major planning assumptions are based on planning discussions with important Group customers. Even though management feels that the assumptions it has used in calculating the recoverable amount are reasonable, unforeseeable changes in these assumptions could lead to impairment expenses that could have a negative impact on the financial position, financial performance and cash flows. The basic assumptions made to calculate the recoverable amount of goodwill for the individual CGUs, and of the intangible assets with indefinite useful lives as well as for sensitivity analysis are explained in detail in Note 6.2 and 6.3 of the Notes. As of December 31, 2014, the carrying amount of goodwill was 373,255 thousand euros (previous year: 350,850 thousand euros);the carrying amount of intangible assets with indefinite useful lives was 1,233 thousand euros (previous year: 1,233 thousand euros).

b) Measuring property, plant and equipment and intangible assets

Measuring property, plant and equipment and intangible assets requires the use of estimates for determining fair value at the time of acquisition, in particular regarding assets acquired in the scope of a business combination. Furthermore, the expected useful life of these assets must be determined. Management uses judgment in determining the fair value of the assets and their useful lives as well as deciding whether an indication of impairment of value requires impairment testing.

In fiscal year 2010, customer lists of the CGU Germany were written down due to the CGU's weak earnings situation. The positive effects resulting from recent years' restructuring measures and the much improved earnings situation of the CGU Germany led to impairment reversals in the amount of 21,000 thousand euros in fiscal year 2014.

As of December 31, 2014, the carrying amount of property, plant and equipment was 66,986 thousand euros (previous year: 67,355 thousand euros) and the carrying amount of intangible assets with a definite useful life was 304,113 thousand euros (previous year: 304,776 thousand euros). More details are provided in Note 6.3 and 6.4 of the Notes.

c) Taxes

There is uncertainty regarding the interpretation of complex tax provisions, changes in the tax code as well as the amount and date of future taxable events. Given the large scope of international business transactions and the long-term nature and complexity of existing contractual agreements, it is possible that differences between the actual results and assumptions made or future changes in such assumptions could lead to adjustments in taxable income or tax expense already recorded. The Group accrues provisions based on realistic estimates of the potential impact of tax audits in those countries in which it conducts transactions. The amount of such provisions is based on various factors, including for example experience gained from previous tax audits and differing interpretations of tax provisions by the taxable company and the tax authorities. Such diverging interpretations occur when a large number of different tax issues are present, dependent upon the conditions prevailing in the country of domicile of the respective Group company. Because the Group views the probability of legal dispute and corresponding tax liabilities as being low, no contingent liabilities were recorded.

At each reporting date, the Group evaluates whether future tax benefits are sufficiently likely to justify the recognition of deferred tax assets. This requires management to assess the tax advantages resulting from available tax strategies and future taxable income in addition to other positive and negative factors. Expected taxable income as projected in company forecasts is used in these assessments. The amount of deferred tax assets stated could be reduced if projected taxable income and the tax benefits to be gained from available tax strategies are lower, or if changes in current tax provisions limit the time frame or the scope of realization of future tax benefits.

Deferred tax assets are recorded for all unused tax loss carryforwards (including interest carryforwards) in the amount in which it is likely that taxable income will be available against which the tax loss and interest carryforwards can actually be used. When determining the amount of the deferred tax asset, management must exercise a substantial amount of discretion in estimating the amount and timing of future taxable income as well as future tax planning strategies.

The German tax groups have unrecognized corporate income tax loss carryforwards of 51,974 thousand euros (previous year: 71,562 thousand euros), trade tax loss carryforwards of 37,873 thousand euros (previous year: 57,273 thousand euros) and unrecognized interest carryforwards of 21,267 thousand euros (previous year: 23,467 thousand euros). The other Group entities have unrecognized income tax loss carryforwards of 6,106 thousand euros (previous year: 3,998 thousand euros. These amounts have been incurred by Group companies with a history of losses. The loss and interest carryforwards do not expire and cannot be offset against taxable income from other Group companies. The Group companies do not have any taxable temporary differences or tax structuring options that could lead to partial recognition of deferred tax assets. If the Group were able to capitalize all non-recognized deferred tax assets, the consolidated profit for the year would increase by 21,440 thousand euros (previous year: 27,204 thousand euros). In the current fiscal year, deferred tax assets in the amount of 2,444 thousand euros (previous year: 636 thousand euros) were recorded as interest carryforwards from the previous year on the basis of a reassessment of potential future taxable income or taxable temporary differences. Further details on taxes are provided in Note 5.10 of the Notes.

d) Pension benefits

The expenditure on post-employment defined-benefit plans and the present value of pension obligations are determined based on actuarial calculations. The actuarial calculation is based on various assumptions which may differ from actual future developments. This includes the determination of discount rates, future wage and salary increases, the mortality rate and future increases in pension benefits. Due to the complexity of calculations, the assumptions used and its long-term nature, a defined-benefit plan obligation is very sensitive to changes in these assumptions.

In determining the suitable discount rate, management is guided by interest rates of corporate bonds in the respective currency with at least an AA rating; these are adjusted by extrapolating them to the expected duration of the defined benefit plan obligation. Furthermore, management reviews the quality of the underlying bonds, and those exhibiting excessively large credit spreads are eliminated from the portfolio used to determine the discount rate, as these bonds are not considered high-grade. The mortality rate is based on mortality tables available to the public in the respective country. Future wage, salary, and pension increases are based on projected future inflation rates for the respective country.

All assumptions are reviewed at the reporting date of each year.

These estimates are very uncertain due to the long-term nature of such pension plans. As of December 31, 2014, the carrying amount of pensions and similar obligations was 19,662 thousand euros (previous year: 11,437 thousand euros). Further details are provided in Note 6.14 of the Notes.

e) Measurement of contingent consideration at fair value

Contingent consideration arising in the scope of business combinations is recorded as part of the business combination at fair value as of the date of acquisition. If the contingent consideration satisfies the definition of a derivative, and thus of a financial liability, it will be re-measured at fair value in subsequent periods as of each reporting date. Fair value is determined using discounted cash flows. Basic assumptions take into consideration the likelihood of fulfillment of every performance target as well as the discount rate.

On July 31, 2013 the SYNLAB GROUP acquired the Estonian company Medicap Holding AS and its subsidiaries Quattromed HTI Laborid OÜ in Estonia, Synlab Finland OY in Finland and synlab Lietuva (formerly UAB "SORPO") in Lithuania, thus successfully entering a new market in North Europe. Two contingent consideration elements were agreed as part of the acquisition price agreement with the former owners of Medicap Holding AS. Accordingly, a payment to the sellers of a maximum 2,700 thousand euros fell due in 2014 upon reaching a defined revenue threshold in Finland in fiscal year 2013. A further payment of a maximum 11,830 thousand euros was linked to revenue recorded in Finland in 2014 and will be due for disbursement in 2015. The Group estimated the expected contingent consideration at the time of acquisition and confirmed it at the end of fiscal year 2013. At both points in time, it was assumed that it was highly probable that the revenue targets for 2013 would be reached in view of the then prevailing business trends in Finland and thus payment of the purchase price would fall due in 2014. Based on the expected revenue trends, it was also assumed that the last tranche was very likely to be paid in 2015. Accordingly, the maximum contingent consideration was recognized in 2013, stating no range. Earn Out 1 was thus disbursed in full (2,700 thousand euros) to the former owners as the 2013 revenue targets for Finland were achieved. Developments in fiscal year 2014 differed from expectations however, with revenue in Finland failing to reach the anticipated levels. As the 2014 revenue targets for Finland were not met, a portion of the remaining provisions for contingent consideration (Earn Out 2) in the amount of 8,715 thousand euros was reversed though "Other operating income". Accordingly, as of December 31, 2014, only 3,115 thousand euros remained in the provisions for contingent consideration.

As of December 31, 2014, the fair value of consideration recorded under "Other provisions" was 8,127 thousand euros (previous year: 15,533 thousand euros).

f) Fair value of financial instruments

If the fair value of financial assets and liabilities recorded in the statement of financial position cannot be determined using data from an active market, it is determined using valuation techniques such as the discounted cash flow method. The inputs used in the model are based on observable market data whenever possible. If this is not possible, the determination of fair values is to a certain extent a matter of discretion. Discretionary decisions involve inputs such as liquidity risk, default risk and volatility. Changes in the assumptions with respect to these factors could have an impact on the recorded fair value of the financial instruments. As of December 31, 2014 obligations from financial liabilities recognized at fair value through profit or loss amounted to 546 thousand euros (previous year: 2,340 thousand euros); the value of financial assets recognized at fair value through profit or loss was 3 thousand euros.

2 Accounting policies (Continued)

g) Consolidation of medical collaborative laboratories and structured entities

Because of German fee regulations, local physicians outsource a wide range of laboratory procedures to medical collaborative laboratories ("CLs"), which may also be responsible for billing. The sole shareholders of such collaborative laboratories are local physicians co-operating to provide the required services in an economically viable way. The SYNLAB GROUP as a laboratory services provider thus sometimes has to cooperate with these CLs to render services.

Such cooperation is based on a contractual agreement between the SYNLAB GROUP and the CLs whereby either the SYNLAB GROUP or one of its medical care centers ("MCCs") leases laboratory space and equipment to the CLs while the CLs provide the personnel for the diagnostic services and are responsible for billing mail-in customers (i.e. the CL shareholders). Also, a SYNLAB GROUP employee generally serves as the CL's medical director and/or managing director. The collaborative laboratory functions as the MCC's billing entity.

Because collaborative laboratories may only cover their costs and may not generate any profit or loss, *de facto* the MCC receives the collaborative laboratory's net income for its services to the CL. This implies that all earnings or losses from CL operations are attributable to the MCCs, whose profitability thus varies. The MCCs are therefore subject to risks resulting from the CLs' business operations.

The partnership between MCC and CL is exclusive, i.e. the CL may only cooperate with the one MCC to which it is contractually bound, performing only such tasks as commissioned by the respective MCC. The CL's business operations are thus conducted for the benefit of the MCC, thus the MCC/SYNLAB GROUP has a material influence on the CL's operating profit.

In accordance with the usage agreement, the MCC generally provides the CL with laboratory space, equipment and other material resources, without which the CL cannot provide its services.

In addition, the CL's management usually consists of an MCC employee. Most of the benefits from the CL's business operations accrue to the MCC.

The SYNLAB GROUP thus sees itself as having control over the CLs even though it does not legally own a shareholding.

In Turkey, the SYNLAB GROUP owns 100% of the company Synlab ILK Referans saglik hizmetleri sanayi ve ticaret anonim sirketi (Synlab ILK). Synlab ILK is an operating laboratory company, but not entitled under Turkish law to bill third parties. The company Referans M-B saglik laboratuar hizmetleri sanayi ticaret ltd sirketi (Referans MB) thus serves as its billing entity. Referans MB is not an operating company, being only responsible for billing third parties for services rendered by synlab ILK.

The sole shareholder of Referans MB is a Group-external third party who, however, has pledged all shares to synlab ILK and thus does not have control over the shareholding. This shareholder is also a member of Synlab ILK's executive management. The SYNLAB GROUP thus has control over synlab ILK and also over that company's manager and his pledged shareholding. In addition, synlab ILK determines Referans MB profitability by setting sales prices vis-a-vis Referans MB.

This constellation has led the Group to declare that it has control over the company Referans MB.

3 Changes in accounting policies

3.1 New and revised standards and interpretations

The recognition and measurement methods used in preparing the consolidated financial statements of SYNLAB HOLDING generally correspond to the methods used in the previous year, with the exception of those changes in IFRS accounting standards whose application is mandatory as of January 1, 2014. The recognition and measurement methods used thus comply with the IFRS applicable for 2014 as adopted by the EU.

In fiscal year 2014, the Group took into account the following revised or new IFRS standards and interpretations, to the extent that these are applied.

3 Changes in accounting policies (Continued)

IAS 27 Consolidated and Separate Financial Statements According to IFRS (revised in 2011)

The revised IAS 27 was published in May 2011. This revised standard is to be adopted for the first time in reporting periods beginning on or after January 1, 2014. Following the publication of IFRS 10 and IFRS 12, the scope of application of IAS 27 was limited to accounting for investments in subsidiaries, jointly controlled entities and associated entities in a company's separate financial statements.

IAS 28 Investments in Associates (revised in 2011)

The revised IAS 28 was published in May 2011. This revised standard is to be adopted for the first time in reporting periods beginning on or after January 1, 2014. After the adoption of IFRS 11 and IFRS 12, the regulatory scope of IAS 28 was extended to require application of the equity method not only for associated companies, but for joint ventures as well.

IAS 32 Offsetting Financial Assets and Financial Liabilities (revised)

This amendment is to be applied for the first time in reporting periods beginning on or after January 1, 2014, and clarifies the phrase "currently has a legally enforceable right to set off the recognized amounts". It further clarifies application of netting criteria in IAS 32 with regard to settlement systems (e.g. central clearing houses) using gross settlement for business transactions performed at different points in time. As expected, these changes did not have an impact on the Group's financial position, financial performance and cash flows.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the requirements for consolidated financial statements set out in IAS 27, Consolidated and Separate Financial Statements (revised 2008), and SIC-12, Consolidation—Special Purpose Entities. This revised standard is applicable in the European Union for the first time in reporting periods beginning on or after January 1, 2014. Based on currently applicable principles, IFRS 10 regulates which entities are to be included in the consolidated financial statements, based on a comprehensive definition of control. The pronouncement provides additional guidelines on interpretation of the concept of control in unclear instances. An investor has control over the investee when it has existing rights that give it exposure to the variable returns and the ability to direct the relevant activities that significantly affect the investee's returns. Significant changes to the previous requirements could arise in situations where an investor holds less than half of the voting rights in an entity, but has the ability to direct the relevant activities of the investee by other means.

IFRS 11 Joint Arrangements

This standard replaces IAS 31, Interests in Joint Ventures (amended 2008), and the interpretation SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 regulates the accounting for joint arrangements, the emphasis being on the type of rights and obligations arising from the arrangements rather than on their legal form. IFRS 11 classifies joint arrangements into two groups: joint operations and joint ventures. IFRS 11 eliminates the option of proportionate consolidation for joint venture companies. These companies are now included in the consolidated financial statements using the equity method only.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive pronouncement regulating disclosure requirements for all types of interests in other entities including joint arrangements, associated companies, structured entities, and off-balance sheet entities. This revised standard is to be applied for the first time in reporting periods beginning on or after January 1, 2014. This standard requires disclosure of information that enables users of financial statements to evaluate the nature of and risks associated with interests in other entities and the effects of those interests on a company's financial position, financial performance and cash flows.

The Group has applied IFRS 10, 11, 12 and the subsequent amendments to IAS 27 and IAS 28 for the first time on January 1, 2014. Based on corporate governance and potential supplementary agreements, companies are analyzed as to their relevant activities and variable returns, and the link between the variable returns and the extent to which their relevant activities could be influenced. Adoption of the new standards has not resulted in changes in the scope of consolidation. Only the notes to the Group's financial statements have been affected.

IFRS 10, IFRS 12 and IAS 27 Investment Entities

This amendment to IFRS 10, IFRS 12 and IAS 27 published in October 2012 is to be applied for the first time in fiscal years beginning on or after January 1, 2014. This amendment provides that 'investment entities' are exempt from the consolidation rules as per IFRS 10, and that all subsidiaries controlled by them are to be measured at fair value through profit or loss. An exception applies to investments in subsidiaries which provide services to the investment entity which are still to be consolidated as per IFRS 10. Parent companies of investment entities which are not themselves classified as investment entities thus have to include in their consolidated financial statements all companies which are controlled by an investment entity. An investment entity is defined as an entity which obtains funds from investors and provides investment management services to investors, thereby generating returns from capital appreciation, investment income, or both.

This amendment not applicable to the Group and therefore has no impact on the Group's financial position, financial performance or cash flows.

Amendment to IAS 36—Recoverable Amount Disclosures for Non-Financial Assets

The amendment to IAS 36 published in May 2013 is to be applied for the first time in fiscal years beginning on or after January 1, 2014. This amendment is intended to eliminate undesirable effects on disclosure requirements resulting from adoption of IFRS 13. It also requires disclosures on recoverable amounts for assets and cash-generating units (CGUs) for which an impairment loss was recognized or reversed during the reporting period. The amendment applies retrospectively. Early application is permissible.

This amendment only requires additional or modified disclosures and has no impact on the Group's financial position, financial performance or cash flows.

Amendment to IAS 39—Novation of Derivatives and Continuation of Hedge Accounting

The amendment to IAS 39 and IFRS 9 was published in June 2013 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. Under certain circumstances, this amendment provides for the continuation of hedge accounting in instances where derivatives designated as hedges are transferred to a central clearing house (novation) due to statutory or regulatory requirements. As the Company has no need of a clearing house, first-time application of this provision does not have an impact on its financial position, financial performance or cash flows.

3.2 Published standards whose application is not yet mandatory

The standards that have been published by the date of publication of the consolidated financial statements, but are not yet obligatory are listed below. This list refers to the published standards and interpretations that the Group assumes using sound business judgment that they will be applicable in the future. The Group intends to apply these standards as soon as they enter into force.

IFRS 9 Financial Instruments

On July 24, 2014 the IASB published the final version of the standard IFRS 9 Financial Instruments (IFRS 9 [2014]) encompassing all phases of the IFRS 9 project and replacing IAS 39 Financial Instruments: Recognition and Measurement as well as all earlier versions of IFRS 9—Financial Instruments. IFRS 9 is to be applied for the first time in fiscal years beginning on or after January 1, 2018. Early application of the final version of this standard (IFRS 9 [2014]) is permissible. This standard applies retrospectively. In addition, companies may only apply early the provisions concerning disclosure of value adjustments related to their own credit risk without having to apply all other provisions of IFRS 9 (2014) at the same time. This standard introduces new provisions regarding classification and measurement, impairment and hedge accounting. The provisions on classification and measurement as well as the changes regarding impairment are not expected to have an material impact on the Group's financial position, financial performance or cash flows. The provisions on hedge accounting will considerably simplify designation of hedging instruments and proof of effectiveness.

Amendment to IFRS 10 and IAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment was published in September 2014 and is to be applied for the first time in fiscal years beginning on or after January 1, 2016. It clarifies that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This change only reduces existing conceptual differences between IFRS 10 and IAS 28 and has no material impact on the Group's the financial position, financial performance and cash flows. The Group is currently examining the future impact of the new standard on the financial position, financial performance and cash flows of the Group.

Amendment to IFRS 11—Acquisition of an Interest in a Joint Operation

The revised IFRS 11 was published in May 2014 and is to be applied for the first time in fiscal years beginning on or after January 1, 2016. Early application is permissible, subject to endorsement by the EU. This amendment stipulates that a joint operator accounting for an acquisition of shares in a joint operation, provided this is a business entity according to the provisions of IFRS 3 Business Combinations, must apply the accounting principles relating to business combinations according to IFRS 3 and other standards, and disclose all information prescribed by these standards. It further clarifies that existing shares in a joint operation shall not be subject to revaluation if further shares are acquired in the same joint operation and joint control remains unchanged. Furthermore, an exemption to the scope of application has been included, specifying that the change does not apply if the parties (including the reporting entity) sharing joint control are under common control by another party. This change applies both to the initial acquisition of shares in a joint operation and to any further acquisitions of shares in the same joint operation. The change applies prospectively.

These changes are not expected to have an impact on the representation of the Group's financial position, financial performance and cash flows.

IFRS 15—Revenue from Contracts with Customers

IFRS 15 was published in May 2014 and is to be applied for the first time in fiscal years beginning on or after January 1, 2017. Early application is permissible, subject to endorsement by the EU. This standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and various revenue-related interpretations. It introduces a new five-step model for revenue recognition to be applied to all contracts with customers. The key element of this standard is that an entity shall report revenue at the time of transfer of goods or services to the customer in the amount of the consideration it may expect to receive as compensation for the transfer of these goods or services. The IFRS 15 principles offer a structured approach to measurement and recognition of revenue applicable to all types of industries and companies. Compared with the current standards regulating revenue recognition, application of this new standard requires more estimates and judgments. Variable consideration may pose particular challenges. The Group is currently investigating the possible impact of an adoption of IFRS 15 on its consolidated financial statements.

Amendment to IAS 1—Presentation of Financial Statements

The IASB published some initial changes to IAS 1 in December 2014 as part of the overall disclosure initiative to appraise and improve presentation and disclosure requirements. The changes are to be applied for the first time in fiscal years beginning on or after January 1, 2016. They are intended to provide a focused use of judgment in the disclosure and presentation of information, clarifying for instance that materiality is applicable to the entire financial statements and that disclosure of immaterial information may render financial information less useful. The potential impact of the amendment to IAS 1 is currently being reviewed.

3 Changes in accounting policies (Continued)

Amendment to IAS 16 and IAS 38—Acceptable Methods of Depreciation and Amortization

The amendment to IAS 16 and IFRS 38 was published in May 2014 and is to be applied for the first time on a prospective basis in fiscal years beginning on or after January 1, 2016. Early application is permissible, subject to endorsement by the EU. These changes define the principle included in IAS 16 and IAS 38 that revenue represents the economic benefits generated by a business operation to whom the respective asset belongs, rather than representing the consumption of economic benefits resulting from utilizing the asset. Therefore, the ratio of realized revenue to projected future total revenue is not to be applied for depreciation of property, plant and equipment but rather only for the amortization of intangible assets, and only under very specific circumstances. The Group does not expect any impact from this amendment.

Amendment to IAS 19—Employee Contributions

The amendment to IAS 19 was published in November 2013 and is to be applied for the first time in fiscal years beginning on or after February 1, 2015. This amendment regulates the recording of contributions by employees or third parties to defined benefit plans as reducing service costs for services performed in the reporting period in question. The change applies retrospectively. Early application is permissible. The first-time application of this amendment is not expected to have any impact on the Group's financial position, financial performance or cash flows.

Improvements to IFRS (2010 - 2012)

The Improvements to the IFRS published in 2010 - 2011 have been compiled as an omnibus standard and were published in December 2013. It contains amendments to various IFRS, most of which are to be applied in fiscal years beginning on or after July 1, 2014. The Group has not yet applied the following amendments:

- IFRS 2: Clarifies the definition of vesting conditions and in particular definitions of service and performance conditions;
- IFRS 3: Clarifies the classification and measurement of contingent consideration in relation to business combinations. Accordingly, classification of an obligation to pay contingent consideration as a liability or as equity is solely determined based on IAS 32.11. A contingent consideration item is to be measured at fair value and the resulting changes recognized in profit or loss;
- IFRS 8: Requirements for the aggregation of operating segments and reconciliation of total segment assets with the entity's assets;
- IFRS 13: Clarifies rationale for amending IFRS 9 with regard to the measurement of short-term receivables and payables as a result of the publication of IFRS 13;
- IAS 16: Amendments to the treatment of accumulated depreciation under the revaluation method.
- IAS 24: Clarifies that external entities providing key planning, managerial and supervisory services (external key management personnel services) to a company are to be treated by the reporting company as a 'related party' in accordance with IAS 24, and includes an exemption for disclosures of compensation paid for these management services by an external management entity to its own employees.
- IAS 38: Amendments to the treatment of accumulated depreciation under the revaluation method.

The first-time application of this amendment is not expected to have any impact on the financial position, financial performance and cash flows of the Group.

Improvements to IFRS (2011 - 2013)

The Improvements to the IFRS published in 2011 - 2013 have been compiled as an omnibus standard and were published in December 2013. It contains amendments to various IFRS whose application is mandatory for fiscal years beginning on or after July 1, 2014. The Group has not yet applied the following amendments:

- IFRS 3: Clarifies the exclusion of the formation of joint arrangements from the scope of IFRS 3.

3 Changes in accounting policies (Continued)

- IFRS 13: Clarifies the scope of application of the portfolio exception as per IFRS 13.48 ff.
- IAS 40: Clarifies the scope of IFRS 3 and IAS 40 regarding classification of real estate as investment property or owner-occupied property.

The first-time application of this amendment is not expected to have any impact on the financial position, financial performance and cash flows of the Group.

IFRIC 21 Levies

The IASB published IFRIC Interpretation 21 in May 2013. This interpretation provides that a company operating in a particular market has to recognize a liability for a levy imposed by the competent authority at the time the business transaction triggering the levy occurs. The interpretation also clarifies that a levy which depends for example on reaching a defined minimum transaction volume may only be classified as a liability once the volume reaches the defined threshold. This interpretation is to be applied for the first time in fiscal years beginning on or after June 17, 2014. Early application is permissible. The first-time application of this amendment is not expected to have any impact on the financial position, financial performance and cash flows of the Group.

4 Business combinations and step acquisitions of minority interests

4.1 Business combinations in 2014

Acquisitions in 2014—Germany

As of February 1, 2014 the SYNLAB GROUP acquired 100% of shares in INTERLAB GmbH central lab services—worldwide (hereinafter “INTERLAB”). INTERLAB’s key competencies are the designing, implementing, supervising and conducting of clinical trials commissioned by the pharmaceutical and biotechnology industries; the firm also specializes in professional supervision of and consulting on drug approval procedures. As INTERLAB does not perform laboratory analyses itself but rather outsources these services to specialist medical laboratories, this acquisition was an important step in the vertical integration of the clinical trial business.

The following asset deals in the laboratory industry are part of the strategic expansion of laboratory activities in Germany:

Company	Country	Type	Date
GUT, Ges. f. Umweltf. u. Analytik mbH	DE	asset deal	04/01/2014
Laboratory HUI, Freiburg	DE	asset deal	05/01/2014
Laboratory Dr. Nae	DE	asset deal	01/01/2014

4 Business combinations and step acquisitions of minority interests (Continued)

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair values of identifiable assets and liabilities were as follows:

	KEUR
Non-current assets	
Intangible assets	3,382
Property, plant and equipment	159
Current assets	
Inventories	26
Trade receivables	738
Other current assets	110
Cash and cash equivalents	2,597
Total assets	**7,012**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	17
Provisions for deferred taxes	903
Current liabilities	
Short-term interest-bearing loans and borrowings	11
Other current provisions	25
Income tax liabilities	117
Trade payables	352
Other current financial liabilities	142
Other current liabilities	2,459
Total liabilities	**4,026**
Total identifiable net assets at fair value	**2,986**
Goodwill from company acquisition	11,540
Total consideration	**14,526**

The consideration breaks down as follows:

	KEUR
Purchase price 1	12,212
Purchase price 2	43
Purchase price adjustment resulting from contingent consideration (Earn Out 1)	261
Additional acquisition price from contingent consideration (Earn Out 2)	10
Additional acquisition price from contingent consideration (Earn Out 3)	2,000
Total consideration	**14,526**

The fair value of trade receivables is 738 thousand euros. The gross value of trade receivables is 747 thousand euros. Impairment losses on trade receivables were recognized in the amount of 9 thousand euros.

Goodwill in the amount of 11,540 thousand euros comprises the value of expected synergies from company acquisitions. Goodwill is attributed in full to the CGU Germany. It is assumed that only 401 thousand euros of total recognized goodwill will be tax deductible.

As from the acquisition date, the acquired company INTERLAB and the asset deals GUT and HUI have contributed 9,482 thousand euros in revenue and 228 thousand euros to the consolidated profit/loss for the year from continuing operations. The contribution by the laboratory Dr. Nae acquisition cannot be derived from the financial information of the acquiring company.

If the business combination for the share deal and all asset deals had taken place at the beginning of the year, revenue from continuing operations would have increased by 695 thousand euros and consolidated profit/loss for the year would have increased by 68 thousand euros.

4 Business combinations and step acquisitions of minority interests (Continued)

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(14,526)
Outstanding additional acquisition price from contingent consideration (Earn Out 2)	10
Outstanding additional acquisition price from contingent consideration (Earn Out 3)	2,000
Cash consideration	**(12,516)**
Net cash of acquired company	2,597
Transaction costs of the acquisition	38
Transaction costs of acquisition not yet affecting cash flows	(38)
Actual cash outflow due to company acquisition	**(9,919)**

A contingent consideration element was part of the acquisition price agreement with the former owners of INTERLAB, which will fall due in 2015 on exceeding defined EBITDA thresholds in the financial statements as of December 31, 2014. The underlying asset deal with the former owners of the acquired laboratory HUI, Freiburg, also contains a contingent consideration element falling due in 2015. The earn-out was calculated on the basis of the respective laboratories' expected revenues in 2014. As it is assumed highly probable that all acquired companies will achieve the set targets, the Company recorded the respective contingent consideration elements at the maximum amounts, stating no range.

Acquisitions in 2014—Italy

Laboratory activities in Italy in 2014 increased considerably through the following acquisitions:

Company	Country	Type	Date
Centro Diagnostico Riminese S.r.l.	IT	share deal	04/02/2014
Poliambulatorio Dante—Società a responsabilità limitata	IT	share deal	04/02/2014
Laboratorio Analisi per la Diagnostica Medica—IV Miglio S.r.l.	IT	share deal	07/01/2014
Analisi Mediche Minerva S.r.l.	IT	share deal	10/01/2014
Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C.	IT	share deal	10/01/2014
Analisi Cliniche Alfa S.r.l.	IT	share deal	11/02/2014
Mater Dei S.r.l.	IT	share deal	11/02/2014

4 Business combinations and step acquisitions of minority interests (Continued)

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair values of identifiable assets and liabilities were as follows:

	KEUR
Non-current assets	
Intangible assets	7,608
Property, plant and equipment	858
Deferred tax assets	40
Current assets	
Inventories	289
Trade receivables	1,331
Income tax receivables	6
Other current assets	504
Cash and cash equivalents	2,247
Total assets	**12,883**
Non-current liabilities	
Pensions and similar obligations	608
Other non-current provisions	140
Provisions for deferred taxes	2,382
Current liabilities	
Short-term interest-bearing loans and borrowings	225
Income tax liabilities	569
Trade payables	839
Other current financial liabilities	402
Other current liabilities	126
Total liabilities	**5,291**
Total identifiable net assets at fair value	**7,592**
Goodwill from company acquisition	7,702
Total consideration	**15,294**

The consideration breaks down as follows:

	KEUR
Purchase price 1	9,327
Purchase price 2	3,492
Purchase price 3	20
Purchase price adjustment resulting from contingent consideration (Earn Out 1)	2,285
Additional acquisition price from contingent consideration (Earn Out 2)	170
Total consideration	**15,294**

The fair value of trade receivables is 1,331 thousand euros. The gross value of trade receivables is 2,007 thousand euros. Impairment losses on trade receivables were recognized in the amount of 676 thousand euros.

Goodwill in the amount of 7,702 thousand euros comprises the value of expected synergies from company acquisitions. Goodwill is attributed in full to the CGU Italy. It is assumed that most of the goodwill recorded will not be tax deductible.

Since the time of acquisition, the acquired companies Laboratorio Analisi per la Diagnostica Medica—IV Miglio S.r.l., Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C., Mater Dei S.r.l. and Analisi Cliniche Alfa S.r.l. have contributed 939 thousand euros to revenue and reduced consolidated profit/loss for the year by 114 thousand euros.

The acquisitions Poliambulatorio Dante—Società a responsabilità limitata and Centro Diagnostico Riminese S.r.l. were merged with Synlab Emilia Romagna S.r.l. immediately upon their acquisition. The company Analisi Mediche Minerva S.r.l. was also merged with Synlab Italia S.r.l. immediately upon acquisition. Due to these mergers, no information is available on these three companies' contributions to revenue and consolidated profit/loss for the year, as the relevant information cannot be derived from the absorbing company's financial information.

If all new business combinations had taken place at the beginning of the year, revenues from continuing operations would have been higher by 5,703 thousand euros and consolidated profit/loss for the year from continuing operations would have been lower by 76 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(15,294)
Portion of fixed purchase price not yet affecting cash flows 1	7,000
Portion of fixed purchase price not yet affecting cash flows 2	3,210
Outstanding purchase price adjustment resulting from contingent consideration (Earn Out 1)	2,285
Outstanding additional acquisition price from contingent consideration (Earn Out 2)	170
Cash consideration	**(2,629)**
Net cash of acquired company	2,247
Transaction costs of the acquisition	159
Transaction costs of acquisition not yet affecting cash flows	(159)
Actual cash outflow due to company acquisition	**(382)**

A purchase price adjustment was agreed as part of the acquisition price of the company Mater Dei S.r.l. and its subsidiary Analisi Cliniche Alfa S.r.l., which was based on the difference between the value of current assets (without deferred tax liabilities and intangible assets) and liabilities. If the difference is positive, it is payable to the seller; if negative, a claim against the seller accrues. The company's statement of financial position as of October 31, 2014 serves as calculation basis. The range for this contingent purchase price adjustment is 2,171 thousand to 2,399 thousand euros; management estimated this amount at 2,285 thousand euros. In addition, a variable purchase price component was agreed, to be calculated on the basis of 2014 revenue less revenue from new customers from the date of acquisition relative to the 2013 revenue. The seller only receives payment if the difference is positive, capped at 1,000 thousand euros. The range for this contingent consideration amount is 153 thousand to 187 thousand euros. Management has valued the amount at 170 thousand euros. Both outstanding purchase price elements will probably be disbursed in April 2015.

Acquisitions in 2014—Others

The Group acquired a 100% shareholding in another Swiss environmental analytics company, Swiss BioAnalytics AG, as of July 31, 2014. Laboratory activities were also extended in Belgium with the purchase of a 100% shareholding in Laboratoire Leblois, Investigations Biologiques et Medicales SPRL as of April 28, 2014.

As of December 31, 2014 the SYNLAB GROUP purchased 51% of shares in the Norwegian company Lab1 AS, thus entering the Norwegian laboratory market. Lab1 AS will be fully consolidated as of December 31, 2014 as the purchase agreement contains a put option allowing the seller to sell his remaining 49% shareholding to the SYNLAB GROUP at any time.

4 Business combinations and step acquisitions of minority interests (Continued)

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair values of identifiable assets and liabilities were as follows:

	KEUR
Non-current assets	
Intangible assets	347
Property, plant and equipment	1,429
Deferred tax assets	83
Current assets	
Inventories	165
Trade receivables	859
Other current assets	89
Cash and cash equivalents	1,987
Total assets	**4,959**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	1,069
Pensions and similar obligations	413
Other non-current provisions	14
Provisions for deferred taxes	92
Current liabilities	
Other current provisions	139
Income tax liabilities	84
Trade payables	336
Other current financial liabilities	133
Other current liabilities	320
Total liabilities	**2,600**
Total identifiable net assets at fair value	**2,359**
Goodwill from company acquisition	2,217
Total consideration	**4,576**

The consideration breaks down as follows:

	KEUR
Purchase price 1	3,000
Purchase price 2	677
Additional acquisition price from contingent consideration (Earn Out 1)	411
Other purchase price components (put option)	488
Total consideration	**4,576**

The fair value of trade receivables is 858 thousand euros. The gross value of trade receivables is 910 thousand euros. Impairment losses on trade receivables were recognized in the amount of 51 thousand euros.

Goodwill in the amount of 2,217 thousand euros comprises the value of expected synergies from company acquisitions. Goodwill in the amount of 168 thousand euros is allotted to the CGU Switzerland, 1,298 thousand euros are allotted to the CGU Belgium and 749 thousand euros are allotted to the CGU North Europe. It is assumed that most of the goodwill recorded will not be tax deductible.

As from the acquisition date, the acquired companies have contributed 2,327 thousand euros to revenue and 16 thousand euros to consolidated profit/loss for the year from continuing operations.

If all new business combinations had taken place at the beginning of the year, revenues from continuing operations would have been higher by 4,767 thousand euros and consolidated profit/loss for the year from continuing operations would have been lower by 236 thousand euros.

4 Business combinations and step acquisitions of minority interests (Continued)

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(4,576)
Outstanding additional acquisition price from contingent consideration (Earn Out 1)	416*
Portion of other purchase price not yet affecting cash flows (put option)	488
Cash consideration	**(3,672)**
Net cash of acquired company	1,987
Transaction costs of the acquisition	(73)
Actual cash outflow due to company acquisition	**(1,758)**

* Increased by 5 thousand euros as of December 31, 2014 due to currency effects.

Three contingent consideration elements were agreed as part of the purchase price agreement with the former owners of Swiss BioAnalytics AG. Accordingly, additional payments to the former owners were contractually agreed on the condition that defined EBITDA targets are reached or exceeded in the financial statements for 2014, 2015 and 2016. Earn Out 1 will become due on June 30, 2015, Earn Out 2 on June 30, 2016 and Earn Out 3 on June 30, 2017; the respective ranges for these payments are between zero and: 700 thousand Swiss francs for Earn Out 1, 600 thousand Swiss francs for Earn Out 2 and 200 thousand Swiss francs for Earn Out 3. Based on company projections, it is not expected that payments for the earn-outs will reach maximum levels; they will very likely total 500 thousand Swiss francs (416 thousand euros) instead. Purchase price components from the acquisition of the Swiss company amounting to 166 thousand euros were transferred to external security deposit accounts. The money serves as collateral for outstanding purchase price payments until final agreement regarding the actual purchase price has been reached between the purchasing and selling parties. The collateral was recognized in "Other non-current assets" in the amount of 166 thousand euros. The corresponding liabilities to the sellers were recorded in "Other provisions" in the amount of 166 thousand euros. The external security deposit account will be closed on August 2, 2016 when the money is disbursed.

The collateral for the second purchase price instalment in the amount of 677 thousand euros relating to the acquisition of Laboratoire Leblois, Investigations Biologiques et Medicales SPRL has been paid into an external security deposit account which will be closed on May 31, 2015 when the money is disbursed to the seller. Collateral in the amount of 170 thousand euros guaranteeing the seller's contractual agreement obligations was transferred to an external security deposit account which will be closed on April 28, 2017. These security deposit accounts are accounted for as "Other non-current assets" and as purchase price liabilities in "Other current financial liabilities" or "Other non-current financial liabilities".

The financial liability from the put option in the Lab1 AS acquisition deal is included in outstanding purchase price liabilities. The put option does not have a price range. The value of the put option is calculated annually on the basis of EBITDA less net debt multiplied by a defined factor.

4.2 Step acquisitions of minority interests in 2014

In fiscal year 2014 the SYNLAB GROUP acquired further shares in Synlab ILK Referans saglik hizmetleri sanayi ve ticaret anonim sirketi and ANECLAB GmbH as follows:

Company	Country	Date of acquisition	Step acquisitions	Shareholding as of 12/31/2014
Synlab ILK Referans saglik hizmetleri sanayi ve ticaret anonim sirketi	TU	02/19/2014	49.00%	100.00%
Referans M-B saglik laboratuar hizmetleri sanayi ticaret ltd sirketi	TU	02/19/2014	0.00%	SPE—fully consolidated
ANECLAB GmbH	AT	09/15/2014	40.00%	100.00%

4 Business combinations and step acquisitions of minority interests (Continued)

The Group holds no shares in the company Referans M-B saglik laboratuar hizmetleri sanayi ticaret ltd sirketi (TRSYRM). This company serves as billing entity for Synlab ILK Referans saglik hizmetleri sanayi ve ticaret anonim sirketi (TRSYIL). As outlined under section 2.4. g), 'Consolidation of medical collaborative laboratories and structured entities', the structured entity TRSYRM is fully consolidated. Following the increase in the TRSYIL shareholding to 100%, the minority shareholdings in TRSYRM are also to be attributed to the SYNLAB GROUP. As there is no change in control of the company, this transaction is recorded in equity.

This step acquisition resulted in a reduction of capital reserves in the amount of 566 thousand euros.

	KEUR
Total consideration	1,297
less carrying amount of the transferred non-controlling interests	(731)
Difference recognized as capital reserves in equity	**566**

4.3 Business combinations in 2013

Acquisitions in 2013—North Europe

On July 31, 2013 SYNLAB GROUP acquired the Estonian company Medicap Holding AS and its subsidiaries Quattromed HTI Laborid OÜ in Estonia, Synlab Finland OY in Finland and synlab Lietuva (formerly UAB "SORPO") in Lithuania, thereby opening up new markets in North Europe.

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	20,413
Property, plant and equipment	1,802
Investment property	41
Current assets	
Inventories	349
Trade receivables	1,549
Other current assets	165
Cash and cash equivalents	246
Total assets	**24,565**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	1,690
Provisions for deferred taxes	4,258
Current liabilities	
Short-term interest-bearing loans and borrowings	2,256
Trade payables	767
Other current financial liabilities	430
Other current liabilities	212
Total liabilities	**9,613**
Total identifiable net assets at fair value	**14,952**
Goodwill from company acquisition	20,957
Total consideration	**35,909**

4 Business combinations and step acquisitions of minority interests (Continued)

The consideration breaks down as follows:

	KEUR
Purchase price 1	20,576
Purchase price 2	1,470
Additional purchase price from contingent consideration (Earn Out 1)	2,635
Additional purchase price from contingent consideration (Earn Out 2)	11,228
Total consideration	**35,909**

The fair value of trade receivables is 1,549 thousand euros. The gross value of trade receivables is 1,549 thousand euros. There was no impairment of trade receivables.

Goodwill in the amount of 20,957 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU North Europe. It is assumed that most of the goodwill recorded will not be tax deductible.

As from the acquisition date and up to December 31, 2013, the acquired companies have contributed 6,893 thousand euros to revenue and 409 thousand euros to consolidated profit/loss for the year from continuing operations.

If the business combination had taken place at the beginning of the year, revenue from continuing operations would have risen by 7,680 thousand euros and consolidated profit/loss from continuing operations would have increased by 237 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(35,909)
Outstanding additional purchase price from contingent consideration (Earn Out 1)	2,635
Outstanding additional purchase price from contingent consideration (Earn Out 2)	11,228
Cash consideration	**(22,046)**
Net cash of acquired company	246
Transaction costs of acquisition	(1,634)
Transaction costs of acquisition not yet affecting cash flows	642
Actual cash outflow due to company acquisition	**(22,792)**

Two contingent consideration elements were agreed as part of the purchase price agreement with the former owners of Medicap Holding AS. Accordingly, payment to the sellers of a maximum amount of 2,700 thousand euros fell due in 2014 on reaching a defined revenue threshold in Finland in fiscal year 2013. A further payment of a maximum amount of 11,830 thousand euros was linked to revenue trends in Finland in 2014 and will be disbursed in 2015.

The Group estimated the expected contingent consideration at the time of acquisition and confirmed it at the end of fiscal year 2013. At both points in time it was assumed to be highly probable that the revenue targets would be reached in 2013 and thus that payment of the purchase price would fall due in 2014. Because of the expected revenue trends, it was also assumed that the last tranche, due in 2015, was very likely to be paid. Accordingly, the maximum contingent consideration was recognized in 2013, stating no range.

Earn Out 1 was thus disbursed in the full amount of 2,700 thousand euros to the former owners in 2014, as the 2013 revenue targets for Finland were achieved. Developments in fiscal year 2014 differed from expectations, however, with revenue in Finland failing to reach the anticipated levels. As the 2014 revenue targets for Finland were not met, a portion of the remaining provisions for contingent consideration (Earn Out 2) in the amount of 8,715 thousand euros was reversed though “Other operating income”. Accordingly, as of December 31, 2014, only 3,115 thousand euros remained in the provisions for contingent consideration.

4 Business combinations and step acquisitions of minority interests (Continued)

Acquisitions in 2013—Switzerland

Additional companies were acquired in Switzerland as of January 1, 2013 with the intention to strategically strengthen our operations in that market. Acquiring Bureco AG has enhanced our Environmental Analytics business segment. To complement the group's activities in the laboratory sector the MLO AG group of companies and their wholly-owned subsidiary Ärztelabor Westbahnhof AG as well as the 30% shareholding in Bakteriologisches Institut Olten BIO AG have been acquired. As the SYNLAB GROUP does not have control over Bakteriologisches Institut Olten BIO AG, the shareholding was recorded at (amortized) cost in "Other non-current assets".

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	3,159
Property, plant and equipment	322
Other non-current assets	47
Deferred tax assets	108
Current assets	
Inventories	160
Trade receivables	815
Income tax receivables	1
Other current assets	291
Cash and cash equivalents	393
Total assets	**5,296**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	167
Pensions and similar obligations	625
Provisions for deferred taxes	555
Current liabilities	
Other current provisions	138
Trade payables	278
Other current financial liabilities	233
Other current liabilities	34
Total liabilities	**2,030**
Total identifiable net assets at fair value	**3,266**
Goodwill from company acquisition	3,085
Total consideration	**6,351**

The consideration breaks down as follows:

	KEUR
Purchase price 1	4,390
Purchase price 2	742
Additional purchase price from contingent consideration (Earn Out 1)	1,022
Additional purchase price from contingent consideration (Earn Out 2)	197
Total consideration	**6,351**

The fair value of trade receivables is 815 thousand euros. The gross value of trade receivables is 815 thousand euros. There was no impairment of trade receivables.

Goodwill in the amount of 3,085 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Switzerland. It is assumed that most of the goodwill recorded will not be tax deductible.

4 Business combinations and step acquisitions of minority interests (Continued)

As from the acquisition date and until December 31, 2013 the acquired company Bureco AG has contributed 1,616 thousand euros to revenue and reduced the consolidated profit/loss for the year by 48 thousand euros. The acquired companies MLO AG and Ärztelabor Westbahnhof AG were merged with synlab Suisse SA as of January 1, 2013. Due to this merger, no details are available for these two companies because the relevant information cannot be derived from the absorbing company's financial data.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(6,351)
Portion of fixed purchase price not yet affecting cash flows 1	564
Outstanding additional purchase price from contingent consideration (Earn Out 1)	818
Cash consideration	**(4,969)**
Net cash of acquired company	393
Transaction costs of acquisition	(319)
Actual cash outflow due to company acquisition	**(4,895)**

For each company, contingent consideration was agreed as part of the purchase price agreement with the former shareholders of Bureco AG and MLO AG. With respect to Bureco AG, in addition to the purchase price disbursements in 2013, another payment of up to 150 thousand Swiss francs may become due on reaching defined EBITDA thresholds in fiscal year 2013. Conversely, another payment to the previous owners of MLO AG will become due if revenue for fiscal year 2013, after adjustment for defined special factors, exceeds a defined revenue threshold. As it is considered highly likely that the respective targets will be achieved, the Company recorded the respective contingent considerations in the maximum amounts, stating no range. In 2014 all outstanding purchase price provisions were reversed.

Acquisitions in 2013—Germany

In Germany the Group's presence has been increased in the laboratory services market for human medicine analytics in 2013 through share and asset deals. Acquisition of the laboratories Hürth-Knapsack and Wiesbaden, Hürth and Wiesbaden, has added capacity in our environmental analytics sector.

The acquisition of the hospital Steinlach-Klinik, Mössingen, had a strategic background: Pursuant to changes in German legislation in 2012, and in particular according to Sec. 95 (1) Social Security Code V (SGB V), only accredited hospitals and hospital operators, accredited medical practitioners, providers of non-medical dialysis services and non-profit entities accredited or authorized to provide medical care may establish new medical care units (Medizinische Versorgungszentren, MVZ). The SYNLAB GROUP aims at becoming accredited as founders of new medical care units, pushing for regional expansion in Germany through the foundation and subsequent combination or merger of existing and newly acquired medical care units. This was the main, if not the only, reason for acquiring Steinlach-Klinik which, at the time of acquisition, was an accredited hospital within the meaning of the above by virtue of an existing medical care contract with the German Association of Statutory Health Insurance Physicians (Kassenärztliche Vereinigung, KV), the purpose of which was achieving the status of an accredited operator of medical care units.

Company	Country	Type	DATE
Laboratory practice Dres. Joachim and Leeser, Essen	DE	asset deal	01/01/2013
Steinlach-Klinik, Mössingen	DE	asset deal	04/15/2013
Practice Dres. Cremer, Kläs, Jung, Schulze, Mannheim	DE	asset deal	06/30/2013
Labomed GmbH, Stuttgart	DE	100%—share deal	05/01/2013
Institut für Pathologie Mannheim GbR, Mannheim	DE	asset deal	06/30/2013
Practice Dr. Arlt, Stuttgart	DE	asset deal	08/01/2013
Hürth-Knapsack and Wiesbaden laboratories, Hürth and Wiesbaden	DE	asset deal	08/01/2013
Cytology practice Dr. Kuznik, Aalen	DE	asset deal	10/01/2013

4 Business combinations and step acquisitions of minority interests (Continued)

The purchase agreement for Institut für Pathologie Mannheim GbR, Mannheim, was concluded on January 1, 2013, but only became effective on fulfilment of a condition precedent on June 30, 2013. Therefore it was only included in the scope of consolidation as of June 30, 2013.

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	18,825
Property, plant and equipment	1,955
Other non-current assets	19
Current assets	
Inventories	416
Trade receivables	1
Income tax receivables	10
Other current assets	634
Cash and cash equivalents	341
Total assets	**22,201**
Non-current liabilities	
Pensions and similar obligations	164
Other non-current provisions	20
Current liabilities	
Other current provisions	17
Trade payables	32
Other current financial liabilities	913
Other current liabilities	784
Total liabilities	**1,930**
Total identifiable net assets at fair value	**20,271**
Goodwill from company acquisition	17,532
Total consideration	**37,803**

The consideration breaks down as follows:

	KEUR
Purchase price 1	33,040
Purchase price 2	2,025
Shares in SYNLAB HOLDING issued, measured at fair value	2,484
Reduction in purchase price pursuant to the share transfer agreement	(374)
Reduction in purchase price pursuant to the share transfer agreement	(72)
Additional purchase price from contingent consideration (Earn Out 1)	350
Additional purchase price from contingent consideration (Earn Out 2)	350
Total consideration	**37,803**

The fair value of trade receivables is 1 thousand euros. The gross value of trade receivables is 1 thousand euros. There was no impairment of trade receivables.

Goodwill in the amount of 17,532 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Germany. It is assumed that most of the the recognized goodwill is tax deductible.

As from the acquisition date and up to December 31, 2013 Labomed GmbH/practice Dr. Arlt, Stuttgart, Institut für Pathologie Mannheim GbR, Mannheim, and practice Dres. Cremer, Kläs, Jung, Schulze, Mannheim, have contributed 6,248 thousand euros to revenue and increased consolidated profit/ loss for the year by 907 thousand euros. For all other asset deal acquisitions no details are available because the relevant information cannot be derived from the absorbing company's financial data.

4 Business combinations and step acquisitions of minority interests (Continued)

If the business combination for all share and asset deal acquisitions had taken place at the beginning of the year, revenue from continuing operations would have increased by 10,130 thousand euros and consolidated profit/loss from continuing operations would have increased by 1,962 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(37,803)
Portion of fixed purchase price not yet affecting cash flows 1	708
Shares in SYNLAB HOLDING issued, measured at fair value	2,484
Outstanding additional purchase price from contingent consideration (Earn Out 1)	48
Outstanding additional purchase price from contingent consideration (Earn Out 2)	350
Cash consideration	**(34,213)**
Net cash of acquired company	341
Transaction costs of acquisition	(105)
Transaction costs of acquisition not yet affecting cash flows	27
Actual cash outflow due to company acquisition	**(33,950)**

For the acquired companies practice Dres. Cremer, Kläs, Jung, Schulze, Mannheim, practice Dr. Arlt, Stuttgart and Labomed GmbH, Stuttgart, further purchase price portions amounting to 2,975 thousand euros were transferred to external security deposit accounts, in addition to the purchase price payments directly disbursed to the sellers. The money served as collateral for outstanding purchase price payments until final agreement between the purchasing and selling parties with regard to the actual purchase price has been reached. The collateral was recognized in “Other current assets” in the amount of 2,975 thousand euros. The corresponding liabilities to the sellers were recorded in “Other current financial liabilities” in the amount of 2,832 thousand euros, minus the purchase price reduction of 143 thousand euros. Beyond that there was an purchase price agreement with the former owner of laboratory Dr. Joachim stipulating a contingent consideration payment of up to 350 thousand euros on achieving defined revenue thresholds in fiscal years 2013 and 2014. In 2013 it was highly probable that all targets would be fully reached. Accordingly, a contingent consideration of up to 120 thousand euros was recognized, stating no range.

In 2014, provisions for outstanding contingent consideration purchase price elements were reversed through income in the amount of 195 thousand euros. The remaining outstanding purchase price portions from contingent consideration were disbursed. The respective security deposit accounts were closed.

Acquisitions in 2013—Others

With the intention to strategically strengthen our laboratory services in the Czech Republic, Italy and the United Arab Emirates, the SYNLAB GROUP acquired additional companies serving these markets:

Company	Country	Type	Date
Freiburg Medical Laboratory Middle East LLC, United Arab Emirates	AE	26.0% additional interest—share deal	08/01/2013
ANECLAB GmbH	AT	60.0%—share deal	01/01/2013
Aneclab s.r.o.	CZ	100.0%—share deal	01/01/2013
BH Vimperk services s.r.o.	CZ	100.0%—share deal	06/13/2013
RMA lab s.r.o.	CZ	100.0%—share deal	01/01/2013
Synlab Emilia Romagna S.r.l.	IT	100.0%—share deal	04/02/2013
Practice Dr. Panarella, Italy	IT	asset deal	04/02/2013
Spectromass Analitikai Labortórium Kft.	HU	100.0%—share deal	07/10/2012

The company acquisition in the United Arab Emirates involved a step-by-step increase in the shareholding from 44.0% to 70.0%. After revaluation of the shareholding, income of 294 thousand euros was recorded in the financial result.

4 Business combinations and step acquisitions of minority interests (Continued)

Together with the acquisition of the Czech company Aneclab s.r.o., its Austrian subsidiary, ANECLAB GmbH was also acquired.

Although the company Spectromass Analitikai Labortórium Kft. was acquired in 2012, it was only consolidated for the first time as of January 1, 2013.

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	5,512
Property, plant and equipment	625
Other non-current assets	48
Deferred tax assets	55
Current assets	
Inventories	394
Trade receivables	2,618
Other current assets	601
Cash and cash equivalents	1,344
Total assets	**11,197**
Non-current liabilities	
Pensions and similar obligations	528
Other non-current provisions	114
Other non-current financial liabilities	1,793
Provisions for deferred taxes	795
Current liabilities	
Short-term interest-bearing loans and borrowings	387
Other current provisions	129
Income tax liabilities	153
Trade payables	1,588
Other current financial liabilities	322
Other current liabilities	574
Total liabilities	**6,383**
Total identifiable net assets at fair value	**4,814**
Non-controlling interests	825
Goodwill from company acquisition	4,157
Total consideration	**8,146**

The consideration breaks down as follows:

	KEUR
Purchase price 1	4,076
Purchase price 2	1,301
Purchase price 3	451
Fair value of shareholding before acquiring control	1,696
Reduction in purchase price pursuant to the share transfer agreement	(815)
Additional purchase price from contingent consideration (Earn Out 1)	1,063
Additional purchase price from contingent consideration (Earn Out 2)	226
Additional purchase price from contingent consideration (Earn Out 3)	126
Other purchase price elements	22
Total consideration	**8,146**

4 Business combinations and step acquisitions of minority interests (Continued)

The fair value of trade receivables is 2,618 thousand euros. The gross value of trade receivables is 2,778 thousand euros. Impairment of trade receivables in the amount of 160 thousand euros was recognized.

Goodwill in the amount of 4,157 thousand euros represents the value of expected synergies from the acquisition of the company. Goodwill was allotted to the cash-generating units Czech Republic in the amount of 2,145 thousand euros, ROW in the amount of 1,714 thousand euros, and Hungary in the amount of 298 thousand euros. It is assumed that most of the goodwill recorded will not be tax deductible.

As from the acquisition date and up to December 31, 2013, the acquired companies have contributed 5,288 thousand euros to revenue from continuing operations and 385 thousand euros to the consolidated profit/loss from continuing operations. For all asset deal acquisitions no details are available because the relevant information cannot be derived from the absorbing company's financial data.

Had the business combinations taken place at the beginning of the year, revenue from continuing operations would have increased by 3,150 thousand euros, and consolidated profit/loss from continuing operations would have increased by 225 thousand euros.

Cash outflow due to company acquisitions:

	KEUR
Analysis of cash outflow due to company acquisitions	
Total consideration	(8,146)
Fair value of shareholding before acquiring control	1,696
Outstanding additional purchase price from contingent consideration (Earn Out 1)	54
Outstanding additional purchase price from contingent consideration (Earn Out 2)	127
Outstanding additional purchase price from contingent consideration (Earn Out 3)	27
Portion of other purchase price not yet affecting cash flows	21
Cash consideration	**(6,221)**
Net cash of acquired companies	1,344
Transaction costs for company acquisitions	(278)
Transaction costs for company acquisitions not yet affecting cash flows	166
Actual cash outflow due to company acquisitions	**(4,989)**

The Group agreed contingent consideration as part of the purchase price agreements with the former owners of the two Czech companies RMA lab s.r.o and BH Vimperk services s.r.o., and the former owners of the Italian company Synlab Emilia Romagna S.r.l. Payment of contingent consideration for the acquisitions in the Czech Republic (up to a maximum of 5,000 thousand Czech crowns and 1,400 thousand Czech crowns, respectively) depended on the achievement and payment for defined analysis volumes. Conversely, the purchase price agreement for the Italian acquisition provided for a contingent consideration in the amount of 100 thousand euros upon achievement of defined EBITDA thresholds. As it was assumed highly probable in 2013 that all acquired companies would achieve the set targets, the Company recorded the respective contingent consideration in the maximum amounts, stating no range.

In 2014 provisions for outstanding contingent consideration with respect to the acquisition of the Italian company were reversed in the amount of 100 thousand euros. As of December 31, 2014, 115 thousand euros were recognized as short-term provisions, and 25 thousand euros as long-term provisions for outstanding purchase price elements from contingent consideration relating to company acquisitions in the Czech Republic.

5 Notes on the consolidated statement of comprehensive income

5.1 Revenue

Revenue breaks down into the following items:

	2014 KEUR	2013 KEUR
Health insurance companies	250,265	239,370
Privately insured patients	215,479	203,038
Clinics	104,365	97,385
Physicians	40,723	26,323
Laboratories	33,566	31,683
Other revenue from human medicine	1,574	2,507
Revenue from human medicine	**645,972**	600,306
Revenue from environmental analysis	34,663	25,891
Revenue from other examinations	17,546	18,095
Revenue from veterinary medicine	11,844	10,538
Revenue from studies and expert opinions	8,102	3,611
Revenue from trading goods	7,257	10,394
Other revenue	3,978	2,330
	729,362	**671,165**

Revenue breaks down by region as follows:

	2014 KEUR	2013 KEUR
Germany	406,122	381,564
Switzerland	88,109	77,502
Italy	67,123	62,139
Czech Republic	46,119	45,177
Belgium	24,830	23,541
Hungary	24,747	25,246
Austria	20,314	20,165
North Europe	18,220	6,893
Slovakia	11,449	12,259
Other (ROW)	22,329	16,679
	729,362	**671,165**

5.2 Material expenses

Significant items included in material expenses are as follows:

	2014 KEUR	2013 KEUR
Reagents and expenses “per reported result”	(120,312)	(108,947)
Consumables	(41,891)	(50,529)
Cost of other purchased services/external analysis services	(16,452)	(15,684)
Merchandise	(3,201)	(3,227)
Other	719	1,007
	(181,137)	**(177,380)**

Consumables and reagents are the key materials in the laboratory analysis business. Master agreements in place with laboratory equipment manufacturers also provide for payments to suppliers based on the analyses performed on a “per reported result” billing basis. The lower consumables figures are attributable to a change in the reporting of non-production-related consumables, which are reported as “Other operating expenses” as of fiscal year 2014.

Material expenses break down by region as follows:

	2014	2013
	KEUR	KEUR
Germany	(110,997)	(113,315)
Switzerland	(14,876)	(13,586)
Italy	(13,384)	(12,130)
Czech Republic	(10,420)	(11,656)
Hungary	(7,661)	(7,948)
North Europe	(6,089)	(2,447)
Belgium	(4,386)	(4,230)
Slovak Republic	(3,671)	(3,545)
Austria	(3,138)	(3,620)
Other (ROW)	(6,515)	(4,903)
	(181,137)	**(177,380)**

5.3 Personnel expenses

	2014	2013
	KEUR	KEUR
Salaries	(204,217)	(193,400)
Variable compensation	(3,770)	(2,234)
Other personnel expenses	(3,641)	(4,902)
Overtime compensation	(2,560)	(1,263)
Pension expenses	(1,556)	(1,531)
Expenses resulting from share-based payment	(543)	(148)
Social security	(40,815)	(37,202)
	(257,102)	**(240,680)**

During the fiscal year, pension insurance premiums were paid in the amount of 14,020 thousand euros (previous year: 13,466 thousand euros). In 2014 pension payments netted with vested pension benefit inflows in Switzerland yielded a total inflow of 3,696 thousand euros (previous year: net outflow of 1,517 thousand euros). The basis for the inflows of vested pension benefits in Switzerland is the prevailing Swiss federal act ruling that an employee may transfer vested pension benefits upon changing jobs. In addition, post-employment benefits (severance pay) were paid in the amount of 1,675 thousand euros (previous year: 2,053 thousand euros).

5.4. Expenses on rental and lease agreements

	2014	2013
	KEUR	KEUR
Buildings	(22,417)	(20,978)
Other fixtures and fittings, and office equipment	(5,387)	(3,042)
Lease payments for analysis equipment	(3,720)	(4,247)
	(31,524)	**(28,267)**

5.5 Transport expenses

Transport expenses in the amount of 22,215 thousand euros (previous year: 20,873 thousand euros) relate to external logistics providers, and in the amount of 5,463 thousand euros (previous year: 5,963 thousand euros) to expenses incurred for the Company's vehicle fleet.

5 Notes on the consolidated statement of comprehensive income (Continued)

5.6 Other operating income

	2014	2013
	KEUR	KEUR
Changes in value of contingent consideration	8,908	0
Income from reversal of provisions and liabilities	4,119	0
Passed-on consultancy expenses	3,287	0
Income from reversal of valuation allowances	2,832	3,385
Other out-of-period income	1,188	3,257
Dunning fees	737	492
Income from disposal of non-current assets	662	715
Income from foreign currency translation	498	156
Rental income	335	387
Reimbursements of travel expenses	322	265
Recoveries on derecognized receivables	17	72
Other	4,450	3,896
	27,355	**12,625**

Income from changes in value of contingent consideration is mainly attributable to the reversal of earn-outs in the acquisition of Synlab Finland OY in the amount of 8,715 thousand euros. Income from the reversal of provisions and liabilities mainly relates to provisions for legal disputes reversed as they were no longer required.

5.7 Other operating expenses

	2014	2013
	KEUR	KEUR
Temporary employees	(19,684)	(18,568)
IT and communication expenses	(15,751)	(15,119)
Administrative costs	(15,335)	(14,619)
Legal and consulting fees	(14,038)	(10,632)
Advertising and marketing expenses	(14,035)	(11,644)
Additions to allowances for doubtful accounts	(7,610)	(7,585)
Derecognition of receivables	(1,854)	0
Cost of premises	(9,062)	(8,150)
Repair and maintenance expenses	(8,414)	(6,959)
Personnel-related expenses	(8,011)	(7,795)
Energy expenses	(4,758)	(4,906)
Other taxes, duties and fees	(2,843)	(2,805)
Costs for preparation of the financial statements	(2,241)	(2,462)
Banking fees	(1,022)	(1,019)
Losses from foreign currency translation	(344)	(543)
Loss on disposal of non-current assets	(154)	(461)
Miscellaneous other operating expenses	(12,890)	(12,257)
	(138,046)	**(125,524)**

In addition to regular expenses for tax advice and accounting, legal and consulting fees in fiscal year 2014 include expenses related to company acquisitions (4,066 thousand euros; previous year: 2,535 thousand euros), legal disputes (2,469 thousand euros; previous year: 1,922 thousand euros), and restructuring (2,901 thousand euros; previous year: 1,669 thousand euros).

5 Notes on the consolidated statement of comprehensive income (Continued)

5.8 Depreciation, amortization, impairment and reversals of impairment

Depreciation, amortization and impairment relate to the following items:

	2014	2013
	KEUR	KEUR
Intangible assets	(44,915)	(43,013)
Property, plant and equipment	(20,487)	(19,506)
Other current assets (inventories, work in progress)	(362)	0
	(65,764)	**(62,519)**

Amortization of intangible assets consists mainly of amortization of customer lists from company acquisitions in the amount of 34,255 thousand euros.

Also, the following impairment reversals were recorded in fiscal year 2014:

	2014	2013
	KEUR	KEUR
Intangible assets	21,000	0
	21,000	**0**

These impairment reversals resulted from impairment testing on the CGU Germany as of December 31, 2014, adjusting respective customer list impairments recorded in 2010 for synlab Services GmbH.

5.9 Financial result

	2014	2013
	KEUR	KEUR
Exchange gains	951	933
Income from other securities and borrowings	621	292
Income from derivative financial instruments measured at fair value	1,478	1,985
Other finance income	100	791
	3,150	**4,001**
Net income from associated companies	(677)	**575**
Revaluation of non-controlling interests in partnerships	(796)	(1,006)
Interest and similar expenses	(31,245)	(31,249)
Exchange losses	(2,020)	(1,611)
Interest portion of pensions and similar obligations	(277)	(266)
Unwinding of discounts on other non-current provisions	(95)	(646)
Expenses from derivative financial instruments measured at fair value	(8)	0
Other finance costs	(177)	(57)
	(33,822)	**(33,829)**
	(32,145)	**(30,259)**

5.10 Income tax

The major components of income tax are:

	2014	2013
	KEUR	KEUR
Current income taxes	(13,004)	(10,821)
Deferred income taxes	882	3,343
Income tax reported in profit or loss for the period	**(12,122)**	**(7,478)**

5 Notes on the consolidated statement of comprehensive income (Continued)

The effective tax rate for the Group for the fiscal year ending on December 31, 2014, was 27.35% (previous year: −97.43%). The following company tax rates were applied for the Group companies:

	2014 %	2013 %
Belgian companies	33.99	33,99
British companies	20.00	20,00
German companies within a tax consolidation group	29.44	29,44
thereof corporate income tax (incl. solidarity surcharge)	*15.83*	*15,83*
thereof trade tax	*13.61*	*13,61*
German companies outside a tax consolidation group	33.10	—
Estonian companies	20.10	20,10
Finnish companies	24.50	24,50
Italian companies	31.40	31,40
thereof corporate income tax (IRES)	*27.50*	*27.50*
of these regional tax (IRAP)	*3.90*	*3.90*
Croatian companies	20.00	20.00
Lithuanian companies	15.00	15.00
Macedonian company	10.00	10.00
Austrian companies	25.00	25.00
Polish companies	19.00	19.00
Romanian companies	16.00	16.00
Swiss companies	13.10 - 23.76	14.84 - 23.76
Slovakian company	22.00	23.00
Slovenian company	17.00	17.00
Czech companies	19.00	19.00
Turkish companies	20.00	20.00
Hungarian companies	12.00	12.00
thereof corporate income tax	*10,00*	*10,00*
thereof trade tax	*2,00*	*2,00*
Belorussian company	18.00	18.00

The table below shows the reconciliation between reported and projected Group income tax, applying the Group tax rate of 29.44% (previous year: 29.44%).

	2014 KEUR	2013 KEUR
Earnings before tax	**44,322**	**(7,675)**
Income tax based on the Group income tax rate of 29.44% (previous year: 29.44%)	(13,048)	2,260
Unrecognized loss carryforwards from current year (incl. interest carryforwards)	(14,227)	(6,206)
Use of loss carryforwards not recognized in previous years (incl. interest carryforwards)	4,350	8
Capitalization of formerly uncapitalized loss carryforwards (incl. interest carryforwards)	2,444	636
Reduction in capitalized tax loss carryforwards	(6)	0
Non-deductible transaction and ancillary costs	0	88
Diverging foreign tax rates	9,041	3,574
Taxes payable/receivable from previous years	37	0
Other	77	(2,683)
Other non-deductible expenses	(4,440)	(7,362)
Other non-taxable Income	3,654	2,236
Tax effect from change in tax rates	(4)	(29)
Income tax at the effective income tax rate of 27.35%	**(12,122)**	**(7,478)**

(previous year: 97.43%)

5 Notes on the consolidated statement of comprehensive income (Continued)

Deferred income tax as of the balance sheet date breaks down as follows:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	12/31/2014	12/31/2013	2014	2013
	KEUR	KEUR	KEUR	KEUR
Intangible assets	2,475	1,861	614	(185)
Property, plant and equipment	106	92	15	7
Other non-current assets	871	823	40	8
Inventories	11	4	7	0
Non-current interest bearing loans and borrowings	62	19	43	(5)
Pensions and similar obligations	8,976	5,750	1,326	220
Other non-current provisions	1,038	532	517	(846)
Other non-current financial liabilities	1,669	1,438	230	(546)
Tax loss carryforwards (incl. interest carryforwards)	9,298	11,261	(2,140)	(360)
Other	710	728	(3)	(19)
Deferred income tax assets	**25,216**	**22,508**	**649**	**(1,726)**
Intangible assets	64,042	61,856	1,270	6,506
Property, plant and equipment	1,431	1,393	(40)	(375)
Other non-current assets	2,359	2,181	(140)	265
Inventories	57	0	(57)	0
Non-current interest-bearing loans and borrowings	3,139	3,588	450	(1,110)
Pensions and similar obligations	6,249	4,511	(1,249)	(213)
Other non-current provisions	2	2	0	(2)
Other non-current financial liabilities	2	0	(1)	0
Other	288	183	0	(2)
Deferred income tax liabilities	**77,569**	**73,714**	**233**	**5,069**

At the reporting date, those deferred tax assets and liabilities in the amount of 23,805 thousand euros (previous year: 21,222 thousand euros) were netted which fulfilled the prerequisites for offsetting. As a result, deferred tax assets in the amount of 1,411 thousand euros (previous year: 1,286 thousand euros) as well as deferred tax liabilities in the amount of 53,764 thousand euros (previous year: 52,492 thousand euros) were reported in the statement of financial position.

The deferred income tax liabilities included in line item “Pensions and similar obligations” are largely attributable to deferred tax liabilities on plan assets of the Swiss companies. The deferred tax portion attributable to actuarial gains and losses recorded in 2014 in other comprehensive income amounts to 1,249 thousand euros (previous year: 13 thousand euros).

The German tax groups have corporate income tax loss carryforwards of 73,874 thousand euros (previous year: 109,222 thousand euros), trade tax loss carryforwards of 59,773 thousand euros (previous year: 94,897 thousand euros) and interest carryforwards of 29,567 thousand euros (previous year: 23,467 thousand euros). The other Group entities have income tax loss carryforwards of 7,263 thousand euros (previous year: 5,100 thousand euros. The loss carryforwards and interest carryforwards can be used without restriction in various Group companies and be set off against future taxable income of the respective company or of another Group company. Due to insufficient levels of taxable income or opportunities for offsetting, no deferred tax assets were recorded for the German tax group for corporate tax loss carryforwards amounting to 51,974 thousand euros (previous year: 71,562 thousand euros), nor for trade tax loss carryforwards amounting to 37,873 thousand euros (previous year: 57,273 thousand euros), nor interest carryforwards amounting to 21,267 thousand euros (previous year: 23,467 thousand euros). Neither were any deferred taxes recorded on income tax carryforwards amounting to 6,106 thousand euros (previous year: 3,998 thousand euros) in any other Group companies due to insufficient taxable income.

Tax loss carryforwards or interest carryforwards may be carried forward in the same amount as the previous year without limitation.

5 Notes on the consolidated statement of comprehensive income (Continued)

As in the previous year, there were no deferred tax liabilities for unpaid taxes on profits of the Group's subsidiaries or associated companies as of December 31, 2014, as most of these profits may be absorbed by the receiving company without being taxed further. Temporary differences related to shares in subsidiaries and associated companies for which no deferred tax liabilities were recorded amount to a total of 9,139 thousand euros (previous year: 6,090 thousand euros).

6 Information on the consolidated statement of financial position

6.1 Goodwill

	KEUR
Acquisition cost and cost of conversion	
Balance as of December 31, 2012	**395,369**
Foreign currency translation	(6,811)
Changes in the scope of consolidation	45,422
Balance as of December 31, 2013	**433,980**
Foreign currency translation	911
Changes in the scope of consolidation	21,459
Balance as of December 31, 2014	**456,350**
Impairments	
Balance as of December 31, 2012	**(83,429)**
Foreign currency translation	290
Changes in the scope of consolidation	9
Balance as of December 31, 2013	**(83,130)**
Foreign currency translation	35
Balance as of December 31, 2014	**(83,095)**
Balance as of December 31, 2014	
Carrying amounts	
as of December 31, 2014	373,255
as of December 31, 2013	350,850
as of December 31, 2012	311,940

Goodwill from acquisitions was recognized in the following amounts:

	2014 KEUR	2013 KEUR
Goodwill from		
1) Acquisition of Futurelab Group—2010	168,135	167,243
—Impairment of Czech laboratories	(3,164)	(3,199)
2) Acquisition of Fleminglabs Group—2010	43,600	43,600
3) Acquisition of synlab Services Group—2010	78,015	78,015
—Impairment of German laboratories	(78,015)	(78,015)
4) Acquisition of MVZ Leverkusen Group—2010	20,464	20,464
5) Acquisition of Chambon—2011	16,812	16,996
6) Acquisition of Bioanalytico—2011	6,564	6,429
7) Other acquisitions 2010 - 2011	2,602	2,602
—Impairment of other German laboratories 2010 - 2011	(1,916)	(1,916)
8) Acquisition of Hungarian companies—2012	3,755	3,935
9) Acquisition of German companies—2012	7,352	7,352
10) Acquisition of Belgian companies—2012	41,907	41,907
11) Acquisition of companies in North Europe—2013	20,953	20,953
12) Acquisitions in Germany—2013	17,532	17,532
13) Acquisitions in Switzerland—2013	3,095	3,031
14) Other acquisitions—2013	4,105	3,921
15) Acquisitions in Germany—2014	11,540	0
16) Other acquisitions—2014	7,702	0
17) Other acquisitions—2014	2,217	0
	373,255	**350,850**

Goodwill amounts are reported in the respective functional currency. Goodwill amounts outside the euro zone are as follows: Czech Republic: 1,511,544 thousand Czech crowns (previous year: 1,511,544 thousand Czech crowns); Switzerland: 94,884 thousand Swiss francs (previous year: 94,644 thousand Swiss francs); Hungary: 1,777,704 thousand Hungarian forint (previous year: 1,777,704 thousand Hungarian forint); United Arab Emirates: 8,352 thousand Emirati dirham; Norway: 6,773 thousand Norwegian kroner. Goodwill of the company synlab Lietuva (989 thousand Lithuanian litas), one of the 2013 acquisitions in North Europe, does not require any currency-related adjustments as the currency is pegged to the euro.

6.2 Goodwill impairment testing

For purposes of impairment testing of goodwill from business combinations, goodwill was allotted to the respective CGUs North Europe, Belgium, Germany, Italy, Austria, Switzerland, Slovak Republic, Czech Republic, Hungary and Rest of the World (ROW).

The balances at the respective reporting date are as follows:

	2014	2013
	KEUR	KEUR
Germany	84,881	73,341
Switzerland	78,912	77,125
Czech Republic	54,521	55,117
Italy	51,909	44,207
Belgium	43,204	41,907
Austria	21,957	21,957
North Europe	21,702	20,953
Slovak Republic	8,665	8,665
Hungary	5,634	5,927
ROW	1,870	1,651
Total	**373,255**	**350,850**

The Group conducted its annual impairment testing as of December 31, 2014. The CGU recoverable amount is determined by calculating a value-in-use using cash flow projections based on five-year financial plans approved by management. The following discount rates were used:

	WACC after tax	WACC before tax
North Europe	6.81%	8.38%
Belgium	6.31%	9.57%
Germany	5.66%	8.06%
Italy	7.95%	11.59%
Austria	5.74%	7.65%
Switzerland	5.86%	7.14%
Slovak Republic	6.85%	8.78%
Czech Republic	6.72%	8.30%
Hungary	9.21%	10.23%
ROW	10.10%	13.31%

CGU cash flows occurring after the five-year period are projected using a country-specific growth rate of 0% to 1.0%. As in the previous year, there was no need to recognize any impairment losses in the current fiscal year. The following assumptions used in calculating the CGU value-inuse are subject to estimation uncertainty:

- Gross profit margins,
- discount rates,
- price trends for materials and external services used, and
- growth rates used in cash flow projections outside the budget period.

Gross margins—Gross margins are determined using historical average values. Expected effects from changes due to collective wage reforms were taken into consideration in the scope of cash flow projections.

Revenue/EBITDA margin—Forecast revenue and CGU results are based on generally available economic data as well as industry information, and take into account not only basic market forecasts but also current trends and past experience.

Discount rates—Discount rates represent the current market expectations with respect to risks attributable to the respective CGUs, including risks related to interest rate effects and specific risks connected with assets for which estimated future cash flows have not been adjusted. The calculation of the discount rate takes into account the specific circumstances of the Group and its business segments, and is based on its weighted average cost of capital (WACC). The weighted average costs of capital take both borrowed capital and equity into account. Costs of equity are derived from the return on capital that equity investors of the Group expect to receive. Costs of borrowed capital are based on the interest-bearing debt for which the Group bears responsibility for making debt service payments. Due to the fact that business activities of the CGUs are very similar, business risk was included by using a company-specific beta factor. This beta factor is determined annually based on market data available to the public.

Pricing trends for materials and external services—The estimates are based on published price indices for countries supplying the materials, as well as data relating to specific materials. Forecast data are only used if available to the public (primarily in the European Union and Switzerland). Otherwise historical price trends are used as an indicator for future price trends.

Estimated growth rates—The growth rates are based on published sector-specific market research.

Assumption sensitivity

A discount rate increase of 1 percentage point would lead to the following goodwill impairment: CGU Czech Republic: 2,245 thousand euros, and CGU Slovak Republic: 1,308 thousand euros. A 0.5 percentage point reduction in the respective growth rate would cause a goodwill impairment in the CGU Slovak Republic in the amount of 329 thousand euros. A simultaneous 1 percentage point discount rate increase and a reduction in the respective growth rate by 0.5 percentage points would cause the following goodwill impairments: CGU Czech Republic: 7,222 thousand euros, CGU Belgium: 3,231 thousand euros, CGU Slovak Republic: 1,831 thousand euros, CGU North Europe: 313 thousand euros.

There would be no impairment of other goodwill not listed above if these assumptions were to change.

6 Information on the consolidated statement of financial position (Continued)

6.3 Intangible assets

	Customer lists	Trademarks	Concessions, industrial property rights and similar rights	Prepayments rendered	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cost					
Balance as of December 31, 2012	**364,511**	**17,940**	**34,255**	**437**	**417,143**
Foreign currency translation	(5,159)	1	(911)	(3)	(6,072)
Additions	581	0	4,006	1,230	5,817
Reclassifications	1	0	1,054	(469)	586
Disposals	0	(713)	(503)	0	(1,216)
Changes in the scope of consolidation	43,140	2,781	1,988	0	47,909
Balance as of December 31, 2013	**403,074**	**20,009**	**39,889**	**1,195**	**464,167**
Foreign currency translation	872	(27)	(446)	(1)	398
Additions	803	0	6,055	4,930	11,788
Reclassifications	3,331	0	1,504	(4,835)	0
Disposals	(223)	0	(32)	0	(255)
Changes in the scope of consolidation	5,129	4,688	1520	0	11,337
Balance as of December 31, 2014	**412,986**	**24,670**	**48,490**	**1,289**	**487,435**
Amortization and impairment					
Balance as of December 31, 2012	**(87,949)**	**(15,877)**	**(14,095)**	**0**	**(117,921)**
Foreign currency translation	1,130	0	461	0	1,591
Amortization and impairment	(30,894)	(3,648)	(8,471)	0	(43,013)
Disposals	0	713	472	0	1,185
Balance as of December 31, 2013	**(117,713)**	**(18,812)**	**(21,633)**	**0**	**(158,158)**
Foreign currency translation	(282)	20	241	0	(21)
Amortization and impairment	(34,255)	(2,276)	(8,384)	0	(44,915)
Impairment reversals	21,000	0	0	0	21,000
Reclassifications	(20)	0	20	0	0
Disposals	0	0	5	0	5
As of December 31, 2014	**(131,270)**	**(21,068)**	**(29,751)**	**0**	**(182,089)**
Carrying amounts					
as of December 31, 2014	281,716	3,602	18,739	1,289	305,346
as of December 31, 2013	285,361	1,197	18,256	1,195	306,009
as of December 31, 2012	276,562	2,063	20,160	437	299,222

The customer lists primarily represent customer relationships with doctors and hospitals. These customer lists consist of customer relationships acquired in the scope of corporate transactions and so-called signing fees under supply agreements with hospitals. The additions of customer lists and trademarks in fiscal year 2014 are largely attributable to company acquisitions in Italy.

	2014	2013
	KEUR	KEUR
Customer relationships with doctors	226,445	228,377
Customer relationships with hospitals	15,043	17,009
Customer relationships with third-party laboratories	13,967	15,360
Customer relationships in the area of environmental analysis	10,246	13,827
Signing fees	10,034	4,827
Customer relationships with veterinarians	5,419	5,961
Order backlog INTERLAB	562	0
	281,716	**285,361**

The category 'signing fees' includes the agreements between synlab Suisse SA and the Genolier Swiss Medical Network hospital, and between synlab Czech s.r.o. and the hospital Mělnická zdravotní, a.s. The carrying amount of customer relationships has remained unchanged year-on-year, which is largely due to write-ups of customer lists in the amount of 21,000 thousand euros. In fiscal year 2010 customer lists of the CGU Germany were written off due to the CGU's weak earnings situation. The positive effects resulting from recent years' restructuring measures and the much improved earnings situation of the CGU Germany led to impairment reversals in the amount of 21,000 thousand euros in fiscal year 2014.

Customer relationships break down into the following currency areas:

	2014	2013
	KEUR	KEUR
Euro	200,295	199,225
Swiss franc	45,518	49,267
Czech crown	31,546	31,541
Hungarian forint	3,171	3,869
Emirati dirham	1,100	1,360
Lithuanian litas	86	99
	281,716	**285,361**

Amounts recorded under "Concessions, industrial property rights and similar rights" mainly comprise acquisition costs for laboratory information systems.

In addition, 1,233 thousand euros were recorded as the value of one subsidiary's right to the status of an accredited operator of medical care units under "Industrial property rights". This right remains valid as long as the company operates as an accredited hospital, the legal framework does not change, and the company meets the medical care contract conditions, thus it is currently presumed that the company will benefit from this right for an indefinite period. The Group conducted annual impairment testing on December 31, 2014. The recoverable amount is determined by calculating value-in-use applying cash flow projections based on five-year financial plans approved by management. CGU cash flows occurring after the five-year period are projected using a growth rate of 0.5%. A discount rate of 5.66% after tax/8.06% before tax was applied. There was no need to recognize an impairment loss in the fiscal year under review. Company management is of the opinion that, based on sound business judgment, no change in any of the basic parameters used to determine value-in-use would cause the carrying amount of the right to accredited operator status to significantly exceed its recoverable amount.

6 Information on the consolidated statement of financial position (Continued)

6.4 Property, plant and equipment

	Investment in non-Group buildings	Technical machines and equipment	Vehicle fleet	Other equipment, fixtures and fittings, and office equipment	Prepayments and assets under construction	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Acquisition cost and cost of conversion						
Balance as of December 31, 2012	**20,123**	**45,635**	**2,511**	**31,726**	**1,922**	**101,917**
Foreign currency translation	(301)	(818)	(36)	(345)	(129)	(1,629)
Additions	1,605	9,231	286	5,325	4,352	20,799
Reclassifications	1,808	500	91	1,166	(4,151)	(586)
Disposals	(451)	(6,166)	(250)	(2,387)	0	(9,254)
Changes in the scope of consolidation	781	1,804	167	1,952	0	4,704
Balance as of December 31, 2013	**23,565**	**50,186**	**2,769**	**37,437**	**1,994**	**115,951**
Foreign currency translation	(24)	(28)	26	52	(4)	22
Additions	1,800	4,467	339	8,061	4,986	19,653
Reclassifications	2,554	408	12	1,705	(4,679)	0
Disposals	(1,905)	(1,863)	(211)	(3,832)	0	(7,811)
Changes in the scope of consolidation	396	194	8	1,830	19	2,447
Balance as of December 31, 2014	**26,386**	**53,364**	**2,943**	**45,253**	**2,316**	**130,262**
Depreciation and impairment						
Balance as of December 31, 2012	**(7,581)**	**(13,911)**	**(1,216)**	**(14,715)**	**0**	**(37,423)**
Foreign currency translation	116	578	18	270	0	982
Depreciation and impairment	(2,608)	(9,317)	(527)	(7,054)	0	(19,506)
Disposals	355	4,937	97	1,962	0	7351
Balance as of December 31, 2013	**(9,718)**	**(17,713)**	**(1,628)**	**(19,537)**	**0**	**(48,596)**
Foreign currency translation	(32)	11	(17)	(34)	0	(72)
Depreciation and impairment	(3,133)	(9,076)	(526)	(7,752)	0	(20,487)
Reclassifications	0	21	0	(21)	0	0
Disposals	1,154	1,426	162	3,137	0	5,879
Balance as of December 31, 2014	**(11,729)**	**(25,331)**	**(2,009)**	**(24,207)**	**0**	**(63,276)**
Carrying amounts						
as of December 31, 2014	14,657	28,033	934	21,046	2,316	66,986
as of December 31, 2013	13,847	32,473	1,141	17,900	1,994	67,355
as of December 31, 2012	12,542	31,724	1,295	17,011	1,922	64,494

Investments in non-Group buildings primarily concern leasehold improvements in rented space required for performing laboratory services. The technical equipment and machines consist mainly of analysis equipment.

The carrying amount of technical equipment, fixtures and fittings, and office equipment as well as software and license agreements held under financial lease arrangements as of December 31, 2014 was 22,074 thousand euros (previous year: 25,784 thousand euros). Of the additions during the fiscal year, 5,354 thousand euros (previous year: 5,785 thousand euros) were attributable to technical equipment, fixtures and fittings, and office equipment held under financial leases and lease-purchase agreements.

6 Information on the consolidated statement of financial position (Continued)

6.5 Investments in companies accounted for using the equity method

The changes in shareholdings held in associated companies were as follows:

	2014	2013
	KEUR	KEUR
Shares in associated companies as of January 1	2,325	1,166
Additions to the scope of consolidation (using the equity method)	0	2,016
Changes in shareholdings recorded in equity	881	0
Dividends paid	(120)	0
Eliminations from the scope of consolidation (using the equity method)	0	(1,432)
Share in net income	(470)	575
	2,616	**2,325**

The changes in shareholdings recorded in equity are largely attributable to the resolved increase in capital at KRH Labor GmbH as of December 19, 2014 increasing the shareholding in associated companies by 784 thousand euros. Dividend payments in the amount of 120 thousand euros resulted in a shareholding decrease in MED Laborunion.

The shareholding in the company MED Laborunion GmbH was consolidated using the equity method for the first time in fiscal year 2013.

The joint venture shareholdings were as follows:

	2014	2013
	KEUR	KEUR
Shares in associated companies as of January 1	1,166	762
Additions to the scope of consolidation (using the equity method)	713	0
Share in net income	(207)	0
	506	**0**

As of June 1, 2014 the Group, in association with another partner company, formed a new joint venture company, The Christie Pathology Partnership LLP, United Kingdom, with the SYNLAB GROUP owning more than 50.0% of voting rights. A 50.0% share in profit and a 50.1% share in losses were contractually agreed.

The company is accounted for using the equity method.

6.6 Other non-current assets

"Other assets" include the following:

	2014	2013
	KEUR	KEUR
Security deposits (notary public escrow account)	336	0
Security deposits	267	509
Loans to Schubert Medizinprodukte GmbH & Co. KG, Germany	83	113
Loan to Sannax SA, Switzerland	42	41
Loan to Permanence Basel AG, Switzerland	59	152
Loan to Praxis Permanence Winterthur AG, Switzerland	49	48
Loan to medical practice Delpretti, Switzerland	30	0
Other loans	52	0
Advance payment for the acquisition of laboratory practice Dr. Nae, Germany	0	462
Other financial assets	424	220
	1,342	**1,545**

The purchase price portions for acquisitions in Belgium and Switzerland not yet due were transferred to a notary public escrow account.

6 Information on the consolidated statement of financial position (Continued)

6.7 Inventories

	2014	2013
	KEUR	KEUR
Raw materials, consumables and supplies	15,192	15,151
Work in progress	76	1,194
Prepayments rendered	1,838	2,867
	17,106	**19,212**

Raw materials, consumables and supplies principally include consumable materials used in performing analyses, as well as small equipment provided to doctors for pre-analysis. Work in progress primarily involves semi-processed samples.

The Group recorded impairments in the amount of 80 thousand euros (previous year: 74 thousand euros) for small preanalysis equipment reported under "Inventories". Inventories were valued exclusively at cost. Write-downs refer to inventory that can no longer be used or sold.

6.8 Trade receivables

	2014			2013		
	Gross	Impairment	Net	Gross	Impairment	Net
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Receivables from						
Health insurance companies	42,028	(3,957)	38,071	37,816	(3,126)	34,690
Privately insured patients	28,294	(3,904)	24,390	32,381	(7,123)	25,258
Hospitals	21,468	(3,780)	17,688	25,719	(1,560)	24,159
Laboratories	16,823	(2,043)	14,780	17,210	(2,078)	15,132
Doctors	9,064	(740)	8,324	7,716	(1,389)	6,327
Others	20,680	(4,241)	16,439	14,560	(1,679)	12,881
	138,357	**(18,665)**	**119,692**	**135,402**	**(16,955)**	**118,447**

Trade receivables from third parties do not bear interest, fall due in between 30 and 120 days and break down as follows:

	Carrying amount	Gross receivables	Thereof impaired	Thereof not impaired			
				not due	past due		
					< 3 months	3 < 5 months	> 5 months
December 31, 2014	119,692	138,357	41,202	73,685	16,301	1,948	5,221
December 31, 2013	118,447	135,402	58,175	58,200	16,262	1,420	1,345

Information regarding the terms for receivables from related parties in the amount of 1,136 thousand euros (previous year: 1,773 thousand euros) can be found in section 9.

Changes in the impairment loss account were as follows:

	KEUR
Balance as of December 31, 2012	**13,036**
Utilization	(288)
Additions recognized in profit or loss	7,585
Foreign currency translation	7
Reversals	(3,385)
Balance as of December 31, 2013	**16,955**
Utilization	(3,074)
Additions recognized in profit or loss	7,610
Foreign currency translation	6
Reversals	(2,832)
Balance as of December 31, 2014	**18,665**

6.9 Other current assets

The other current assets break down as follows:

	2014 KEUR	2013 KEUR
Prepaid expenses	3,330	3,280
Receivables from majority shareholder	2,385	0
Prepayments to and overpayments by suppliers	2,321	1,515
Receivables from associated companies	2,046	474
Claims for reimbursement of municipal tax	904	729
Receivables from majority shareholder	902	0
Advance payments for ancillary costs and deposits	760	709
Security deposits (notary public escrow account)	677	2,975
Claims for reimbursement of sales tax	198	1,637
Receivables from employees	197	205
Receivables from related companies	39	0
Purchase price receivables	0	354
Other	1,970	4,985
	15,729	**16,863**

Receivables from majority and minority shareholders amounting to 2,385 thousand euros and 902 thousand euros, respectively, are attributable to passed-on expenses of SYNLAB HOLDING in 2014. These were passed on to all SYNLAB HOLDING shareholders pursuant to the resolution passed at the shareholders meeting on December 19, 2014.

Receivables from associated companies include receivables from KRH Labor GmbH in the amount of 1,673 thousand euros.

The fixed portion of the acquisition price of Laboratoire Leblois, Investigations Biologiques et Medicales SPRL in the amount of 677 thousand euros was deposited in the notary public escrow account. This amount was first paid to the trustee's escrow account. The trustee guarantees appropriate disbursement of the purchase price to the seller once the acquisition has been completed. In the previous year, the line item included escrow deposits for future disbursements relating to the following acquisitions: Purchase price for the company Dr. Arlt at MVZ Stuttgart: 2,000 thousand euros; purchase price for the company practice Cremer, Kläs, Jung, Schulze at Humangenetik Mannheim: 940 thousand euros; purchase price for the company Labomed Stuttgart at Steinlach-Klinik: 25 thousand euros.

For further information please refer to section 7 'Financial instruments and financial risk management'.

6 Information on the consolidated statement of financial position (Continued)

6.10 Cash and cash equivalents

	2014	2013
	KEUR	KEUR
Bank deposits denominated in		
Euro	64,443	52,721
Swiss franc	14,816	4,414
Hungarian forint	2,497	3,041
Czech crown	2,383	1,976
Other currencies	2,673	1,708
	86,812	63,860
Cash on hand and checks	428	719
	87,240	**64,579**

As of the reporting date, cash and cash equivalents included a liquidity reserve in the amount of 19.6 million euros for acquisitions (previous year: 17.4 million euros). As of December 31, 2014, the Group held unused credit facilities in the amount of 90,745 thousand euros (previous year: 2,961 thousand euros).

6.11 Subscribed capital and reserves

6.11.1 Subscribed capital

	2014	2013
	KEUR	KEUR
Registered capital	2,771	2,762
Contributions for an approved capital increase	0	9
	2,771	**2,771**

Registered capital is made up of shares with a nominal value of EUR 1.00 and equal voting rights per share. The distribution of shares is as outlined in the list of shareholders.

As per a resolution passed at the shareholders meeting on June 29, 2012, management was authorized, subject to advisory board approval, to increase the Company's registered capital until July 12, 2017, once or several times, by up to a total amount of 1,350,000 euros by issuing additional shares for cash or in-kind contributions.

The purchase of treasury shares in fiscal year 2011 resulted in a reduction of subscribed capital by 4 thousand euros.

In connection with the acquisition of Laboratoire d'analyses medicales Dr. Jean Collard SPRL and Laboratoire Biosemois SPRL in 2012 it was resolved to increase subscribed capital by 66 thousand euros, utilizing authorized capital. The authorized capital in the amount of 1,350 thousand euros was thus reduced and the change recorded on January 17, 2013. The amount exceeding subscribed capital (15,935 thousand euros) was recorded in "Capital reserves".

Registered capital further increased by 9 thousand euros in fiscal year 2013 as a result of the acquisition of the company Institut für Pathologie Mannheim GbR. Authorized capital thus decreased by that amount to 1,275 thousand euros. The amount exceeding the subscribed capital in the amount of 2,475 thousand euros was recorded in "Capital reserves".

There were no further changes to registered capital in fiscal year 2014.

6.11.2 Capital reserves

	2014	2013
	KEUR	KEUR
Capital reserves	**199,661**	**199,684**

6 Information on the consolidated statement of financial position (Continued)

Capital reserves increased through share-based payments in the amount of 543 thousand euros; for further information please refer to section 8 'Share-based payment'. Decreases in reserves resulted mainly from increasing the majority shareholding in Synlab ILK Referans saglik hizmetleri sanayi ve ticaret anonim sirketi (Synlab ILK) up to 100% ownership. On February 19, 2014 the SYNLAB GROUP acquired the remaining 49% shareholding in Synlab ILK for a purchase price of 1,277 thousand euros. The SYNLAB GROUP also acquired the remaining 60% of shares in ANECLAB GmbH for a purchase price of 20 thousand euros. The respective differences between the purchase price and carrying amount of the transferred non-controlling interests was recorded under "Capital reserves" as transactions with owners in accordance with IFRS 10.23. The total effect of these transactions amounts to 566 thousand euros.

6.11.3 Accumulated other comprehensive income

Exchange differences from foreign operations

The reserve for currency translation differences serves to account for differences resulting from translation of the financial statements of foreign subsidiaries. As of December 31, 2014, accumulated other comprehensive income included currency translation differences in the amount of 14,546 thousand euros (previous year: 12,888 thousand euros).

Actuarial gains and losses recorded in equity and any related deferred taxes

Additionally, pursuant to the revised IAS 19, actuarial gains and losses and any related deferred taxes have been recorded directly in equity since 2013. For fiscal year 2014, the Group recorded actuarial losses and related deferred taxes in the amount of 5,492 thousand euros (previous year: gain of 42 thousand euros), resulting in a net negative balance of 5,805 thousand euros as of December 31, 2014 (previous year: −313 thousand euros).

6.12 Disbursed and proposed dividends

As in the previous year, no dividends were disbursed by the parent company during the year under review. A dividend distribution will not be recommended at the shareholders meeting.

6.13 Interest-bearing loans and borrowings

	Non-current		Current		Total	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Interest-bearing, secured bank loans	481,186	458,241	27,208	25,339	**508,394**	**483,580**
Finance costs	(5,892)	(9,300)	(4,851)	(3,410)	**(10,743)**	**(12,710)**
Mezzanine financing	0	0	0	10,000	**0**	**10,000**
Overdraft facilities	0	0	244	813	**244**	**813**
Lease liabilities	12,890	16,176	7,477	7,478	**20,367**	**23,654**
Derivative financial instruments	0	1,101	546	1,239	**546**	**2,340**
Other	106	188	9	385	**115**	**573**
Total	**488,290**	**466,406**	**30,633**	**41,844**	**518,923**	**508,250**

As of January 24, 2012, SYNLAB HOLDING and various subsidiaries refinanced outstanding bank loans, concluding a new loan agreement with a volume of 395,000 thousand euros and an uncommitted acquisition facility agreement for 75,000 thousand euros. This senior facilities agreement comprises committed facilities consisting of an amortizing tranche A1 in the amount of 115,000 thousand euros, and another tranche A2 due at final maturity in the amount of 160,000 thousand euros. In addition, further committed tranches for refinancing mezzanine loans and a revolving credit facility of 25,000 thousand euros were granted. On March 28, 2013 the Company agreed on the drawdown under this credit agreement of another tranche B2 on June 28, 2013 in the amount of 75,000 thousand euros, and re-designation of certain portions of tranches A2 and A3 and of the acquisition committed facility to a new tranche B1 in the amount of 105,261 thousand euros. On December 18, 2013, it was further agreed to change the credit agreement to allow for converting 69.17% of the amortizing tranche A1 to tranche A5 due at final maturity as of January 31, 2014. In 2014, two additional tranches of the revolving credit facility in the amount of 10,000 thousand euros and of the previously uncommitted acquisition facility in the amount of 110,000 thousand euros were transferred to other credit lines already open, which, as of the balance sheet date, had been drawn upon in the nominal amounts of 7,000 thousand and 30,000 thousand euros, respectively.

The credit facility agreement was concluded for euro amounts, but amounts may also be drawn in tranches in Swiss francs or Czech crowns, or by request in another freely convertible currency approved by the agent. The exchange rate is fixed at the time of disbursement. Interest rates are based on the one-month Euribor, the three-month Libor, or the three-month Pribor rate. The current margin for tranche A1 and the revolving credit facility is 4.25%, while all other tranches have a margin of 4.75%. Margin changes depend on changes in certain financial covenants.

All facilities have a maturity date of January 24, 2017; facility A1 tranches are repayable in semi-annual installments ranging between 9.0% and 10.5% of the nominal amount.

Between 50% and 100% of interest accruing for the facilities A1 to A4 is to be secured through a supplementary hedging contract.

Expenses incurred in 2012 through refinancing in the amount of 13,028 thousand euros were capitalized as financing cost pursuant to IAS 39, and will be amortized over the term of the loan agreement. In 2013, further transaction costs in the amount of 7,503 thousand euros were incurred due to the facility agreement changes and pledging. This amount was partly allocated to the new tranches and partly to the original tranches as subsequent acquisition expenses. In 2014, further transaction costs in the amount of 1,045 thousand euros were capitalized.

The Group assumed a mezzanine financing agreement through the acquisition of synlab Services Group in the amount of 10,000 thousand euros. Profit participation rights of the type 'equiNotes-Instrument Type A*' (profit participation rights capital II) were made available to FORCE 2005-1 LIMITED PARTNERSHIP on November 30, 2006, and contributed to the company as of January 1, 2010. The profit participation rights capital II is recorded in the amount of 10,000 thousand euros under "Interest-bearing loans and borrowings". The company was obligated to pay the profit participation rights holder a return of 6.5% p.a. on the nominal amount of the profit participation rights capital until the agreed maturity on December 30, 2013, plus variable interest of 0.25% p.a., contingent on profitable ordinary operations. The capital to be repaid for the profit participation rights corresponds to the nominal amount on the start date. Participation in losses was not contractually agreed. Ordinary termination rights for the parties were not provided for. Claims to payment based on the profit participation rights were subordinate to current and future claims of all creditors of the company not fulfilling the criteria for equity according to the accounting principles of German Commercial Code, and equal in priority to current and future claims that fulfill these criteria. The subordination did not apply to claims from profit participation rights which arise or become due in the absence of insolvency or liquidation of the company. Servicing of the profit participation rights was not restricted to future revenues or profits. The agreed repayment date was December 31, 2013. However, the bank only debited the repayment on January 2, 2014.

6 Information on the consolidated statement of financial position (Continued)

The following table shows the calculation of total liquidity as the sum of the freely accessible credit facilities, measured at the rate on the initial borrowing date, plus cash and cash equivalents.

	December 31, 2014				
	Amount drawn down measured at the rate on the reporting date	Amount drawn down measured at the rate on the initial borrowing date	Agreed credit facility measured at the rate on the initial borrowing date	Cash and cash equivalents	Total liquidity
	KEUR	KEUR	KEUR	KEUR	KEUR
A1 synlab Suisse SA	5,844	5,843	5,843	0	0
A1 synlab Czech s.r.o.	1,428	1,571	1,571	0	0
A1 synlab services GmbH	8,512	8,512	8,512	0	0
A1 synlab Holding Austria GmbH	1,269	1,269	1,269	0	0
A2 synlab Holding GmbH	25,847	25,847	25,847	0	0
A2 synlab Czech s.r.o.	28,653	31,523	31,523	0	0
A2 synlab services GmbH	27,402	27,402	27,402	0	0
A2 synlab Holding Austria GmbH	6,206	6,206	6,206	0	0
RCF synlab services GmbH	10,000	10,000	10,000	0	0
ACF synlab services GmbH	2,855	2,855	2,855	0	0
ACF synlab Holding GmbH	28,892	28,892	28,892	0	0
ACF synlab Czech s.r.o.	6,997	7,673	7,673	0	0
A3 synlab services GmbH	4,355	4,355	4,355	0	0
UAF synlab Holding GmbH	90,000	90,000	170,000	0	80,000
ACF synlab Suisse SA	5,046	4,994	4,994	0	0
B1 synlab Holding GmbH	60,396	60,396	60,396	0	0
B1 synlab services GmbH	44,865	44,865	44,865	0	0
RCF synlab Holding GmbH	10,000	10,000	20,745	0	10,745
B2 synlab Holding GmbH	75,000	75,000	75,000	0	0
A4 synlab services GmbH	10,000	10,000	10,000	0	0
A5 synlab Suisse SA	18,788	18,825	18,825	0	0
A5 synlab Czech s.r.o.	4,591	5,051	5,051	0	0
A5 synlab services GmbH	27,367	27,367	27,367	0	0
A5 synlab Holding Austria GmbH	4,081	4,081	4,081	0	0
	508,394	**512,527**	**603,272**	**0**	**90,745**
Overdraft facilities	244	0	1,000	87,240	86,996
Total	**508,638**	**512,527**	**603,272**	**87,240**	**177,741**

6 Information on the consolidated statement of financial position (Continued)

	December 31, 2013				
	Amount drawn down measured at the rate on the reporting date	Amount drawn down measured at the rate on the initial borrowing date	Agreed credit facility measured at the rate on the initial borrowing date	Cash and cash equivalents	Total liquidity
	KEUR	KEUR	KEUR	KEUR	KEUR
A1 synlab Suisse SA	26,604	27,157	27,157	0	0
A1 synlab Czech s.r.o.	6,711	7,303	7,303	0	0
A1 synlab services GmbH	39,565	39,565	39,565	0	0
A1 synlab Holding Austria GmbH	5,900	5,900	5,900	0	0
A2 synlab Holding GmbH	25,847	28,547	25,847	0	0
A2 synlab Czech s.r.o.	28,966	31,523	31,523	0	0
A2 synlab services GmbH	27,402	27,402	27,402	0	0
A2 synlab Holding Austria GmbH	6,206	6,206	6,206	0	0
RCF synlab services GmbH	10,000	10,000	10,000	0	0
ACF synlab services GmbH	2,855	2,855	2,855	0	0
ACF synlab Holding GmbH	28,892	28,892	28,892	0	0
ACF synlab Czech s.r.o.	7,074	7,698	7,698	0	0
A3 synlab services GmbH	4,355	4,355	4,355	0	0
UAF synlab Holding GmbH	60,000	60,000	60,000	0	0
ACF synlab Suisse SA	4,942	5,045	5,045	0	0
B1 synlab Holding GmbH	60,396	60,396	60,396	0	0
B1 synlab services GmbH	44,865	44,865	44,865	0	0
RCF synlab Holding GmbH	8,000	8,000	10,961	0	2,960
B2 synlab Holding GmbH	75,000	75,000	75,000	0	0
A4 synlab services GmbH	10,000	10,000	10,000	0	0
	483,580	**490,709**	**490,970**	**0**	**2,960**
Mezzanine financing	10,000	10,000	10,000	0	0
Overdraft facilities	813	0	1000	64,579	64,767
Total	**494,393**	**500,709**	**501,970**	**64,579**	**67,727**

At the reporting date, the following amounts had been drawn down from facilities denominated in foreign currencies:

		12/31/2014
	Currency	Amount drawn down, measured at the rate on the reporting date
		KEUR
A1 synlab Czech s.r.o.	CZK	1,428
A1 synlab Suisse SA	CHF	5,844
A2 synlab Czech s.r.o.	CZK	28,653
ACF synlab Suisse SA	CHF	5,046
ACF synlab Czech s.r.o.	CZK	6,997
A5 synlab Suisse SA	CHF	18,788
A5 synlab Czech s.r.o.	CZK	4,591
Total		**71,347**

	Currency	12/31/2013 Amount drawn down, measured at the reporting date rate
		KEUR
A1 synlab Suisse SA	CHF	26,604
ACF synlab Suisse SA	CHF	4,942
A1 synlab Czech s.r.o.	CZK	6,711
A2 synlab Czech s.r.o.	CZK	28,966
ACF synlab Czech s.r.o.	CZK	7,074
Total		**74,297**

Under the Senior Facilities Agreement, the Group pledged all shares held in the following companies, thus making these companies jointly and severally liable: synlab Holding GmbH, synlab Services GmbH, synlab Verwaltungs und Beteiligungs GmbH, synlab Holding Austria GmbH, synlab Suisse SA, synlab Slovakia s.r.o., Steinlach-Klinik GmbH, AMS analyses médicales services SA, Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL, Synlab Hungary Kft., Institut für medizinische und chemische Labordiagnostik mbH, synlab czech s.r.o., synlab genetics s.r.o.; synlab Holding Italy S.r.l; Synlab Italia S.r.l., synlab Holding Finland Oy, synlab Finland Oy, synlab Medizinisches Versorgungszentrum Leverkusen GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medizinisches Versorgungszentrum Augsburg GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab.vet GmbH and synlab Umweltinstitut GmbH, synlab Labor München Zentrum GbR, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH.

6.14 Pensions and similar obligations

The provisions for pensions, and other post-employment benefits as described below and reported in the IFRS consolidated statement of financial position as of December 31, 2014 were calculated by an actuary and substantiated in an actuarial expert opinion, unless otherwise indicated.

6.14.1 Obligations in Switzerland

Pension obligations

Swiss statutes require the Group to provide occupational pension schemes for employees and pay contributions into pension funds. The Group fulfills this obligation by way of a defined benefit plan. Due to regional legal differences it may be necessary to make supplementary payments for some employees when they retire. Pension obligations and current service cost were calculated using the projected unit credit method, applying a discount rate of 1.19% (previous year: 2.25%) and a salary increase rate of 2.00% (previous year: 2.00%). The staff turnover discount as per the Swiss Federal Law on Occupation Retirement (BVG 2010) was between 1.29% and 24.16% (previous year: 1.29% and 24.16%). Mortality, invalidity and withdrawal probabilities were calculated in accordance with BVG 2010.

Long-service awards

Long-services award commitments in Switzerland are based on collective or other agreements granting employees long-term claims depending on their remuneration levels and duration of service. Provisions for long-service awards were calculated applying a discount rate of 1.19% (previous year: 2.25%), a salary increase rate of 2.00% (previous year: 2.00%), and a staff turnover rate per BVG 2010 of between 1.29% and 24.16% (previous year: between 1.29% and 24.16%).

6.14.2 Obligations in Germany

Pension obligations

The Group assumed pension obligations from a defined benefit plan for ten executive staff in the course of the acquisition of MVZ Leverkusen Group. The obligations include comprehensive old-age pensions, early retirement, survivors' and invalidity pensions. Pension claims accrue based on years of service and annual salary levels.

As part of the asset deal concluded by synlab Umweltinstitut GmbH for another two laboratories in Germany (Hürth-Knapsack and Wiesbaden, Hürth and Wiesbaden), the Group assumed obligations for old-age pensions, early retirement, survivors' and invalidity pensions. The defined benefit plan includes basic pensions and complementary schemes. For basic pensions, salary-related contributions are deducted from the employee's salary and transferred to external pension plan providers (pension funds). Under certain circumstances the company may alternatively assume direct responsibility for part of the basic pension. The complementary scheme is a defined benefit plan in which benefits accrue based on years of service and salary levels.

The calculation is based on a discount rate of 2.50% (previous year: 3.80%) and a pension increase trend of 1.50% (previous year: 1.50%). Salary increases were assumed at a rate of 2.00% (previous year: 2.00%) and the assessment limit increase at 2.00% (previous year: 2.00%). The biometric probability of events such as death, invalidity and marriage and the collective age differences between spouses were applied in accordance with the reference guidelines published by Dr. Klaus Heubeck from 2005 ("Richttafeln 2005 G"). The age at expiry of financing was the earliest possible pensionable age pursuant to German pension statutes, i.e. according to the Pension Insurance—Retirement Age Adjustment Act (RV-Altersgrenzenanpassungsgesetz). For MVZ Synlab Leverkusen GmbH staff turnover rates of 1.00% to 8.00% (previous year: 1.00% to 8.00%) were factored in, and for synlab Umweltinstitut GmbH staff turnover rates of 0.05% to 12.50% (previous year: 0.05% to 12.50%) were applied.

Death grants and year-end payments

As outlined above, synlab Umweltinstitut GmbH assumed pension obligations as part of an asset deal for another two laboratories in Germany (Knapsack). The Group thus assumed additional obligations to continue salary payments in case of death and year-end payments. Basic pensions form the basis for calculating the company's salary-related defined benefit plan obligations for continued salary payments in case of death and the year-end payment at retirement. Calculation parameters are the same as for calculating pension obligations.

Phased retirement program obligations

Under phased retirement agreements pursuant to the Phased Retirement Act (AltTZG) the Group is required to pay compensation and 'top-up' amounts plus other ancillary payments to those employees covered by agreement. The calculations were made based on a discount rate of 0.60% (previous year: 1.25%) and a salary increase rate of 2.00% (previous year: 2.00%). The biometric probability of events such as death and invalidity was taken from the reference guidelines published by Dr. Klaus Heubeck from 2005 ("Richttafeln 2005 G").

Long-service awards

Provisions for long-service award obligations were based on the biometric probability of events such as death and invalidity taken from the reference guidelines published by Dr. Klaus Heubeck from 2005 ("Richttafeln 2005 G"). The calculations were made based on a discount rate of 2.50% (previous year: 3.80%) and salary increases of 2.00% (previous year: 2.00%). Staff turnover rates of 7.00% (previous year: 7.00%) were applied.

6.14.3 Obligations in Italy

Severance pay obligations

Pursuant to the 1982 statutory regulations (Trattamento di Fine Rapporto, TFR), employees in Italy are entitled to a onetime severance payment when they leave the company. The amount depends on the employee's term of service and salary level. The company has recorded provisions for these entitlements accordingly. At the beginning of 2007, the statutory regulations were revised to the effect that a company is obligated to record provisions for severance payment obligations for up to 50 employees. If a company has more than 50 employees, it is obligated to contribute to a provision fund for those employees entitled to severance payments, these funds being disbursable to the employee upon leaving the company. Company obligations arising before 2007 are exempt and remain in the company. When calculating provisions thus relating to the defined benefit portion of the plan, neither the 17% (previous year: 11%) tax deduction on index-related adjustments of the TFR nor the 0.50% social security payments to the INPS insolvency fund are included. Calculations are made applying an assumed inflation rate of 2.00% (previous year: 2.00%), a discount rate of 2.00% (previous year: 3.10%), and a staff turnover rate of 5.00% (previous year: 5.00%). The mortality rate was calculated based on RG48, the invalidity rate on the basis of INPS. The average retirement age was assumed to be 66 years. For the two new Italian acquisitions (Laboratorio Analisi per la Diagnostica Medica—IV Miglio S.r.l., and Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C.), a provision in the amount of 115 thousand euros was calculated applying methods of mathematical finance.

6.14.4 Obligations in Austria

Severance pay obligations

Statutory regulations require the Group to pay one-time severance payments in the case of retirement, and in some cases upon early ending of employment as well. These payments depend on term of service and the salary received by the employee. These statutory regulations govern all employment agreements commencing prior to January 1, 2003. They are calculated using a discount rate of 1.80% (previous year: 3.1%) and a salary increase rate of 2.00% to 2.70% (previous year: 2.70%). The staff turnover discount remained at the previous year's levels, i.e. between 0.00% and 6.50%. The AVÖ 2008-P "mixed" Pagler & Pagler calculation basis for pension insurance was used as a biometric basis. The computational retirement age was the earliest possible payment date for pension distribution pursuant to the 2004 pension reform, taking the transitional arrangements into consideration. For female members with accrued credits the computational retirement age corresponding to the Federal Constitutional Law on Different Retirement Ages of Men and Women under Social Security (Bundesverfassungsgesetz über die unterschiedliche Altersgrenzen von männlichen und weiblichen Sozialversicherten) was increased step-by-step. If retirement age has already been reached by the valuation date, retirement is assumed to start 6 months after the calculation date. Accrued entitlements to payments to survivors were determined according to the collective method.

Long-service awards

Provisions for long-service awards are accrued for claims based on collective agreements or long-term claims based on other employee agreements depending on the duration of service with the company in accordance with IAS 19. Provisions for long-service awards factored in payroll taxes of 7.90% (previous year: 7.90%). Furthermore, the same calculation parameters as for calculating severance pay obligations were applied.

6.14.5 Other obligations

Severance pay obligations

In the Slovak Republic, the Group is legally obligated to make a one-time salary-based severance payment to a retiring employee. Provisions for this defined benefit plan have been recorded in the amount of 61 thousand euros (previous year: 53 thousand euros). The calculations were made based on a discount rate of 2.00% (previous year: 3.10%) and a salary increase rate of 1.80% (previous year: 2.00%). Staff turnover rates of 2.50% to 4.00% (previous year: 2.50% to 4.00%) were factored in. The retirement age was assumed to be 62 to 64 years.

Pursuant to statutory regulations, employees in the United Arab Emirates are entitled to a one-time severance payment when they leave the Company. The amount depends on the employee's term of service and salary level. As of December 31, 2014 the corresponding provisions amounted to 427 thousand euros (previous year: 273 thousand euros). The calculation was based on a discount rate of 3.80% and a salary increase rate of 5.00%. A staff turnover rate of 5.00% was factored in.

Top-up payments at early retirement

In Belgium, employees may take early retirement from the age of 60 if certain requirements are met. If the conditions are met, the Group is legally obligated to pay salary-related top-ups until these employees reach the statutory retirement age of 65. As of December 31, 2014 the corresponding provisions amounted to 67 thousand euros (previous year: 87 thousand euros). The mortality rate was calculated on the basis of the Belgian mortality tables MR/FR 5. The calculation was based on a discount rate of 1.20% and a salary increase rate of 1.50%.

6 Information on the consolidated statement of financial position (Continued)

6.14.6 Overview of pensions and similar obligations

The change in pensions and similar obligations was as follows.

	2014					
	Switzerland	**Italy**	**Germany**	**Austria**	**Other**	**Total**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
A. Changes in pensions and similar obligations						
Net present value of defined benefit obligations (DBO) at the beginning of the period	31,362	2,443	1,242	972	413	36,432
Changes in the scope of consolidation	2,166	608	0	0	0	2,774
Service cost	1,499	53	71	58	57	1,738
Interest cost	726	73	31	29	17	876
Employee contributions	1,005	0	0	0	0	1,005
Benefits paid	4,278	(228)	(313)	(7)	(34)	3,696
Insurance premiums	(350)	0	0	0	0	(350)
Plan curtailment	(52)	0	0	0	0	(52)
Revaluations	6,909	147	16	41	57	7,170
Exchange rate differences	810	0	0	0	45	855
Net present value of defined benefit obligations at the end of the period	**48,353**	**3,096**	**1,047**	**1,093**	**555**	**54,144**
B. Plan assets available measured at market values						
Plan assets at the beginning of the period	24,995	0	0	0	0	24,995
Changes in the scope of consolidation	1,754	0	0	0	0	1,754
Interest income	599	0	0	0	0	599
Employer contributions	1,005	0	0	0	0	1,005
Employee contributions	1,005	0	0	0	0	1,005
Benefits paid	4,323	0	0	0	0	4,323
Insurance premiums	(350)	0	0	0	0	(350)
Revaluations (income from plan assets, excluding amounts included in interest cost)	543	0	0	0	0	543
Exchange rate differences	608	0	0	0	0	608
Plan assets at the end of the period	**34,482**	**0**	**0**	**0**	**0**	**34,482**
C. Balance sheet provisions						
Net present value of defined benefit obligations (DBO) at the end of the period	48,353	3,096	1,047	1,093	555	54,144
Net present value of plan assets at the end of the period	(34,482)	0	0	0	0	(34,482)
Balance sheet provisions at year-end	**13,871**	**3,096**	**1,047**	**1,093**	**555**	**19,662**
D. Composition of expenses for defined benefit plans and similar obligations						
thereof recorded in the profit or loss for the period						
Service cost	1,499	53	71	58	57	1,738
Interest cost	127	73	31	29	17	277
Effects of plan settlements/ plan curtailments	(52)	0	0	0	0	(52)
Revaluation of other long-term obligations	(65)	0	(61)	(2)	(2)	(130)
Total annual net expense	**1,509**	**126**	**41**	**85**	**72**	**1,833**
thereof recorded in other comprehensive income						
Actuarial gains/losses from changes in demographic assumptions	0	0	0	0	0	0
Actuarial gains/losses from changes in financial assumptions	6,576	280	79	111	64	7,110
Adjustments based on past experience	398	(134)	(2)	(68)	(5)	189
Income/expenses from plan assets, excluding amounts included in interest cost	(543)	0	0	0	0	(543)
Total annual amount recorded in other comprehensive income	**6,431**	**146**	**77**	**43**	**59**	**6,756**
Total annual expenses for pensions and similar obligations	**7,940**	**272**	**118**	**128**	**131**	**8,589**

6 Information on the consolidated statement of financial position (Continued)

	2013					
	Switzerland	Italy	Germany	Austria	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
A. Changes in pensions and similar obligations						
Net present value of defined benefit obligations (DBO) at the beginning of the period	26,655	2,282	1,335	791	65	31,128
Changes in the scope of consolidation	3,907	280	164	0	248	4,599
Service cost	1,217	47	114	49	129	1,556
Interest cost	598	75	49	33	2	757
Employee contributions	1,003	0	0	0	0	1,003
Benefits paid	(888)	(219)	(397)	(12)	(1)	(1,517)
Insurance premiums	(367)	0	0	0	0	(367)
Plan curtailment	45	0	0	0	(23)	22
Revaluations	(303)	(22)	(23)	111	5	(232)
Exchange rate differences	(505)	0	0	0	(12)	(517)
Net present value of defined benefit obligations at the end of the period	**31,362**	**2,443**	**1,242**	**972**	**413**	**36,432**
B. Plan assets available measured at market values						
Plan assets at the beginning of the period	20,995	0	0	0	0	20,995
Changes in the scope of consolidation	3,282	0	0	0	0	3,282
Interest income	492	0	0	0	0	492
Employer contributions	1,003	0	0	0	0	1,003
Employee contributions	1,003	0	0	0	0	1,003
Benefits paid	(855)	0	0	0	0	(855)
Insurance premiums	(367)	0	0	0	0	(367)
Revaluations (income from plan assets, excluding amounts included in interest cost)	(157)	0	0	0	0	(157)
Exchange rate differences	(401)	0	0	0	0	(401)
Plan assets at the end of the period	**24,995**	**0**	**0**	**0**	**0**	**24,995**
C. Balance sheet provisions						
Net present value of defined benefit obligations (DBO) at the end of the period	31,362	2,443	1,242	972	413	36,432
Net present value of plan assets at the end of the period	(24,995)	0	0	0	0	(24,995)
Balance sheet provisions at year-end	**6,367**	**2,443**	**1,242**	**972**	**413**	**11,437**
D. Composition of expenses for defined benefit plans and similar obligations thereof recorded in the income statement for the period						
Service cost	1,217	47	114	49	129	1,556
Interest expense	107	75	49	33	2	266
Effects of plan settlements/ plan curtailments	45	0	0	0	(23)	22
Revaluation of other long-term obligations	(31)	0	(27)	11	0	(47)
Total annual net expense	**1,338**	**122**	**136**	**93**	**108**	**1,797**
thereof recorded in other comprehensive income						
Actuarial gains/losses from changes in demographic assumptions	0	0	0	0	0	0
Actuarial gains/losses from changes in financial assumptions	(1,028)	43	11	85	3	(886)
Adjustments based on past experience	757	(65)	(7)	15	2	702
Income/expenses from plan assets, excluding amounts included in interest cost)	157	0	0	0	0	157
Total annual amount recorded in other comprehensive income	**(114)**	**(22)**	**4**	**100**	**5**	**(27)**
Total annual expenses for pensions and similar obligations	**1,224**	**100**	**140**	**193**	**113**	**1,770**

Current service cost, effects of plan settlements and plan curtailments, and revaluation of other long-term obligations were included in the amounts recorded in "Personnel expenses"; interest costs were included in the respective expense items.

6 Information on the consolidated statement of financial position (Continued)

The fair value of plan assets breaks down by asset classes as follows; all fair values are quoted on active markets.

	2014	2013
	KEUR	KEUR
Cash and cash equivalents	1,106	3,050
Equity instruments	15,551	6,853
Debt instruments	13,129	6,470
Real estate	4,151	5,877
Other	545	2,745
	34,482	**24,995**

Plan assets do not contain the Company's own financial instruments, real estate held for the Company's own use, or any other assets used by the Company.

The Group expects to pay contributions to defined benefit plans for fiscal year 2014 in the amount of 1,375 thousand euros (previous year: 1,053 thousand euros).

The following sensitivity analysis shows the impact on net present value of the defined benefit obligations if the most important actuarial assumptions were to change.

	Changed by	Impact on DBO amount
		KEUR
Salary reductions	−0.50%	53,698
Salary increases	0.50%	54,450

	Changed by	Impact on DBO amount
		KEUR
Discount rate	−0.50%	58,945
Discount rate	0.50%	50,038

The following defined benefit plan payments are expected to be disbursed in the next years:

	KEUR
Within the next 12 months	802
In 2 years	864
In 3 years	1,012
In 4 years	1,268
In 5 years	1,329
In the 5 years thereafter	9,291

The average duration of all post-employment benefit payments in the countries listed below is as follows:

(in years)	Switzerland	Italy	Germany	Austria	Other
as of 12/31/2013	13	10	19	10	5
as of 12/31/2014	17	11	20	10	9

6.15 Other provisions

	Contingent consideration	Onerous contracts	Others	Total
	KEUR	KEUR	KEUR	KEUR
Balance as of January 1, 2014	**15,533**	**1,194**	**8,582**	**25,309**
Change in the scope of consolidation	0	0	318	318
Foreign currency translation	(3)	0	(18)	(21)
Additions	4,691	2,600	3,701	10,992
Utilization	(3,284)	(1,194)	(3,116)	(7,594)
Reversals	(8,908)	0	(4,119)	(13,027)
Unwinding of discounts	98	0	(3)	95
Balance as of December 31, 2014	**8,127**	**2,600**	**5,345**	**16,072**
Thereof current	7,686	1,595	3,654	12,935
Thereof non-current	441	1,005	1,691	3,137

	Contingent consideration	Onerous contracts	Others	Total
	KEUR	KEUR	KEUR	KEUR
Balance as of January 1, 2013	**15,691**(*)	**3,004**	**8,187**	**26,882**(*)
Change in the scope of consolidation	0	0	418	418
Foreign currency translation	9	0	(18)	(9)
Additions	15,362	0	3,866	19,228
Utilization	(16,100)	(1,895)	(2,833)	(20,828)
Reversals	0	0	(1,028)	(1,028)
Unwinding of discounts	571	85	(10)	646
Balance as of December 31, 2013	**15,533**	**1,194**	**8,582**	**25,309**
Thereof current	2,813	1,194	6,457	10,464
Thereof non-current	12,720	0	2,125	14,845

Additions to provisions for contingent consideration are attributable to the Italian acquisition Mater Dei S.r.l. in the amount of 2,455 thousand euros, and to the acquisition of INTERLAB in the amount of 2,000 thousand euros. Utilization of these provisions is expected during fiscal year 2015. Contingent consideration in the amount of 441 thousand euros attributable to acquisitions in Switzerland and the Czech Republic will probably be disbursed in the first quarter of 2016.

The major part of the contingent consideration disbursement is for the reduced revenue-based earn-out in the acquisition of synlab Finland OY in 2013. The related provision reversal totals 8,557 thousand euros. Provisions allocated in 2013 for contingent consideration in the acquisition of synlab Finland OY totaled 14,434 thousand euros. In the previous year, utilization of provisions for the acquisition of synlab Finland OY was estimated at roughly 2,700 thousand euros in June 2014 and roughly 11,830 thousand euros in June 2015. The remaining amount is expected to be disbursed by June 2015.

Also, provisions for contingent consideration in the 2013 acquisition of Med. Labor Olten MLO AG were reversed in the amount of 342 thousand euros. These were recognized in the previous year in the amount of 815 thousand euros.

Contingent consideration in the amount of 2,671 thousand euros was disbursed to the sellers of synlab Finland OY and in the amount of 473 thousand euros to the sellers of Med. Labor Olten MLO AG, utilizing the respective provisions accordingly.

Provisions for onerous contracts from previous year were fully utilized in 2014. New provisions in the amount of 2,600 thousand euros were allocated for onerous contracts from the hospital business, which will be utilized during fiscal year 2015 in the amount of 1,595 thousand euros. The remaining amount totaling 1,005 thousand euros will probably be disbursed by mid-2017.

As in the previous year, allocations to and utilization of "miscellaneous" other provisions concern various business issues across all companies. Provisions for restructuring expenses accrued in the previous year were mainly utilized. Most reversals of provisions (1,981 thousand euros) were for legal expenses in a dispute with a supplier.

6 Information on the consolidated statement of financial position (Continued)

6.16 Other financial liabilities

	Non-current		Current		Total	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Purchase price obligations	824	1,419	14,478	5,986	**15,302**	**7,405**
Liabilities from salaries and social security payments	0	0	14,560	14,362	**14,560**	**14,362**
Non-controlling interests in partnerships	3,210	1,086	1,011	2,845	**4,221**	**3,931**
Liabilities from VAT and other taxes .	0	82	4,501	4,307	**4,501**	**4,389**
Other	547	431	1,245	269	**1,792**	**700**
Total	**4,581**	**3,018**	**35,795**	**27,769**	**40,376**	**30,787**

Purchase price obligations include outstanding payments from acquisitions in Belgium, Switzerland, the Czech Republic, Italy and Hungary as well as from acquisitions of various laboratories in Germany. Please also refer to the information in section 4. In addition, current liabilities include obligations from cooperation agreements in Switzerland and the Czech Republic.

Non-controlling interests in partnerships include the partnership exit claims of non-controlling shares in Medizinisches Versorgungszentrum Labor München Zentrum GbR.

6.17 Other liabilities

Other liabilities break down as follows:

	12/31/2014	12/31/2013
	KEUR	KEUR
Liabilities to employees	6,481	5,887
Liabilities to related parties	3,840	6,365
Liabilities to customers	2,493	611
Deferred income	728	762
Other	1,383	2,566
Total	**14,925**	**16,191**

The increase in customer overpayments derives from the acquisition of INTERLAB and the respective customer loans for pre-financing commissioned clinical trials.

Liabilities to employees principally concern accrued overtime pay and vacation pay.

7 Financial instruments and financial risk management

The carrying amounts, amounts recognized and fair values by valuation categories are as follows:

	December 31, 2014						
	Amounts recognized in the statement of financial position according to IAS 39						
	Valuation categories pursuant to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized directly in equity	Fair value recognized through profit or loss	Value recognized pursuant to IAS 17	Fair value
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Assets		**220,673**	**220,616**	**54**	**3**	**0**	**220,673**
Cash and cash equivalents	LaR	87,240	87,240	0	0	0	87,240
Trade receivables	LaR	119,692	119,692	0	0	0	119,692
Other non-current financial *assets*							
Non-current receivables	LaR	1,285	1,285	0	0	0	1,285
Equity investments	*AfS*	*54*	*0*	*54*	*0*	*0*	*54*
Derivatives not used as hedges	AtFVPL	3	0	0	3	0	3
Other current financial assets (less prepaid expenses)	LaR	12,399	12,399	0	0	0	12,399
Liabilities and shareholders' equity		**637,268**	**612,134**	**0**	**4,767**	**20,367**	**648,011**
Trade payables	FLAC	77,969	77,969	0	0	0	77,969
Interest-bearing loans and borrowings							
Interest-bearing bank loans / overdraft facilities	FLAC	497,895	497,895	0	0	0	508,638
Liabilities from finance leases	n.a.	20,367	0	0	0	20,367	20,367
Derivatives not used as hedges	FLHfT	546	0	0	546	0	546
Other	FLAC	115	115	0	0	0	115
Other financial liabilities:							
Non-controlling interests in a partnership (puts on NCI)	FLHfT	4,221	0	0	4,221	0	4,221
Other	FLAC	36,155	36,155	0	0	0	36,155
Thereof aggregated according to valuation category pursuant to IAS 39							
Loans and receivables	LaR	220,616	220,616	0	0	0	220,616
Financial assets available for sale	AfS	54	0	54	0	0	54
Financial liabilities valued at amortized cost	FLAC	612,134	612,134	0	0	0	622,877
Financial liabilities available for sale	FLHfT	4,767	0	0	4,767	0	4,767
Financial assets recognized at fair value through profit or loss	AtFVPL	3	0	0	3	0	3

7 Financial instruments and financial risk management (Continued)

	December 31, 2013						
	Amounts recognized in the balance sheet per IAS 39						
	Valuation categories pursuant to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized directly in equity	Fair value recognized through profit or loss	Value recognized pursuant to IAS 17	Fair value
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Assets		**198,154**	**198,100**	**53**	**1**	**0**	**198,154**
Cash and cash equivalents	LaR	64,579	64,579	0	0	0	64,579
Trade receivables	LaR	118,447	118,447	0	0	0	118,447
Other non-current financial assets							
Non-current receivables	LaR	1,491	1,491	0	0	0	1,491
Equity investments	AfS	53	0	53	0	0	53
Derivatives not used as hedges	AtFVPL	1	0	0	1	0	1
Other current financial assets (less prepaid expenses)	LaR	13,583	13,583	0	0	0	13,583
Liabilities and shareholders' equity		**621,578**	**591,653**	**0**	**6,271**	**23,654**	**634,288**
Trade payables	FLAC	82,541	82,541	0	0	0	82,541
Interest-bearing loans and *borrowings*							
Interest-bearing bank loans/ overdraft facilities	FLAC	481,683	481,683	0	0	0	494,393
Liabilities from finance leases	n. a.	23,654	0	0	0	23,654	23,654
Derivatives not used as hedges	FLHfT	2,340	0	0	2,340	0	2,340
Other	FLAC	573	573	0	0	0	573
Other financial liabilities:							
Non-controlling interests in a partnership (puts on NCI)	FLHfT	3,931	0	0	3,931	0	3,931
Other	FLAC	26,856	26,856	0	0	0	26,856
Thereof aggregated according to valuation category pursuant to IAS 39							
Loans and receivables	LaR	198,100	198,100	0	0	0	198,100
Financial assets available for sale	AfS	53	0	53	0	0	53
Financial liabilities valued at amortized cost	FLAC	591,653	591,653	0	0	0	604,363
Financial liabilities available for sale	FLHfT	6,271	0	0	6,271	0	6,271
Financial assets recognized at fair value through profit or loss	AtFVPL	1	0	0	1	0	1

Cash and cash equivalents, trade receivables, and other current assets usually have residual maturity terms of less than one year. Their carrying amounts at the reporting date thus approximate their respective fair values. Any trade receivables for which allowances have been made are exclusively attributable to default and credit risk level 3, as the input factors for assessing the creditworthiness of these trade receivables are materially based on company-internal estimates. In part these have to do with classifications for trade receivables aging, the country of the debtor ("country-specific risks"), or a combination of the two, and are derived from historical data. Specific factors such as information regarding a customer's insolvency also play a role in such estimates. The value adjustment rate varies between 0.5% and 100%.

The fair value of other non-current receivables equals the present value of the asset-related payments, taking into account the respective current interest rate parameters which reflect the market and partner-related changes in expectations and terms and conditions.

Trade accounts payable and other liabilities usually have residual maturity terms of less than one year. Their carrying amounts thus approximate their respective fair values.

7 Financial instruments and financial risk management (Continued)

The fair values of interest-bearing loans and borrowings are determined as the present value of the liability-related payments, using the respective applicable yield curves and credit-spread curves for the respective currency. The fair value of derivative financial liabilities is measured using the mark-to-market method and interest rates congruent with the terms of the liabilities. These fair values are classified to hierarchy level 2.

The fair value of non-controlling interests in a partnership (puts on NCI) was measured based on the compensation formula set forth in the partnership agreement and in consideration of the Company's planning and market interest rates. The fair value thus measured is therefore classifiable to hierarchical level 3 per IFRS 13, and led to a charge against earnings in the amount of 796 thousand euros in the year under review (previous year: 1,006 thousand euros).

There was no change in classification in the past fiscal year.

	2014					
			From measurement subsequent to acquisition			
	From interest	From sale	At fair value	Exchange rate differences	Impairment	Net result
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Loans and receivables	621	0	0	(1,375)	(7,610)	**(8,364)**
Financial liabilities valued at amortized cost	(31,245)	0	0	306	0	**(30,939)**
Financial instruments held for trading	0	0	1,478	0	0	**1,478**
Financial instruments available for sale	0	22	0	0	(5)	**17**
Total	**(30,624)**	**22**	**1,478**	**(1,069)**	**(7,615)**	**(37,808)**

	2013					
			From measurement subsequent to acquisition			
	From interest	From charges	At fair value	Exchange rate differences	Impairment	Net result
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Loans and receivables	292	0	0	(678)	(7,585)	**(7,971)**
Financial liabilities valued at amortized cost	(31,249)	0	0	0	0	**(31,249)**
Financial instruments held for trading	0	(27)	1,985	0	0	**1,958**
Total	**(30,957)**	**(27)**	**1,985**	**(678)**	**(7,585)**	**(37,262)**

The components of the net result are recorded in finance income or finance costs, with the exception of impairments on trade receivables, which are recorded under "Other operating expenses".

The interest result from financial liabilities of the valuation category "Financial liabilities valued at amortized cost" principally include interest expenses arising from interest-bearing, secured loans.

Financial risks

As an international corporation, the SYNLAB GROUP is exposed to entrepreneurial and industry-specific risks. Managing risks and rewards is an integral part of Company and management decision-making.

In order to be properly prepared for competitive and market environment changes and efficiently manage the company's added value, the parent company has implemented a risk management system which is monitored by the Group management.

The risk management handbook and supplementary Group guidelines define the risk management processes, the limits to be observed and the use of financial instruments for risk management. The goal behind operating the risk management system is being able to recognize and evaluate any emerging risks. These identified risks are immediately communicated, managed, and monitored.

7 Financial instruments and financial risk management (Continued)

The chief risks to which the Group is exposed are liquidity, credit, interest rate and currency risks. Group risk management is aimed at containing risks arising as a result of business and financing activities. This is accomplished mainly by using derivative and non-derivative hedging instruments.

Liquidity risk

The liquidity risk of the Group has to do with the potential inability to fulfill current or future financial obligations due to lack of sufficient cash. Minimizing and managing liquidity risks are among the primary tasks of company management. The Group monitors its liquidity daily. In order to manage future liquidity needs, the Company uses an eight-week forecast prepared weekly, and a twelve-month rolling liquidity plan prepared on a monthly basis. Beyond that, management continually analyzes compliance with the covenants specified in the long-term loan agreement.

In addition to EBIT and EBITDA, monitoring the change in net working capital and cash flow is important in managing and optimizing the existing finance structure. The Group's goal is to maintain a balance between continuity of funding and ensuring flexibility by utilizing overdraft facilities, bank loans, finance leases, and lease-purchase agreements. To ensure the Group's liquidity, uncommitted overdraft facilities in the amount of 10,745 thousand euros (previous year: 2,960 thousand euros) were available as of December 31, 2014.

As a result of regular evaluations of risk concentration with respect to debt refinancing, the Group has come to the conclusion that this risk can be seen as low. In particular, the newly agreed Group-wide financing showed that financing sources are sufficiently available. Debt with a term of up to 12 months can be either paid off or extended with existing lenders on the basis of the current liquidity and capital flow planning.

The maturity structure of Group financial obligations is as follows:

	December 31, 2014			
	Residual maturity			
	up to 1 year	more than 1 and up to 5 years	more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans and borrowings	30,633	488,290	0	**518,923**
Trade payables	77,969	0	0	**77,969**
Other financial liabilities	35,795	1,665	2,917	**40,377**
Financial liabilities	**144,397**	**489,955**	**2,917**	**637,269**

	December 31, 2013			
	Residual maturity			
	up to 1 year	more than 1 and up to 5 years	more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans and borrowings	41,844	466,406	0	**508,250**
Trade payables	82,541	0	0	**82,541**
Other financial liabilities	27,769	2,935	83	**30,787**
Financial liabilities	**152,154**	**469,341**	**83**	**621,578**

7 Financial instruments and financial risk management (Continued)

The following tables show contractual (undiscounted) interest and principal payments for non-derivative financial liabilities and derivative financial instruments with negative fair value:

	Cash flows 2015			Cash flows 2016			Cash flows 2017 - 2019		
	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Interest- bearing loans and borrowings	(25,406)	(182)	(27,208)	(25,052)	(179)	(6,681)	(1,911)	(14)	(474.505)[1]
Interest bearing bank loans/ overdraft facilities	(5)	0	(244)	0	0	0	0	0	0
Lease liabilities	(586)	(103)	(7,556)	(329)	(87)	(5,206)	(263)	(61)	(7,569)
Derivatives not used as hedges	(546)	0	0	0	0	0	0	0	0
Other financial liabilities[2]	0	0	(35,795)	0	0	(1,819)	0	0	(1,455)

	Cash flows 2014			Cash flows 2015			Cash flows 2016 - 2018		
	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Interest- bearing loans and borrowings	(24,296)	(705)	(35,339)	(24,027)	(695)	(7,164)	(25,519)	(740)	(451,077)
Interest bearing bank loans/ overdraft facilities	(16)	0	(813)	0	0	0	0	0	0
Lease liabilities	(809)	(172)	(7,478)	(491)	(125)	(6,021)	(425)	(136)	(9,345)
Derivatives not used as hedges	(1,239)	0	0	(1,101)	0	0	0	0	0
Other financial liabilities[3]	0	0	(28,154)	0	0	(3,123)	0	0	0

(1) Redemption on January 24, 2017.

(2) Including "Other interest-bearing loans and borrowings".

(3) Including "Other interest-bearing loans and borrowings".

All instruments still held at the reporting date and for which payments were contractually agreed were included. Target figures are not taken into consideration with regard to future new liabilities. The cash flows from lease liabilities comprise the minimum lease payments and estimated variable lease payments (contingent rent). Amounts denominated in foreign currencies were translated at the respective spot price as of the reporting date. Variable interest payments from financial instruments were calculated using the interest rates last determined prior to the reporting date. Financial liabilities repayable at any time are always allotted to the earliest time slot. The amounts for derivative financial instruments presented correspond to the net undiscounted cash flows.

Credit risk

Financial instruments pose a default risk for the Group in that a business partner might not meet obligations in connection with a financial instrument or customer master agreement, potentially leading to financial losses. These include credit risks (in particular risks arising from trade receivables), as well as risks related to financing activities, including deposits at banks and financial institutions, currency transactions and other financial instruments.

Trade receivables

The risk of default on customer receivables is managed by the corresponding business unit, observing group guidelines, procedures and controls for customer default risk management. This means that all outstanding receivables from customers are regularly monitored and collected when overdue using a multi-step collections procedure. In doing so however, the Group business and related customer structure should be taken into account: On the one hand, the Group is unable to proactively minimize risk prior to transactions because it must fulfill its public service obligation. However, the Group receives well over a third of its revenues (34.26%, previous year: 30.25%) from business with health insurance providers which only pose a minor risk of default due to their structure as statutory health insurance companies or regional authorities.

Whenever any default risks are discernible with respect to financial assets, an impairment is recorded. The need for impairment is analyzed individually for major customers on each reporting date. In addition, a large number of small receivables are grouped and assessed collectively for impairment. The calculation is based on actual historical data. The maximum default risk as of the reporting date corresponds to the carrying amount of all financial asset classes reported in this section.

There is no evident default risk concentration from business relationships with individual customers, as customers reside in various countries and belong to very disparate customer groups, of which the greater part carries only a minimal default risk.

Financial instruments and deposits

The default risk for deposits with banks and financial institutes is managed in accordance with Group Treasury guidelines. The Company only invests surplus funds in approved business partners, and allocates such funds to the respective parties only within the scope of available credit lines. The credit limits for business partners are reviewed annually by management, and may be adjusted during the year if the situation so requires. Credit limits are set in order to minimize risk concentration, consequently keeping financial losses resulting from the potential default of a business partner as low as possible. The Group's maximum default risk for the statement of financial position items as of December 31, 2014 and 2013 is equal to the carrying amount of all classes of financial assets reported in this section.

The default risk related to derivative financial instruments is minimized by the fact that such transactions are conducted only with contractual partners with top credit ratings. For this reason, the general default risk in connection with derivative financial instruments used by the Group is deemed to be insubstantial.

Interest rate risk

The Group is exposed to interest rate risk due to its financing activities. In particular, market-induced interest rate fluctuations may impact the interest debt in connection with variable interest-bearing loans. Interest rate fluctuations affect the interest-related cash flow. The Group holds interest rate swaps, collars and caps to minimize the risk from variable cash flows or to convert these variable cash flows into fixed cash flows, and to hedge against interest rate fluctuations. As the Group capitalizes financial liabilities at amortized cost instead of at market value, there is no economic risk from changes of the carrying amount of the financial liabilities due to interest rate changes.

The Group bears interest rate risk mainly in the euro zone, in the Czech Republic, Hungary and in Switzerland.

In accordance with the Group's risk strategy and the approach taken in the previous year, no hedging relationships were recorded for variable interest loans and interest hedging instruments. Accordingly, these hedging relationships are recorded at fair value through profit or loss.

Pursuant to IFRS 7, the Group is required to use sensitivity analyses to present any relevant interest rate risks. These analyses show the effects of changes in market interest rates on interest payments, interest income and expense.

The following table illustrates the contractually agreed maturities of the swaps held for trading as of December 31, 2014:

Hedge instrument	Commences	Ends	Nominal volume	Local currency	Reference rate
			(KEUR)		
Swap	04/01/2012	03/31/2015	33,285	922,828 KCZK	2.70%
Swap	04/01/2012	06/30/2015	15,000		2.64%

The following table illustrates the contractually agreed maturities of the collars that are held for trading.

Hedge instrument	Commences	Ends	Nominal volume	Reference rate floor	Reference rate cap
			(KEUR)		
Collar	04/01/2012	03/31/2015	75,000	0.40%	2.00%
Collar	04/01/2012	03/31/2015	75,000	0.40%	2.00%

7 Financial instruments and financial risk management (Continued)

Interest rate sensitivity

The following table demonstrates the sensitivity of this portion of the loans to a change in interest rates which appears fundamentally possible based on sound business judgment, after the effect of hedging transactions. Assuming all other variables remain constant, the consolidated profit or loss for the year before taxes is affected as follows, due to the impact on variable-interest loans. There is only an immaterial effect on Group equity.

	Increase/decrease in basis points	Effect on profit/loss
		KEUR
2014	+100	(3,085)
	—(4)	—
2013	+100	(4,055)
	—(5)	—

(4) In view of currently low interest levels, a sensitivity analysis of even lower base rates was deemed unnecessary.

(5) In view of currently low interest levels, a sensitivity analysis of even lower base rates was deemed unnecessary.

The assumed basis point development in a sensitivity analysis of interest rates is based on the currently prevailing market environment.

Foreign currency risk

Foreign currency risk is the risk to which the fair value or future cash flows of a financial instrument are exposed due to exchange rate fluctuations. The Group is particularly exposed to foreign currency risks arising from its business activities and Company-internal financing in foreign currencies because revenues and/or expenses are, to a certain extent, denominated in currencies other than the Group's functional currency.

In order to manage foreign currency risks, the Group has arranged loans for net investments in foreign operations in those currencies in which the expected cash flows from these net investments will be generated.

Exchange rate fluctuation sensitivity

The following table demonstrates the sensitivity of the consolidated profit/loss for the year before taxes (due to changes in the fair value of the monetary assets and liabilities, including non-designated foreign currency derivatives) to fluctuations in the Czech crown, the Hungarian forint and the Swiss franc which appear fundamentally possible on the basis of sound business judgment. All other variables remain constant. The Group risk regarding exchange rate fluctuations in all other currencies is immaterial.

Based on past experience, the following scenarios have been developed for assessing sensitivity to exchange rate fluctuations:

2014

	Positive exchange rate trend Rate	Negative exchange rate trend Rate
Swiss franc	1.2000	0.8000
Czech crown	28.0000	25.0000
Hungarian forint	350.0000	270.0000

7 Financial instruments and financial risk management (Continued)

The effect on profit or loss before taxes is as follows:

	Changes due to positive exchange rate trend	Changes due to negative exchange rate trend
	KEUR	KEUR
Statement of financial position items with exchange rate risk		
Financial obligations	566	4,458
Trade receivables minus trade accounts payable	45	(5,177)
Cash and cash equivalents	(95)	544
Effect on profit or loss before tax in %	**1.16%**	**(0.40)%**

2013

	Positive exchange rate trend Rate	Negative exchange rate trend Rate
Swiss franc	1.3000	1.1000
Czech crown	28.0000	24.0000
Hungarian forint	320.0000	270.0000

The effect on profit or loss before taxes is as follows:

	Changes due to positive exchange rate trend	Changes due to negative exchange rate trend
	KEUR	KEUR
Statement of financial position items with exchange rate risk		
Financial obligations	(2,288)	4,953
Trade receivables minus trade accounts payable	495	(830)
Cash and cash equivalents	(62)	(18)
Effect on profit or loss before tax in %	**24.2%**	**(53.5)%**

8 Share-based payment

In 2010, the SYNLAB HOLDING shareholders resolved to allow certain members of the extended management of the SYNLAB GROUP to participate in the Group's success by granting them an indirect interest in SYNLAB HOLDING equity as part of their compensation package. This management participation program provides the individuals mentioned above the possibility as limited partners (*Kommanditisten*) to purchase a certain amount of shares in synlab Management-Beteiligungs GmbH & Co. KG, a company outside the scope of consolidation of SYNLAB HOLDING, which holds a maximum 3% of the registered capital in synlab Holding GmbH. Conditions for participation were determined at the shareholders meeting.

Starting in fiscal year 2011, the Company indirectly granted shares in SYNLAB HOLDING, the parent company of the Group, to directors and senior staff of SYNLAB HOLDING and its domestic and foreign subsidiaries as part of their share-based remuneration packages. This entails either paying in cash a purchase price based on the fair value of the shares at the time of issue or financing the purchase price with loans agreed under normal market conditions.

The shares acquired in this manner are subject to a vesting period as long as the individual beneficiary remains in a management position with the Group until the occurrence of either a good-leaver event or exit of the major shareholder of SYNLAB HOLDING. Company management estimated the average vesting period for this program, introduced in 2011, to be four years for a good-leaver event and five years for an exit event. For shares newly granted in 2012, an average vesting period of one and a half years was assumed for a good leaver event, and three years for exit. Average vesting period assumptions for shares newly granted in 2013 were one year for either a bad or good-leaver event and two years for exit. For shares newly granted in 2014, an average vesting period of one and a half years was assumed for both exit and good leaver events. After expiry of the vesting period, i.e. after a good-leaver event or an exit, the recipient will receive a payment based on his/her shares in synlab Management-Beteiligungs GmbH & Co. KG. Entitlement lapses, however, if the recipient's employment is terminated by way of a bad-leaver event, i.e. prior to expiry of the vesting period.

8 Share-based payment (Continued)

In fiscal year 2011, Company executives participated in the amount of 0.72% of SYNLAB HOLDING registered capital or 20 thousand euros, and 0.11% or 3 thousand euros in fiscal year 2012. An additional 0.07% or 2 thousand euros followed in 2013. In fiscal year 2014, Company executives were granted shares amounting to a further 0.36% in SYNLAB HOLDING registered capital or 10 thousand euros. Of the shares granted to Company managers in 2011, 65.2% of the executive shares granted went to company directors (0.46%). In 2012, 2013 and 2014, none of the shares granted were allotted to company directors.

These share-based commitments are structured as equity-settled instruments. Pre-tax expenses for share-based payments in fiscal year 2014 amounted to 543 thousand euros (previous year: 148 thousand euros) and comprised exclusively awards made in the scope of the aforementioned programs and settled with equity instruments.

The fair value of the shares granted was calculated as the difference between the present value of expected payments to members of management based on the payout structure and vesting period and the purchase price paid by members of management on the date the shares were granted. The fair value of all commitments granted in fiscal years 2011 to 2014 totaled 1,567 thousand euros (previous year: 760 thousand euros).

9 Related party disclosures

The consolidated financial statements include SYNLAB HOLDING and the subsidiaries designated in the list of shareholdings.

The Management Board of SYNLAB HOLDING in the fiscal year ended was composed as follows:

- Dr. med. Bartl Wimmer, Laboratory Medicine Specialist (Facharzt für Laboratoriumsmedizin), CEO / Managing Director, Berchtesgaden, Germany
- Markus Stötter, Diplom-Kaufmann (German business administration degree), CFO / Managing Director, Aystetten, Germany

In the reporting period, Management Board members received total remuneration of 372 thousand euros (previous year: 616 thousand euros). This includes a share-based payment in the amount of 53 thousand euros (previous year: 103 thousand euros). At the time of issue, share-based payments granted to management had a fair value of 420 thousand euros (previous year: 420 thousand euros).

For further information please refer to section 13.4.

The advisory board of the Company is composed as follows:

- Dr. Ewald Walgenbach (Chairman), Managing Director of BC Partners
- Michael Wunderlich (Vice-Chairman), Partner of BC Partners
- Maximilian Kastka, Principal of BC Partners
- Christian Mogge, Principal of BC Partners
- Dr. med. Fred Buchwald, Laboratory Medicine Specialist (*Facharzt für Laboratoriumsmedizin*)
- Miroslav Herden, Kaufmann (German business management degree)
- Rolf Norbert Schöngen, Laboratory Medicine Specialist (*Facharzt für Laboratoriumsmedizin*)

Advisory board members received no compensation in the year under review.

SYNLAB HOLDING, Augsburg, Germany, is the top-level controlling parent company. This company prepares the consolidated financial statements for the smallest and largest consolidated groups. Furthermore, SL Lux SCA, Luxembourg, holds a 72.0345% share in the SYNLAB HOLDING registered capital, and thus controls the company. All shares of SL Lux SCA, Luxembourg (100.00%) are held by funds managed by BC Partners.

9 Related party disclosures (Continued)

9.1 Receivables and payables concerning related parties

	December 31, 2014				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Loans to related parties	0	83	0	0	**83**
Receivables from related parties	2,385	2,046	1	664	**5,096**
Borrowings from related parties	0	0	(443)	0	**(443)**
Liabilities to related parties	0	(1,112)	(3,662)	(178)	**(4,952)**

	December 31, 2013				
	Companies with significant influence on the Group	Associated companies	Companies at which managers hold key positions	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Loans to related parties	0	113	0	0	**113**
Other receivables from related companies	0	184	0	1,589	**1,773**
Other current accounts receivable from related companies	1	474	0	2	**477**
Borrowings from related parties	0	209	0	0	**209**
Liabilities to related parties	0	183	6,365	0	**6,548**

9.2 Income and expenses

	December 31, 2014				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Goods and services purchased from related parties	0	(3,111)	0	0	**(3,111)**
Goods and services sold to related parties	0	3,328	0	272	**3,600**
Interest income	0	0	0	0	**0**
Interest expense	0	0	(4)	0	**(4)**
Profit/loss from shareholdings accounted for using the equity method	0	(677)	0	0	**(677)**

	December 31, 2013				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Goods and services purchased from related parties	0	2,688	9	13	**2,710**
Goods and services sold to related parties	0	2,352	0	348	**2,700**
Interest income	0	0	0	22	**22**
Interest expense	0	0	0	0	**(0)**
Profit/loss from shareholdings accounted for using the equity method	0	575	0	0	**575**

Trade receivables do not bear interest and are usually due within between 30 to 120 days. Sales to and purchases from related parties are made on an arm's length basis.

There are no guarantees for receivables from or payables to related parties. Interest on other receivables from related companies is charged at normal market rates.

10 Contingent liabilities and other financial obligations

10.1 Obligations relating to operating leases where the Group is the lessee

The Group has concluded rental and lease agreements as lessee primarily for company buildings, fixtures, fittings, and office equipment, data processing equipment and vehicles. The lease agreements have an average term of between three and five years.

At the reporting date, there were the following future minimum lease payment obligations arising from contractual operating leases:

	December 31, 2014				
	Fixtures, fittings, and office equipment	Analysis equipment	Leases on buildings	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Up to 1 year	3,660	5,162	19,842	4,006	**32,670**
1 - 5 years	12,793	16,653	44,220	4,405	**78,071**
More than 5 years	1,540	0	19,263	173	**20,976**
Total	**17,993**	**21,815**	**83,325**	**8,584**	**131,717**
Operating lease payments during the fiscal year	3,955	10,274	22,453	5,113	**41,795**

	December 31, 2013				
	Fixtures, fittings, and office equipment	Analysis equipment	Leases on buildings	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Up to 1 year	583	803	19,955	2,774	**24,115**
1 - 5 years	1,977	472	46,392	2,224	**51,065**
More than 5 years	15	0	19,609	0	**19,624**
Total	**2,575**	**1,275**	**85,956**	**4,998**	**94,804**
Operating lease payments during the fiscal year	5,547	12,435	21,465	2,376	**41,823**

The Group has concluded lease agreements for technical machines and equipment. The average term of these lease agreements is between three and five years. The lease agreements do not include an extension option beyond the maximum duration of five years. The lease agreements place no restrictions on the Group as lessee. Lease payments for analysis equipment are mostly invoiced according to the variable use of the leased objects.

10.2 Obligations arising from financial leases

The Group has concluded financial leases for various technical equipment and fixtures, fittings, and office equipment. These leases provide for lease extensions at the then prevailing market conditions. Options for extension may only be exercised by the corresponding contracting company. Future minimum lease payments from financial leases may be restated at present value as follows:

	December 31, 2014		December 31, 2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	KEUR	KEUR	KEUR	KEUR
Up to 1 year	7,980	7,477	8,214	7,478
1 - 5 years	13,210	12,758	16,235	15,366
More than 5 years	136	132	817	810
Total minimum lease payments	**21,327**	**20,367**	**25,266**	**23,654**
Less interest portion	(960)		(1,612)	
Total	**20,367**		**23,654**	
Lease payments for the year		8,641		9,693

10 Contingent liabilities and other financial obligations (Continued)

10.3 Contingent liabilities

Contingent liabilities totaled 5,647 thousand euros as of December 31, 2014 (previous year: 140 thousand euros) These mainly comprise lease guarantees for buildings and equipment in the amount of 5,237 thousand euros, and a contract performance guarantee in the amount of 300 thousand euros. As in the previous year, a contract performance guarantee granted by UniCredit to Synlab Polska is also reported in the amount of 99 thousand euros (previous year: 45 thousand euros). Previous year's contingencies also included asset retirement obligations and planning expenses at Steinlach-Klinik GmbH in the amount of 35 thousand euros.

11 Capital management

The overriding goal of Group capital management is to ensure that the Group is and will be able to pay its debts and remains financially healthy. In addition to EBIT and EBITDA, monitoring changes in net working capital and cash flow are important in monitoring, managing and optimizing the existing finance structure. Net debt includes interest-bearing loans and borrowings less cash and cash equivalents.

	2014 KEUR	2013 KEUR
Interest-bearing loans and borrowings	518,923	508,250
Cash and cash equivalents	(87,240)	(64,579)
Net debt	**431,683**	**443,671**
Equity attributable to equity holders of the parent	**242,786**	**215,030**
Equity and net debt	**674,469**	**658,701**

Under the financing agreement of January 24, 2012, the Company is obligated to observe certain financial covenants. Non-compliance with these requirements could have the consequence that the lender terminates financing and demands immediate repayment of the respective value of the loan. The covenants contained in the loan agreement involve maintaining a certain net debt-to-EBITDA ratio, EBITDA-to-interest ratio, and cash flow-to-interest-and-principal ratio. These ratios allow calculation of the relative burden on the Company posed by debt/interest payments. The existing financing agreement was amended in March and December 2013, and the restrictions and covenants originally agreed were expanded substantially.

12 Segment reporting

For management purposes, the Group is organized into nine separately managed and monitored segments. Reconciliations include the central functions, financing and taxes, and consolidation. The Group's laboratory business is subject to various opportunity and risk profiles as well as varying government regulations in the countries where the Group operates; thus the internal reporting structure is organized according to geographic segmentation of the Group.

SYNLAB HOLDING management has the highest discretionary authority. EBITDA of the business entities is monitored separately by management in order to make decisions regarding distribution of resources and determine the profitability of the entities. EBITDA figures are used to measure segment performance and is reflected in the consolidated financial statements. Group financing (including finance costs and income) and income taxes are managed at Group level, however, rather than at the individual business segment level.

Accounting principles used in deriving segment information conform with the accounting rules used in the consolidated financial statements. Transfer prices between business segments are determined based on normal market conditions for transactions with third parties.

Because Group assets are of minor importance for management of the Company, Company management does not monitor these separately by business segment.

12 Segment reporting (Continued)

Description of segments subject to reporting requirements

The SYNLAB GROUP portfolio comprises activities in 21 countries, distinguishing only the following segments according to the opportunity and risk profile:

Germany

In Germany the SYNLAB GROUP's activities are concentrated mainly in southern and western Germany. The SYNLAB GROUP operates four large central laboratories in these areas, as well as numerous small local laboratories in order to ensure regional accessibility to its referring physicians. In addition, the SYNLAB GROUP also operates a small hospital as well as hospital laboratories that were taken over under outsourcing contracts.

Switzerland

Similar to operations in Germany, the SYNLAB GROUP provides laboratory services in Switzerland primarily for samples sent in by private physicians and for hospital laboratories as part of outsourcing projects. The SYNLAB GROUP is among the big six providers in the Swiss market which together comprise over 50% of the accessible market.

Italy

In Italy, the SYNLAB GROUP is mainly represented in the industrial north. Due to government regulation, only about a third of the Italian laboratory market is accessible to private laboratory service providers. In addition, the market is strongly influenced by regional authorities which determine the maximum number of tests private providers may conduct.

Belgium

The SYNLAB GROUP concentrates particularly on the human medicine sector in Belgium, but also offers laboratory services for the veterinary sector.

Czech Republic

Activities of the SYNLAB GROUP in the Czech Republic are basically the same as in the markets or segments described above. Any significant differences are attributable to the way the public health sector is organized, to market concentration, and the dominant market position of the Group's activities in the Czech market. The Group is one of the three largest market participants in the Czech Republic.

Austria

Due to government regulations, only a small part of the market in Austria is accessible to laboratory service providers which are corporations. The SYNLAB GROUP is the leading participant in this limited market, particularly in Vienna and the surrounding metropolitan area. The activities here are the same is in the segments discussed above.

Slovak Republic

Activities of the SYNLAB GROUP in Slovakia are similar to those in the above-mentioned markets or segments. Substantial differences arise from the particular organization of the public healthcare system. In Slovakia the Group is among the three leading market participants.

Hungary

In addition to laboratory services for privately insured patients, the SYNLAB GROUP also offers environmental and forensic analytical services in Hungary, and is the only service provider in the forensic sector.

12 Segment reporting (Continued)

North Europe

This segment comprises the SYNLAB GROUP laboratories in Estonia, Finland, Lithuania and Norway. In Estonia and Finland, laboratory services for private physicians are the main business, whereas in Lithuania most business is with privately insured patients. In Estonia, the SYNLAB GROUP is the market leader. The SYNLAB GROUP acquired a human medicine laboratory in Norway, thus gaining a foothold in the Norwegian laboratory market.

Rest of World

The segment ROW comprises Group activities in Slovenia, Macedonia, Croatia, Romania, Poland, the Republic of Belarus, the United Kingdom, Turkey and the United Arab Emirates which do not fulfill the quantitative thresholds for reportable segments, and thus are summarized in a separate category.

Reconciliations

Reconciliations include all Group central functions such as management, legal, Group finances, internal audit and strategic procurement which cannot be attributed to individual operating segments. Furthermore, reconciliations include finance income and expenses and taxes because they are centrally managed by the Group, and therefore cannot be attributed to individual business segments, as well as the consolidation transactions to be conducted among the individual segments.

Income from transactions with other segments is eliminated for consolidation purposes.

	2014						
	Germany	**Switzerland**	**Italy**	**Czech Republic**	**Belgium**	**Hungary**	**Austria**
	KEUR	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**	**KEUR**
Revenue							
External customers	406,122	88,109	67,123	46,119	24,830	24,747	20,314
Revenue from human medicine	337,901	90,103	59,574	44,925	23,174	22,695	16,795
Revenue from veterinary medicine	10,061	0	0	98	1,607	1	0
Revenue from environmental analysis	27,130	3,356	0	437	0	1,778	1,962
Revenue from trading goods	11,522	(5,350)	0	659	0	191	79
Other revenue	19,508	0	7,549	0	49	83	1,478
Other segments	7,119	32	1	10	0	20	152
Total revenue	**413,241**	**88,141**	**67,124**	**46,129**	**24,830**	**24,768**	**20,466**
Results							
Material expenses	(110,997)	(14,876)	(13,384)	(10,420)	(4,386)	(7,661)	(3,138)
Personnel expenses	(150,220)	(32,477)	(18,744)	(12,837)	(6,361)	(8,155)	(7,804)
Expenses for rental and lease agreements	(15,005)	(2,420)	(4,749)	(2,817)	(956)	(1,123)	(692)
Transport expenses	(20,539)	(1,654)	(1,891)	(698)	(322)	(862)	(497)
Other operating income	11,999	746	289	446	619	360	430
Other operating expenses	(66,498)	(17,274)	(15,239)	(12,424)	(6,022)	(4,137)	(2,459)
Other segments	(5,621)	(1,449)	(1,134)	(207)	(695)	(183)	(55)
EBITDA = segment result	**56,360**	**18,737**	**12,272**	**7,172**	**6,707**	**3,007**	**6,251**
Other information							
Depreciation, amortization and impairment	(34,123)	(7,337)	(7,487)	(6,276)	(3,439)	(1,958)	(1,389)
Impairment reversal	21,000	0	0	0	0	0	0

12 Segment reporting (Continued)

	North Europe	Slovakia	ROW	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue						
External customers	18,220	11,449	22,329	729,362	0	729,362
Revenue from human medicine	17,922	11,391	21,273	645,753	0	645,753
Revenue from veterinary medicine	35	5	37	11,844	0	11,844
Revenue from environmental analysis	0	0	0	34,663	0	34,663
Revenue from trading goods	0	25	131	7,257	0	7,257
Other revenue	263	28	888	29,846	0	29,846
Other segments	0	0	31	7,365	(7,365)	0
Total revenue	**18,220**	**11,449**	**22,360**	**736,728**	**(7,365)**	**729,362**

	North Europe	Slovak Republic	ROW	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Results						
Material expenses	(6,089)	(3,671)	(6,515)	(181,137)	0	(181,137)
Personnel expenses	(5,438)	(4,445)	(6,641)	(253,122)	(3,980)	(257,102)
Expenses for rental and lease agreements	(692)	(804)	(1,110)	(30,368)	(1,156)	(31,524)
Transport expenses	(887)	(94)	(524)	(27,968)	290	(27,678)
Other operating income	8,958	16	506	24,369	2,986	27,355
Other operating expenses	(1,760)	(2,190)	(3,506)	(131,509)	(6,537)	(138,046)
Other segments	(580)	413	(2,528)	(12,039)	12,039	0
EBITDA = segment result	**11,732**	**674**	**2,042**	**124,954**	**(3,723)**	**121,230**
Other information						
Depreciation, amortization and impairment	(1,870)	(938)	(947)	**(65,764)**	0	**(65,764)**
Impairment reversal	0	0	0	21,000	0	**21,000**
Operating profit/loss						**76,466**
Income from associated companies						(677)
Finance income						3,150
Finance costs						(33,822)
Revaluation of non-controlling interests in partnerships						(796)
Profit/loss before tax						**44,321**
Income tax						(12,122)
Consolidated profit/loss for the year						**32,199**

12 Segment reporting (Continued)

	2013						
	Germany	Switzerland	Italy	Czech Republic	Belgium	Austria	Hungary
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue							
External customers	381,564	77,502	62,139	45,177	23,541	20,165	25,246
Revenue from human medicine	330,388	74,411	54,818	44,273	22,100	16,339	23,171
Revenue from veterinary medicine	9,010	0	0	86	1,386	0	0
Revenue from environmental analysis	20,138	1,595	0	86	0	2,508	1,563
Revenue from trading goods	7,845	23	0	732	0	24	331
Other revenue	14,183	1,473	7,321	0	55	1,294	181
Other segments	6,046	0	1	7	0	201	4
Total revenue	**387,610**	**77,502**	**62,140**	**45,184**	**23,541**	**20,366**	**25,250**
Results							
Material expenses	(115,320)	(13,586)	(12,130)	(11,656)	(4,230)	(3,620)	(7,948)
Personnel expenses	(147,776)	(27,962)	(16,802)	(13,177)	(5,861)	(7,371)	(7,612)
Expenses for rental and lease agreements	(15,537)	(2,162)	(3,193)	(2,913)	(791)	(722)	(1,162)
Transport expenses	(20,102)	(1,291)	(2,255)	(704)	(294)	(511)	(970)
Other operating income	7,723	769	252	1,063	756	857	745
Other operating expenses	(65,874)	(15,185)	(14,020)	(9,356)	(5,107)	(2,269)	(4,449)
EBITDA = segment result	**30,724**	**18,085**	**13,992**	**8,441**	**8,014**	**6,730**	**3,854**
Other information							
Depreciation, amortization and impairment	(31,439)	(6,829)	(7,825)	(6,875)	(3,408)	(1,350)	(2,266)

	Slovakia	North Europe	ROW	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue						
External customers	12,259	6,893	16,679	671,165	0	671,165
Revenue from human medicine	12,225	6,782	15,717	600,224	0	600,224
Revenue from veterinary medicine	4	13	39	10,538	0	10,538
Revenue from environmental analysis	0	0	0	25,890	0	25,890
Revenue from trading goods	25	0	166	9,146	0	9,146
Other revenue	5	98	757	25,367	0	25,367
Other segments	0	0	61	6,320	(6,320)	0
Total revenue	**12,259**	**6,893**	**16,740**	**677,485**	**(6,320)**	**671,165**
Results						
Material expenses	(3,545)	(2,447)	(4,903)	(179,385)	2,005	(177,380)
Personnel expenses	(4,312)	(2,112)	(5,394)	(238,379)	(2,301)	(240,680)
Expenses for rental and lease agreements	(734)	(282)	(928)	(28,424)	157	(28,267)
Transport expenses	(116)	(377)	(444)	(27,064)	228	(26,836)
Other operating income	503	451	543	13,662	(1,037)	12,625
Other operating expenses	(1,942)	(1,252)	(3,354)	(122,808)	(2,716)	(125,524)
EBITDA = segment result	**2,113**	**874**	**2,260**	**95,087**	**(9,984)**	**85,103**
Other information						
Depreciation, amortization and impairment	(1,130)	(813)	(584)	(62,519)	0	(62,519)

12 Segment reporting (Continued)

	KEUR
Segment result	**85,103**
Depreciation, amortization and impairment	(62,519)
Operating profit/loss	**22,584**
Income from associated companies	575
Finance income	4,001
Finance costs	(33,829)
Revaluation of non-controlling interests in partnerships	(1,006)
Profit/loss before tax	**(7,675)**
Income tax	(7,478)
Consolidated profit/loss for the year	**(15,153)**

There is no particular dependency on important large customers.

13 Supplementary information pursuant to the German Commercial Code (HGB)

13.1 Company management

In the year under review the Company management members were:

Dr. med. Bartl Wimmer, Specialist Doctor for Laboratory Medicine (Facharzt für Laboratoriumsmedizin), CEO/ Managing Director, Berchtesgaden, Germany

Markus Stötter, Diplom-Kaufmann (German business administration degree), CFO/Managing Director), Aystetten, Germany

13.2 Shareholdings and exemptions

The information regarding shareholdings required pursuant to sec. 313 (2) of German Commercial Code is presented in the list of shareholdings.

Companies for which exemptions were claimed pursuant to sec. 264 (3) of the German Commercial Code (HGB), sec. 291 of the German Commercial Code, sec. 245 (1) of the Austrian Commercial Code (UGB), sec. 62 (2) of vyhláška č. 500/2002 Sb.(Slovenian regulation), art. 27, § 3, § 4, of the Decreto legislativo 9 aprile 1991 n. 127 (Italian regulation), art. 663f OR (Swiss code), and Accounting Act Sec. 29 (1), 2)., RT I 2002, 102, 600, passed 11/20/2002 were marked correspondingly in the list of shareholdings.

13.3 Employees

On average, the number of employees in the Group was as follows:

	2014 Employees	2013 Employees
Administration	2,419	2,246
Operations	5,395	5,299
	7,814	**7,545**
Domestic	4,205	4,218
Foreign	3,609	3,327
	7,814	**7,545**

The increased number of employees is largely attributable to company acquisitions in Italy.

13.4 Information on management compensation

In the reporting period, Management Board members received total remuneration of 372 thousand euros (previous year: 616 thousand euros). This figure contains share-based payment in the amount of 53 thousand euros (previous year: 103 euros). At the time of issue, share-based payments granted to management had a fair value of 420 thousand euros (previous year: 420 thousand euros).

13 Supplementary information pursuant to the German Commercial Code (HGB) (Continued)

13.5 Audit fees

The following fees were paid for the services of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, Germany:

	2014	2013
	KEUR	KEUR
Audit	801	799
Other auditing services	42	42
Tax advice	265	128
Other services	0	883
Total	**1,108**	**1,852**

14 Events after the reporting period

14.1 Acquisitions and newly formed companies in 2015

The following significant acquisitions and new company formations took place after the reporting date and before release of these financial statements:

Name of acquired company	Country	Date of acquisition (effective date)	Revenue contribution* 2015	EBITDA contribution* 2015	Purchase price	Share-holding
			(KEUR)	(KEUR)	(KEUR)	
Palmetto Clean Technologies GmbH (Umfirmierung auf synlab tesdelo service GmbH nach Erwerb)	DE	01/01/2015	1,720	340	Fixed: 1,050, Estimated variable: 200	60%
ACR Labor AG	CH	01/05/2015	695	168	Fixed: 458, Estimated variable: 302	100%
Medilab LTD	CY	01/13/2015	3,600	2,170	Fixed: 10,800, Estimated variable: 3,235	100%
Laboratorio Di Analisi Dott. Mario Settimelli SRL	IT	03/10/2015	2,264	417	Fixed: 2,100, Estimated variable: 500	100%

* The revenue and EBITDA contributions for 2015 reflect current corporate planning.

All acquisitions were aimed at strengthening the Group's presence in a particular region or area of specialization.

Detailed information required by IFRS 3, i.e. items IFRS 3 B64e, f, h, i, j, and k, regarding business combinations taking place after the end of the reporting period, cannot be provided for the aforementioned business combinations at present because at the time the financial statements were released for publication the various sellers were unable to provide final financial statement figures.

Augsburg, March 27, 2015

SYNLAB HOLDING GmbH Management

Dr. med. Bartl Wimmer
Managing Director

Markus Stötter
Managing Director

List of abbreviations

AT	Austria
BE	Belgium
CGU	cash-generating unit
CH	Switzerland
CZ	Czech Republic
DE	Germany
EE	Estonia
FI	Finland
HU	Hungary
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretation Committee
IMCL	Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H., Vienna, Austria
IT	Italy
LG	Laborgemeinschaft (Joint laboratory practice)
LT	Lithuania
MVZ Leverkusen	Medizinisches Versorgungszentrum synlab Leverkusen GmbH, Leverkusen, Germany
PRR	Per Reported Result
RO	Romania
ROW	Rest of World
SI	Slovenia
SIC	Standing Interpretations Committee
SLDI	synlab diagnostics services Italy s.r.l., Brescia, Italy
SK	Slovak Republic
SPE	Special Purpose Entity
SYNLAB HOLDING	SYNLAB HOLDING GmbH, Augsburg, Germany
TR	Turkey
UK	United Kingdom

synlab Holding GmbH, Augsburg, Germany

List of shareholdings as of December 31, 2014

Company	Based in	Country	Shareholding in %	Shareholders' equity in KEUR	Profit/loss in KEUR	Footnote	Consolidation method
synlab Holding GmbH	Augsburg	DE	Parent	440,236	37,662		
Freiburg Medical Laboratory Middle East LLC	Dubai	AE	70.00%	2,347	902		Full
Institut für medizinische und chemische Labordiagnostik GmbH	Vienna	AT	100.00%	605	2,064		Full
synlab Holding Austria GmbH	Vienna	AT	100.00%	44,462	29,628	(4)	Full
synlab Logistic Austria GmbH	Vienna	AT	100.00%	944	906		Full
Synlab Umweltinstitut GmbH	Linz	AT	100.00%	17	(300)		Full
Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL	Liege	BE	100.00%	2,433	4,008		Full
Laboratoire Leblois, Investigations Biologiques et Medicales SPRL	Hainaut	BE	100.00%	1,634	59		Full
The foreign private integrative service company "Synlab-EML"	Minsk	BY	100.00%	106	8		Full
AMS analyses médicales services SA	Lucerne 8	CH	100.00%	3,366	5,479		Full
Bureco AG	Reinach BL	CH	100.00%	328	331		Full
Labsupply AG	Zug	CH	100.00%	7	(1)		Full
Swiss BioAnalytics AG	Birsfelden	CH	100.00%	119	(5)		Full
synlab Suisse SA	Lucerne	CH	100.00%	14,796	21,210	(6)	Full
Aneclab s.r.o.	Ceske Budejovice	CZ	100.00%	41	(80)		Full
synlab czech s.r.o.	Praha 6	CZ	100.00%	(1,849)	2,220	(3)	Full
synlab genetics s.r.o.	Praha 8	CZ	100.00%	827	(320)		Full
synprogen s.r.o.	Praha	CZ	100.00%	(2)	(1)		Full
Ärztliche Laborgemeinschaft Oberhausen GbR	Oberhausen	DE	SPE	0	0		Full
Apparategemeinschaft i. Albrecht-Dürer-Haus GbR	Nuremberg	DE	SPE	0	0		Full
Arbeitsgemeinschaft für Laboratoriumsmedizin Neuwied GbR	Neuwied	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Troisdorf GbR	Troisdorf	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Bonn GbR	Bonn	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Hamburg Nordwest GbR	Hamburg	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Hochsauerland Brilon GbR	Brilon	DE	SPE	0	0		Full
Privatärztliche Laborgemeinschaft Kassel Die privatärztliche Laborgemeinschaft GbR	Kassel	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Köln-Kalk GbR	Cologne	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Nordeifel Mechernich GbR	Mechernich	DE	SPE	0	0		Full
Ärztliche Laborgemeinschaft Region Eschweiler GbR	Eschweiler	DE	SPE	0	0		Full
BZH GmbH Deutsches Beratungszentrum für Hygiene GmbH	Freiburg im Breisgau	DE	52.84%	628	71		Full
INTERLAB GmbH central lab services—worldwide	Munich	DE	100.00%	1,744	1,380		Full
KRH Labor GmbH	Hannover	DE	49.00%	139	(1,285)		At equity
Vertragsärztliche Laborgemeinschaft Allgäu GbR	Kempten	DE	SPE	0	0		Full
Laborgemeinschaft Bayern-Nord GbR	Regensburg	DE	SPE	0	0		Full
Laborgemeinschaft Bayern-Süd GbR	Augsburg	DE	SPE	0	0		Full
Laborgemeinschaft Bayrischer Ärzte GbR	Munich	DE	SPE	0	0		Full
Laborgemeinschaft Berlin GbR	Berlin	DE	SPE	0	0		Full
Laborgemeinschaft Brandenburg GbR	Brandenburg	DE	SPE	0	0		Full
Laborgemeinschaft Bayerischer Heilpraktiker GbR	Munich	DE	SPE	0	0		Full
Laborgemeinschaft Oberpfälzer Ärzte in Weiden GbR	Idar-Oberstein	DE	SPE	0	0		Full
Laborgemeinschaft Kurpfalz GbR	Eppelheim	DE	SPE	0	0		Full
Laborgemeinschaft Mittelfranken GbR	Nuremberg	DE	SPE	0	0		Full
Laborgemeinschaft Mittelhessen GbR	Wetzlar	DE	SPE	0	0		Full
Laborgemeinschaft München-Innenstadt GbR	Dachau	DE	SPE	0	0		Full
Laborgemeinschaft Oberpfälzer Ärzte GbR	Weiden	DE	SPE	0	0		Full
Laborgemeinschaft Ostbayern-Bavaria GbR	Regensburg	DE	SPE	0	0		Full
Laborgemeinschaft Rhein-Nahe-Eck GbR	Bingen	DE	SPE	0	0		Full
Laborgemeinschaft Stuttgart-Voralb GbR	Leinfelden-Echterdingen	DE	SPE	0	0		Full
Laborgemeinschaft Thueringia GbR	Stadtroda	DE	SPE	0	0		Full
Laborgemeinschaft Trier GbR	Trier	DE	SPE	0	0		Full
Laborgemeinschaft Dr. Wimmer GbR	Augsburg	DE	SPE	0	0		Full
Laborgemeinschaft-Verbund Rhein-Mosel-Nahe GbR	Trier	DE	SPE	0	0		Full
MED Laborunion GmbH	Reichshof-Wehnrath	DE	20.83%	1,459	746		At equity
Medizinisches Versorgungszentrum synlab Bonn GmbH	Bonn	DE	100.00%	8	182	(1)	Full
Medizinisches Versorgungszentrum synlab Hämotologisches Labor Köln GmbH	Cologne	DE	100.00%	25	(560)	(1)	Full
Privamed—privatärztliche Laborgemeinschaft GbR	Munich	DE	SPE	0	0		Full
Privatärztliche Laborgemeinschaft Dinslaken GbR	Dinslaken	DE	SPE	0	0		Full
Privatärztliche Laborgemeinschaft Kassel GbR	Kassel	DE	SPE	0	0		Full
Privat-Laborgemeinschaft Gießen-West GbR	Gießen	DE	SPE	0	0		Full
Schubert Medizinprodukte GmbH & Co. KG	Wackersdorf	DE	33.00%	828	105		At equity
Steinlach-Klinik GmbH	Augsburg	DE	100.00%	6,752	(12,904)	(1)(2)	Full
synlab Labor München Zentrum GbR	Munich	DE	85.50%	0	4,771		Full
synlab Labormedizinisches Versorgungszentrum Jade-Weser GmbH	Varel	DE	51.00%	(511)	(512)		Full
synlab Logistics GmbH	Augsburg	DE	100.00%	26	(1,472)	(1)	Full
synlab Medizinisches Versorgungszentrum Augsburg GmbH	Augsburg	DE	100.00%	4,535	932	(1)	Full
synlab Medizinisches Versorgungszentrum Berlin GmbH	Berlin	DE	100.00%	3,008	(5,276)	(1)	Full
synlab Medizinisches Versorgungszentrum Hamburg GmbH	Augsburg	DE	100.00%	26	1		Full

Company	Based in	Country	Shareholding in %	Shareholders' equity in KEUR	Profit/loss in KEUR	Footnote	Consolidation method
synlab Medizinisches Versorgungszentrum Heidelberg GmbH	Eppelheim	DE	100.00%	2,834	1,227	(1)	Full
synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH	Mannheim	DE	100.00%	306	(1,249)	(1)	Full
synlab Medizinisches Versorgungszentrum Kassel GmbH	Kassel	DE	100.00%	4,946	(1,144)	(1)	Full
synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH	Leinfelden-Echterdingen	DE	100.00%	(1,515)	5,920	(1)	Full
MVZ Synlab Leverkusen GmbH	Leverkusen	DE	100.00%	15,847	(6,308)	(1)	Full
synlab Medizinisches Versorgungszentrum Pathologie Mannheim GmbH	Mannheim	DE	100.00%	25	(1,548)	(1)	Full
synlab Medizinisches Versorgungszentrum Stuttgart GmbH	Stuttgart	DE	100.00%	93	(1,482)	(1)	Full
synlab Medizinisches Versorgungszentrum Trier GmbH	Trier	DE	100.00%	(491)	1,097	(1)	Full
synlab Medizinisches Versorgungszentrum Weiden GmbH	Weiden	DE	100.00%	500	14,243	(1)	Full
synlab Services GmbH	Augsburg	DE	100.00%	(756)	16,947	(1)(2)	Full
synlab Umweltinstitut GmbH	Stuttgart	DE	100.00%	5,620	390	(1)	Full
synlab Verwaltungs und Beteiligungs GmbH (formerly Verwaltungs und Beteiligungs GmbH die Erste)	Augsburg	DE	100.00%	579	732	(1)(2)	Full
Synlab.vet GmbH	Leverkusen	DE	100.00%	162	757	(1)	Full
Laborgemeinschaft Brandenburg-Templin GbR	Templin	DE	SPE	0	0		Full
Quattromed HTI Laborid OÜ	Tallinn	EE	100.00%	13,549	1,480	(7)	Full
Viljandi Tervisekeskus OÜ	Viljandi	EE	100.00%	372	57		Full
Synlab Finland OY (formerly Quattromed Finland OY)	Espoo	FI	100.00%	(2,107)	(630)		Full
synlab Holding Finland OY	Espoo	FI	100.00%	7,567	8,386		Full
SYNLAB HRVATSKA-POLIKLINIKA ZA MEDICINSKO LABORATORIJSKU DIJAGNOSTIKU	Zagreb	HR	100.00%	74	− 13		Full
Spectromass Analitikai Labortórium Kft.	Budapest	HU	100.00%	254	0		Full
Synlab Hungary Kft.	Budapest	HU	100.00%	255	945		Full
synlab Umweltinstitut Ungarn Kft.	Mosonmagyaróvár	HU	100.00%	251	70		Full
Analisi Cliniche Alfa S.r.l.	Salerno	IT	100.00%	2	(81)		Full
Centro A. Fleming S.r.l.	Verona	IT	100.00%	64	(30)		Full
Centro Diagnostico Specialistico San Nicolò Como S.r.l.	Lecco	IT	100.00%	67	1		Full
Citylab S.r.l.	Milan	IT	100.00%	13	(106)		Full
Laboratorio Analisi per la Diagnostica Medica—IV Miglio S.r.l.	Rome	IT	100.00%	2	(93)		Full
Mater Dei S.r.l.	Pagani (SA)	IT	100.00%	2,774	365	(5)	Full
Nuovo Laboratorio San Giorgio Analisi Chimicobiologiche S.r.l & C.	Ferrara	IT	100.00%	1	0		Full
Synlab Emilia Romagna S.r.l.	Faenza (RA)	IT	100.00%	107	(10)		Full
Synlab Holding Italy S.r.l. (formerly SL DIAGNOSTIC SERVICES ITALY S.r.l.)	Castenedolo (BS)	IT	100.00%	53,198	(504)	(5)	Full
Synlab Italia S.r.l.	Brescia	IT	100.00%	15,941	4,303	(5)	Full
Synlab Lazio S.r.l.	Rome	IT	100.00%	21	(278)		Full
synlab Veneto S.r.l.	Cerea (VR)	IT	100.00%	1,350	550		Full
synlab Lietuva UAB (formerly UAB "SORPO")	Vilnius	LT	100.00%	410	174		Full
Adrialab d.o.o., Skopje	Skopje	MK	98.00%	525	75		Full
Lab1 AS	Sandvika	NO	51.00%	251	(100)		Full
Synlab Polska Sp. Z.o.o.	Warsaw	PL	100.00%	(1,280)	(441)		Full
LABORATOARELE SYNLAB S.r.l.	Bucharest Sector 5	RO	100.00%	(989)	(60)		Full
SYNLAB WEST S.r.l.	Bucharest Sector 5	RO	99.94%	(278)	(9)		Full
Adrialab d.o.o., Ljubljana	Ljubljana	SI	100.00%	722	801		Full
synlab slovakia s.r.o.	Bratislava	SK	100.00%	1,225	64		Full
Referans M-B Sağlik Laboratuar Hizmetleri Sanayi ve Ticaret Ltd. Şti.	Ankara	TR	SPE	155	67		Full
Synlab ILK Referans Sağlik Hizmetleri Sanayi ve Ticaret A.Ş.	Ankara	TR	100.00%	1,300	390		Full
Synlab Turk A.S.	Ankara	TR	100.00%	(1,280)	(441)		Full
Synlab UK Limited	London	UK	100.00%	(3,023)	(872)		Full
The Christie Pathology Partnership LLP	London	UK	50.10%	711	(412)		Equity method
Bakteriologisches Institut Olten BIO AG	Olten	CH	30.00%	—	—	(*)	N/A
Poliklinika Moravské Budějovice, s.r.o.	Moravské Budějovice	CZ	4.00%	—	—	(*)	N/A
Labor Stülpnagelstraße GbR	Berlin	DE	33.00%	—	—	(*)	N/A
LABOR-IMMO Befektetési és Szolgáltató Kft—in Liquidation	Budapest	HU	100.00%	—	—	(*)	N/A
Analisi Cliniche Gallieno S.r.l.	Verona VR	IT	10.00%	—	—	(*)	N/A

(1) Exempt pursuant to Sec. 264 (3) no. 1 German Commercial Code (HGB).

(2) Exempt pursuant to Sec. 291 HGB.

(3) Exempt pursuant to Sec. 62 (2) vyhláška č. 500/2002 Sb. (Czech decree).

(4) Exempt pursuant to Sec. 245 (1) UGB (Austrian Enterprise Code).

(5) Exempt pursuant to Art. 27, Sec. 3, and 4, Decreto legislativo 9 aprile 1991, n. 127 (Italian executive order).

(6) Exempt pursuant to Art. 663f OR (Swiss Law of Obligations).

(7) Exempt pursuant to Accounting Act Sec. 29 (1), 2)., RT I 2002, 102, 600, Passed 11/20/2002.

(*) No information available.

The following auditors' report is a translation of the German-language auditors' report (Bestätigungsvermerk), which refers to the consolidated financial statements and the group management report of synlab Holding GmbH, Augsburg, prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German Commercial Law pursuant to Sec. 315a(1) HGB (German Commercial Code [Handelsgesetzbuch]) as of and for the year ended December 31, 2013 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the following pages.

Auditor's report

We have audited the consolidated financial statements prepared by synlab Holding GmbH, Augsburg, comprising the balance sheet, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, as well as the management report for the fiscal year from January 1, to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (German Commercial Code [Handelsgesetzbuch]) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, 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 the applicable financial reporting framework and in the group management report are detected with reasonable assurance. When determining the audit procedures, the knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the 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 statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and in accordance with these requirements give a true and fair view of the net assets, financial position and results of operations of the Group. 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.

Eschborn, Frankfurt/Main, April 14, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kretschmer
Wirtschaftsprüfer (German Public Auditor)

Karoleev
Wirtschaftsprüfer (German Public Auditor)

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of financial position as of December 31, 2013

	Notes	12/31/2013 KEUR	12/31/2012 KEUR adjusted
TOTAL ASSETS		**954,014**	**874,712**(*)
Non-current assets		**729,370**	**684,241**(*)
Goodwill	6.1/6.2	**350,850**	311,940(*)
Intangible assets	6.3	**306,009**	299,222
Property, plant and equipment	6.4	**67,355**	64,494
Investments in companies accounted for using the equity method	6.5	**2,325**	1,166
Other non-current assets	6.6	**1,545**	3,669
Deferred tax assets	5.10	**1,286**	3,750(*)
Current assets		**224,644**	**190,471**
Inventories	6.7	**19,212**	17,220
Trade receivables	6.8	**118,447**	114,077
Income tax receivables	5.10	**5,543**	3,401
Other current assets	6.9	**16,863**	11,986
Cash and cash equivalents	6.10	**64,579**	43,787
TOTAL EQUITY AND LIABILITIES		**954,014**	**874,712**(*)
Total equity		**216,405**	**235,177**(*)
Equity of parent company shareholders		**215,030**	**234,375**(*)
Subscribed capital	6.11.1	**2,771**	2,762
Capital reserves	6.11.2	**199,684**	212,287
Accumulated profit/loss		**0**	(64)(*)
Cumulative changes in equity not recognized through profit/loss	6.11.3	**12,575**	19,390(*)
Non-controlling interests		**1,375**	802
Non-current liabilities		**548,198**	**428,260**(*)
Interest-bearing loans and borrowings	6.13	**466,406**	357,339
Pensions and similar obligations	6.14	**11,437**	10,133(*)
Other provisions	6.15	**14,845**	3,842(*)
Other financial liabilities	6.16	**3,018**	3,299
Deferred tax liabilities	5.10	**52,492**	53,647
Current liabilities		**189,411**	**211,275**
Interest-bearing loans and borrowings	6.13	**41,844**	54,136
Other provisions	6.15	**10,464**	23,040
Income tax liabilities	5.10	**10,602**	7,221
Trade payables		**82,541**	75,590
Other financial liabilities	6.16	**27,769**	31,646
Other liabilities	6.17	**16,191**	19,642

(*) Adjusted previous-year figures. See Note 3.3.

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of comprehensive income for the fiscal year January 1 to December 31, 2013

	Notes	01/01 - 12/31/2013 KEUR	01/01 - 12/31/2012 KEUR adjusted
Revenue	5.1	**671.165**	600.869
Material expenses	5.2	**(177,380)**	(163,555)
Personnel expenses	5.3	**(240,680)**	(223,992)(*)
Expenses on rental and lease agreements	5.4	**(28,267)**	(24,014)
Transport expenses	5.5	**(26,836)**	(26,082)
Other operating income	5.6	**12,625**	11,143
Other operating expenses	5.7	**(125,524)**	(110,904)
Losses from deconsolidation of subsidiaries	2.2	**0**	(26)
Depreciation, amortization and impairment	5.8	**(62,519)**	(54,431)
Operating profit / loss		**22,584**	**9,008**(*)
Share of profit of associates	5.9	**575**	404(*)
Financial income	5.9	**4,001**	1,047(*)
Financial expenses	5.9	**(33,829)**	(33,964)(*)
Revaluation on shares in partnerships with a non-controlling interest	5.9	**(1,006)**	(978)
Income before tax		**(7,675)**	**(24,483)**(*)
Income tax expense	5.10	**(7,478)**	(2,636)(*)
Consolidated profit/loss for the year		**(15,153)**	**(27,119)**(*)
Attributable to non-controlling interests		**(86)**	(430)
Attributable to the parent		**(15,067)**	(26,689)(*)
Other comprehensive income			
Exchange differences from foreign operations	6.11.3	**(6,949)**	2,809
Other comprehensive income potentially reclassifiable to profit or loss		**(6,949)**	**2,809**
Actuarial gains and losses recorded in other comprehensive income	6.11.3	**42**	(828)(*)
Other comprehensive income not reclassifiable to profit or loss		**42**	**(828)**
Other comprehensive income		**(6,907)**	**1,981**(*)
Total comprehensive income		**(22,060)**	**(25,138)**(*)
Attributable to non-controlling interests		**(178)**	(423)
Attributable to the parent		**(21,882)**	(24,715)(*)

(*) Adjusted previous year's figures. See Note 3.3.

synlab Holding GmbH, Augsburg, Germany

Consolidated cash flow statement for the fiscal year January 1 to December 31, 2013

	Notes	01/01 - 12/31/2013 KEUR	01/01 - 12/31/2012 KEUR adjusted
Profit/loss for the year		**(15,153)**	(27,119)(*)
Income tax expense	5.10	**7,478**	2,636(*)
Earnings before tax		**(7,675)**	**(24,483)(*)**
Financial income / expenses	5.9	**29,253**	32,513(*)
Expenses on revaluation of shares in partnerships with a non-controlling interest	5.9	**1,006**	978
Operating profit/loss		**22,584**	**9,008(*)**
Depreciation, amortization and impairment	5.8	**62,519**	54,431
Change in non-current provisions		**378**	(7,252)(*)
Profit/loss from the disposal of non-current assets		**(144)**	69
Adjustments to impairment of current assets		**4,200**	7,208
Other changes related to non-cash items		**(947)**	(128)(*)
Profit/loss before changes in net working capital		**88,590**	**63,336**
Change in inventories		**(673)**	1,345
Change in trade receivables		**(4,738)**	(15,306)
Change in trade payables		**4,820**	(2,139)
Change in other net working capital		**(8,675)**	965
Income taxes paid		**(9,724)**	(7,441)
Cash flow from operating activities		**69,600**	**40,760**
Acquisition of subsidiaries, net of cash acquired	4	**(91,469)**	(63,314)
Purchase of intangible assets	6.3	**(5,798)**	(12,542)
Purchase of property, plant and equipment	6.4	**(10,722)**	(13,036)
Proceeds from sale of property, plant and equipment		**2,046**	1,487
Proceeds from sale of intangible assets		**23**	67
Proceeds from sale of other non-current assets		**0**	918
Interest received		**2,224**	773
Cash flow from investing activities		**(103,696)**	**(85,647)**
Proceeds from interest-bearing loans and borrowings		**142,836**	394,664
Repayments of interest bearing loans and borrowings		**(43,831)**	(279,130)
Payments for financial leases		**(9,693)**	(7,455)
Dividends and other payments to non-controlling interests		**(465)**	(49)
Interest paid		**(33,712)**	(34,498)
Cash flows from financing activities		**55,135**	**73,532**
Cash and cash equivalents at beginning of period	6.10	**43,787**	15,127
Net foreign exchange differences		**(247)**	15
Net change in cash and cash equivalents		**21,039**	28,645
Cash and cash equivalents at end of period	6.10	**64,579**	43,787

(*) Adjusted previous-year figures. See Note 3.3.

synlab Holding GmbH, Augsburg, Germany

Consolidated statement of changes in equity for the fiscal year January 1 to December 31, 2013

	Attributable to parent company shareholders						
	Subscribed capital	Capital reserves	Net loss for the year	Cumulative changes in equity not recognized through P/L	Total	Non-controlling interests	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Notes	6.11.1	6.11.2		6.11.3			
Status as of 01/01/12	**2,697**	**365,550**	**(142,826)**	**16,943**	**242,364**	**1,088**	**243,452**
Changes as per IAS 8	—	—	—	473	473	—	473
Status as of 01/01/12 (adjusted)	**2,697**	**365,550**	**(142,826)**	**17,416**	**242,837**	**1,088**	**243,925**
Consolidated profit/loss for the year(*)	—	—	(26,689)	—	(26,689)	(430)	(27,119)
Other comprehensive income(*)	—	—	—	1,974	1.974	7	1,981
Total comprehensive income for the year	—	—	(26,689)	1,974	(24,715)	(423)	(25,138)
Increase in capital	65	15,935	—	—	16.000	—	16.000
Changes in the scope of consolidation	—	—	—	—	—	186	186
Share-based payments	—	253	—	—	253	—	253
Utilization of capital reserve to compensate for negative retained earnings	—	(169,451)	169,451	—	—	—	—
Dividends	—	—	—	—	—	(49)	(49)
Status as of 12/31/12 (adjusted)	**2,762**	**212,287**	**(64)**	**19,390**	**234,375**	**802**	**235,177**
Status as of 01/01/13	**2,762**	**212,287**	**(64)**	**19,390**	**234,375**	**802**	**235,177**
Consolidated profit/loss for the year	—	—	(15,067)	—	(15,067)	(86)	(15,153)
Other comprehensive income	—	—	—	(6,815)	(6,815)	(92)	(6,907)
Total comprehensive income for the year	—	—	(15,067)	(6,815)	(21,882)	(178)	(22,060)
Increase in capital	9	2,475	—	—	2,484	—	2,484
Changes in the scope of consolidation	—	(95)	—	—	(95)	874	779
Share-based payments	—	148	—	—	148	—	148
Utilization of capital reserve to compensate for negative retained earnings	—	(15,131)	15,131	—	—	—	—
Dividends	—	—	—	—	—	(123)	(123)
Status as of 12/31/13	**2,771**	**199,684**	**0**	**12,575**	**215,030**	**1,375**	**216,405**

(*) Adjusted previous-year figures. See Note 3.3.

synlab Holding GmbH, Augsburg, Germany

Notes to the consolidated financial statements for the fiscal year January 1 to December 31, 2013

1 Information on the Company

These consolidated financial statements were prepared by synlab Holding GmbH (hereinafter: 'the Company' or 'SYNLAB HOLDING'), Augsburg, Germany, the parent company of the SYNLAB HOLDING Group (SYNLAB GROUP). The Company is recorded in the Commercial Register at the Local Court in Augsburg under number HRB 24668. The registered address is Gubener Strasse 39, 86156 Augsburg, Germany.

SYNLAB HOLDING is one of the largest suppliers of medical diagnostic laboratory services in Central and Eastern Europe. The Group, which is based in Germany, presently employs over 7,500 employees and is currently represented in Germany, Italy, Switzerland, Austria, Belgium, the Czech Republic, Hungary, the Slovak Republic, Slovenia, Romania, Macedonia, Croatia, Poland, the Republic of Belarus, Estonia, Lithuania, Finland, the United Kingdom, the United Arab Emirates, Ukraine, and Turkey.

The Company's service portfolio encompasses analyses in the areas of human medicine, microbiology and human genetics, as well as routine diagnostics, preventive medical examinations, and pathology—all performed by the Company's own laboratories. Customers include public health agencies, clinics, hospitals, doctors, and private individuals.

The consolidated financial statements prepared for SYNLAB HOLDING and its subsidiaries as of December 31, 2013 (hereinafter: 'the Corporation' or 'the Group') were released for publication by management resolution on April 14, 2014. German law requires that the consolidated financial statements be approved by shareholders.

2 Accounting policies

2.1 Basis for preparing the financial statements

The consolidated financial statements for SYNLAB HOLDING and its subsidiaries were prepared in compliance with International Financial Reporting Standards (IFRS) as applicable in the European Union for fiscal year 2013, and in compliance with Sec. 315a (1) and (3) of the German Commercial Code (HGB). International Financial Reporting Standards (IFRS) encompass International Accounting Standards (IAS), the interpretations issued by the IFRS Interpretation Committee (IFRIS IC), and the interpretations of the Standing Interpretation Committee (SIC).

As a rule, the consolidated financial statements are prepared using the acquisition cost method. Exceptions to this are derivative financial instruments, financial instruments held for sale, and non-controlling interests in a partnership ("puts on NCI"), which are measured at fair value.

Current and non-current assets and liabilities are reported in the statement of financial position. The income statement for the period is prepared using the nature of expense method. Any combined line items disclosed in the statement of comprehensive income or the statement of financial position are reported as separate line items in the Notes.

The consolidated financial statements are prepared in euros. Unless otherwise indicated, all amounts are rounded up or down to the nearest thousand euros in accordance with common commercial rounding practice.

2.2 Consolidation standards

The consolidated financial statements include the annual financial statements of SYNLAB HOLDING and its subsidiaries as of December 31, 2013. The number of subsidiaries and associated companies included in the consolidated financial statements for 2013 breaks down into domestic and foreign subsidiaries as follows:

	2013	**2012**
Domestic	**65**	60
Foreign	**48**	40
Total	**113**	**100**

2 Accounting policies (Continued)

Changes in the scope of consolidation were as follows:

	Full consolidation	Consolidated using the equity method
Status as of December 31, 2012	**99**	**1**
First-time consolidation	22	3
Change in the method of consolidation	1	(1)
Merged	(11)	0
Liquidated	(1)	0
As of December 31, 2013	**110**	**3**

In 2013, the following companies were consolidated for the first time or were subject to a change in the consolidation method:

Company	Country	Initial consolidation	Share-holding	Consolidation method
Freiburg Medical Laboratory Middle East LLC	AE	08/01/2013	70%	Change from equity method to full consolidation
ANECLAB GmbH	AT	01/01/2013	60%	Full consolidation
Med. Labor Olten MLO AG	CH	01/01/2013	100%	Full consolidation
Ärztelabor Westbahnhof AG	CH	01/01/2013	100%	Full consolidation
Bureco AG	CH	01/01/2013	100%	Full consolidation
Aneclab s.r.o.	CZ	01/01/2013	100%	Full consolidation
RMA lab s.r.o.	CZ	01/01/2013	100%	Full consolidation
BH Vimperk services s.r.o.	CZ	06/13/2013	100%	Full consolidation
MED Laborunion GmbH	DE	01/01/2013	20.83%	Equity method
Medizinisches Versorgungszentrum synlab Hämatologisches Labor Köln GmbH	DE	08/13/2013	100%	Full consolidation
Schubert Med.prod. GmbH & Co. KG	DE	01/01/2013	33%	Equity method
synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH	DE	04/10/2013	100%	Full consolidation
synlab Medizinisches Versorgungszentrum Pathologie Mannheim GmbH	DE	04/10/2013	100%	Full consolidation
synlab Medizinisches Versorgungszentrum Stuttgart GmbH (formerly: Labomed GmbH, Stuttgart)	DE	05/01/2013	100%	Full consolidation
Ärztliche Laborgemeinschaft Oberhausen GbR	DE	10/01/2013	SPE	Full consolidation
KRH Labor GmbH	DE	05/31/2013	49%	Equity method
synlab Holding Estonia OÜ	EE	07/31/2013	100%	Full consolidation
Quattromed HTI Laborid OÜ	EE	07/31/2013	100%	Full consolidation
Viljandi Tervisekeskus OÜ	EE	07/31/2013	100%	Full consolidation
Medicap Holding AS	EE	07/31/2013	100%	Full consolidation
synlab Holding Finland OY	FI	07/31/2013	100%	Full consolidation
Quattromed Finland OY	FI	07/31/2013	100%	Full consolidation
Spectromass Analitikai Labortórium Kft.	HU	01/01/2013	100%	Full consolidation
Synlab Emilia Romagna S.r.l. (formerly: Laboratorio Analisi Chimico Cliniche A. Fleming Srl.)	IT	04/02/2013	100%	Full consolidation
Synlab Lazio S.r.l.	IT	03/25/2013	100%	Full consolidation
UAB "SORPO"	LT	07/31/2013	100%	Full consolidation

The company Spectromass Analitikai Laboratórium Kft., which was acquired in 2012 and had not been consolidated as of December 31, 2012, was consolidated for the first time as of January 1, 2013.

2 Accounting policies (Continued)

The company Freiburg Medical Laboratory Middle East LLC, which was consolidated using the equity method in 2012, has been fully consolidated as of August 1, 2013. The newly formed company KRH Labor GmbH as well as the existing shareholdings in MED Laborunion GmbH and Schubert Med. prod. GmbH & Co. KG, which had not been consolidated previously for reasons of materiality, were consolidated using the equity method for the first time in 2013.

On February 5, 2013, the SYNLAB GROUP acquired a further 1.82% shareholding in BZH GmbH at a purchase price of 16 thousand euros. Thus the shareholding increased from 51.02% to 52.84%. On July 18, 2013, the SYNLAB GROUP also acquired the remaining 49% shareholding in BILACON Institut für Biotechnologie, Laboranalytik und Consulting GmbH at a purchase price of 35 thousand euros, increasing the shareholding from 51% to 100%. Both companies had been fully consolidated in 2012.

The following companies were merged or acquired in 2013:

Merged company	Country	Absorbing company	Merger date
Laboratoire Biosemois SPRL	BE	Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL	07/01/2013
Med. Labor Olten MLO AG	CH	synlab Suisse SA	01/01/2013
Ärztelabor Westbahnhof AG	CH	synlab Suisse SA	01/01/2013
Anamedica SA	CH	synlab Suisse SA	01/01/2013
synlab Medizinisches Versorgungszentrum Brandenburg a. d. Havel GmbH	DE	synlab Medizinisches Versorgungszentrum Berlin GmbH	01/01/2013
BILACON Institut für Biotechnologie, Laboranalytik und Consulting GmbH	DE	synlab Umweltinstitut GmbH	01/01/2013
synlab Holding Estonia OÜ	EE	Quattromed HTI Laborid OÜ	12/16/2013
Medicap Holding AS	EE	Quattromed HTI Laborid OÜ	12/16/2013
SYNLAB LAB SERVICES S.r.l.	RO	LABORATOARELE SYNLAB S.r.l.	01/01/2013
3B LAB d.o.o.	SI	Adrialab d.o.o.	01/01/2013
Malá Praha spol s.r.o.	SK	synlab slovakia s.r.o.	07/01/2013

The following companies were liquidated and deconsolidated in 2013:

Company	Country	Deconsolidation date	Shareholding
Orga-Lab GmbH	DE	12/31/2013	100%

Gains from liquidation and subsequent deconsolidation amounting to 14 thousand euros were recorded as "Profit/loss from deconsolidation of subsidiaries".

2 Accounting policies (Continued)

The following companies were consolidated for the first time in 2012:

Company	Country	First-time consolidation	Shareholding
Laboratoire Biosemois SPRL	BE	12/21/2012	100%
Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL	BE	12/21/2012	100%
Ärztliche Laborgemeinschaft Troisdorf GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Bonn GbR	DE	11/30/2012	SPE
Ärztliche Laborgemeinschaft Hamburg Nordwest GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Hochsauerland GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Köln-Kalk GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Nordeifel GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Region Eschweiler GbR	DE	01/01/2012	SPE
Laboratorium für spektralanal. u. biol. Untersuchungen Dr. Bayer GmbH	DE	02/28/2012	100%
Laborgemeinschaft Bayern-Nord GbR	DE	05/01/2012	SPE
Laborgemeinschaft Bayern-Süd GbR	DE	05/01/2012	SPE
Laborgemeinschaft Mittelhessen GbR	DE	11/30/2012	SPE
Privatärztliche Laborgemeinschaft Dinslaken GbR	DE	01/01/2012	SPE
GENOID Kft.	HU	07/10/2012	100%
Laboratórium Kft.	HU	07/10/2012	100%
Centro A. Fleming S.r.l.	IT	05/03/2012	100%
Citylab S.r.l.	IT	04/12/2012	100%
Eurolab S.r.l.	IT	10/01/2012	100%
Malá Praha spol s.r.o.	SK	08/23/2012	100%
Synlab Referans M-B Saglik Laboratuar Hizmetleri Sanayi Ticaret Limited	TR	01/01/2012	SPE
Synlab UK Limited	UK	02/27/2012	100%

As of February 27, 2012, Synlab UK Limited was founded in the United Kingdom, and Citylab S.r.l. was founded in Italy as of April 12, 2012.

The Company's management re-evaluated the laboratory companies not consolidated in 2011 for reasons of materiality and included them subsequently in the scope of consolidation as of fiscal year 2012. These were: Ärztliche Laborgemeinschaft Bonn, Ärztliche Laborgemeinschaft Köln-Kalk, Ärztliche Laborgemeinschaft Region Eschweiler, Ärztliche Laborgemeinschaft Mittelhessen, Ärztliche Laborgemeinschaft Hamburg-Nordwest, Ärztliche Laborgemeinschaft Hochsauerland, Ärztliche Laborgemeinschaft Nordeifel, Ärztliche Laborgemeinschaft Troisdorf and Privatärztliche Laborgemeinschaft Dinslaken.

In addition to the aforementioned companies, Spectromass Analitikai Laboratórium Kft, Hungary, was acquired as of July 10, 2012, and Aneclab s.r.o, Czech Republic and ANECLAB GmbH, Austria were acquired as of October 16, 2012. Due to these companies' insignificant effect on the Group's financial position, financial performance and cash flows they were not included in the scope of consolidation as of December 31, 2012. Shareholdings in these companies were recorded at cost under 'Other non-current financial assets' as of December 31, 2012.

2 Accounting policies (Continued)

The following companies were merged or acquired in 2012:

Merged company	Country	Absorbing company	Merger date
synlab SUISSE S.A. (formerly: Labor Dr. Güntert AG)	CH	synlab Suisse SA (formerly: FUTURELAB Swiss S.A.)	01/01/2012
Laboratorium für spektralanal. u. biol. Untersuchungen Dr. Bayer GmbH	DE	synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH	01/01/2012
Laborgemeinschaft Paracelsus GbR	DE	Laborgemeinschaft Kurpfalz GbR	01/01/2012
Oncoscreen Ges. zur Nutzung molekularbiologischer Technologien GmbH	DE	synlab Medizinisches Versorgungszentrum Weiden GmbH	01/01/2012
Synlab Arztbedarf GmbH	DE	synlab Services GmbH	01/01/2012
Synlab Clinical Trial GmbH	DE	synlab Umweltinstitut GmbH	01/01/2012
Eurolab S.r.l.	IT	Synlab Italia s.r.l.	01/01/2012
SYNLAB S.r.l.	RO	SYNLAB WEST S.R.L.	01/01/2012
AVILAB s.r.o.	SK	synlab slovakia s.r.o.	01/01/2012
Lab Tech s.r.o.	SK	synlab slovakia s.r.o.	01/01/2012
Laboratoria Aliatros s.r.o.	SK	synlab slovakia s.r.o.	01/01/2012

The following companies were liquidated and deconsolidated in 2012:

Company	Country	Deconsolidation date	Shareholding
SYNLAB-CRAIOVA S.r.l.	RO	01/01/2012	50%

Deconsolidation losses from liquidation and subsequent deconsolidation in the amount of 26 thousand euros were recorded as "Profit/ loss from deconsolidation of subsidiaries'"

The following companies were deconsolidated in 2012:

Company	Country	Deconsolidation date	Shareholding
Laborgemeinschaft Pforzheim GbR	DE	01/01/2012	SPE
Futurelab Romania S.R.L.	RO	01/01/2012	100%
SC Lasimed S.r.l.	RO	01/01/2012	51%

Laborgemeinschaft Pforzheim GbR is no longer active and was deconsolidated in 2012. Shareholdings in the companies SC Lasimed S.r.l. and Futurelab Romania S.r.l. were reported at (amortized) cost.

Subsidiaries are fully consolidated as of the date on which the Group gains control. Their consolidation ends as soon as the subsidiary is no longer controlled by the parent company. The subsidiaries' annual financial statements are prepared using the same accounting policies and as of the same reporting date as the parent's annual financial statements. All intra-group balances, transactions, unrealized profits and losses from intragroup transactions and dividends are eliminated in full.

A subsidiary's losses are attributed to non-controlling interests even though this may result in a negative balance. Any change in the shareholding in a company while control is retained is recorded as an equity transaction. When a parent company loses control over a subsidiary, the following steps are taken:

- The subsidiary's assets (including goodwill) and liabilities are derecognized.
- The carrying amount of the non-controlling interest in the subsidiary is derecognized.
- Cumulative translation differences reported in equity are derecognized.
- Fair value of consideration received is recorded.
- Fair value of remaining interest is recorded.
- Profit or loss is recorded in the consolidated statement of comprehensive income.
- Elements of other comprehensive income accruing to the parent company are reclassified to the consolidated statement of comprehensive income or to retained earnings, if so required by IFRS.

2 Accounting policies (Continued)

2.3 Summary of significant accounting policies

2.3.1 Business combinations and goodwill

Business combinations are recorded using the purchase method. Acquisition costs incurred for the acquisition of a company comprise the sum total of transferred consideration measured at fair value as of the date of acquisition and the non-controlling interests in the acquired company. For each business combination, the acquiring entity measures the non-controlling interests in the acquired company based on the relevant share of the identifiable net assets of the acquired company. Any costs thus incurred are recorded as expenses and are presented as other operating expenses.

When the Group acquires a company, it determines a suitable classification and designation of financial assets and liabilities assumed in accordance with contractual terms, the economic situation and conditions prevailing at the time of acquisition. This includes separate reporting of any derivatives embedded in host contracts.

In a subsequent business combination, the share in the equity of the acquired company previously held by the purchaser is revalued at fair value as of the acquisition date, and the resulting profit or loss is recognized in profit or loss. When the subsequent business combination results in changed ownership while maintaining control, the acquisition is accounted for as a transaction between owners. Any changes in value between majority and minority shareholders are recorded in equity.

The agreed contingent consideration is measured at fair value as of the acquisition date. Any subsequent adjustments to the fair value of the contingent consideration in the form of an asset or a liability are reported either in the consolidated statement of comprehensive income or in other comprehensive income, in accordance with IAS 39. Contingent consideration classified as equity is not revalued; subsequent compensation is recorded as equity.

Goodwill is initially measured at acquisition cost, which is calculated as the excess of transferred consideration and the amount of the non-controlling interest over the acquired identifiable assets and liabilities of the Group. If this consideration amount is exceeded by the fair value of the net assets of the acquired subsidiary, the difference is recorded in the consolidated statement of comprehensive income. Goodwill is subsequently measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the course of a business combination is attributed to the cash-generating units (CGUs) in the Group which are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquired company are attributed to these CGUs.

If goodwill was attributed to a cash-generating unit (CGU) and a business unit of this CGU is sold, the goodwill attributable to the business unit sold is included in profit/loss from the sale of that business unit as part of the carrying amount of the business unit. The value of the portion of goodwill sold is determined based on the ratio of values of the business unit sold to the remaining part of the CGU.

2.3.2 Foreign currency translation

The consolidated financial statements are prepared in euros, the parent company's functional currency. Each company within the Group determines its own functional currency, which, as a rule, is the respective local currency. The line items in the subsidiaries' financial statements are recorded in the respective functional currency.

Foreign currency transactions and balances

The Group companies initially translate foreign currency transactions into the respective functional currencies at the mean rate of exchange on the day of the business transaction. Monetary assets and liabilities recorded in a foreign currency are translated into the functional currency at each reporting date at the mean rate of exchange. All translation differences are recognized in profit or loss, except any monetary items that represent an effective hedge of a net investment in a foreign business operation. These are recorded in other comprehensive income until the net investment is sold, and recorded in consolidated statement of comprehensive income only upon disposal. Any tax liabilities resulting from translation differences from these monetary items are also recorded in other comprehensive income. Non-monetary items valued at historical purchase cost or cost of conversion in a foreign currency are translated on the day of the business transaction.

2 Accounting policies (Continued)

Group companies

Assets and liabilities of foreign business operations are translated into euros at the reporting date rate (mean rate of exchange). Annual average exchange rates are used for translating income and expense amounts. The resulting translation differences are recorded in other comprehensive income. The values thus recorded for foreign business operations are reclassified into the consolidated statement of comprehensive income upon sale of the respective foreign business operations.

The following key exchange rates were applied:

	Closing rate		Annual average exchange rate	
1 euro =	12/31/2013	12/31/2012	2013	2012
Pound sterling (GBP)	0.8337	0.8161	0.8502	0.8111
Polish zloty (PLN)	4.1543	4.0740	4.1940	4.1843
Romanian leu (RON)	4.4847	4.4287	4.4177	4.4581
Swiss francs (CHF)	1.2276	1.2072	1.2305	1.2053
Czech crowns (CZK)	27.425	25.140	25.980	25.146
Turkish lira (TRY)	2.9344	2.3517	2.5351	2.3145
Hungarian forints (HUF)	297.04	292.30	297.34	289.32
United Arab Emirates dirhams (AED)	5.0576	4.8550	4.8819	4.7239

2.3.3 Recognition of income

Income is recognized as and when it is probable that the economic benefit will accrue to the Group and the amounts can be reliably determined, regardless of the payment date. Income is measured at the fair value of the consideration received or the consideration to be received in accordance with contractual payment terms; taxes or other duties are not considered. Recognition of income requires the fulfillment of the following criteria:

Provision of services

Income from laboratory services is recognized to the extent that the profit or loss of the business can be reliably estimated and it is sufficiently probable that the economic benefit will accrue to the company. In case of analyses not yet completed, work in progress is recorded in the amount of reimbursable expenses incurred.

Sale of goods

Income is recognized when the significant risks and rewards associated with ownership of the goods and products sold have been transferred to the buyer. This usually takes place upon delivery of the goods and products.

Dividends

Income is recognized when a legal claim to payment arises.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income or expense is recognized using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period as applicable, to the net carrying amount of the financial asset or liability. Interest income is presented in the profit and loss statement as part of finance income.

2 Accounting policies (Continued)

2.3.4 Taxes

Current income taxes

Current tax receivables and tax payables for the current period are measured at the amount equaling the expected refund from or payment to the tax authorities. Calculation of these values is based on tax rates and tax laws effective in the country in which the Group operates and generates taxable income at the reporting date. Current taxes that are related to items recorded directly in equity are not recorded in the consolidated statement of comprehensive income but rather in equity. Management regularly reviews individual tax situations with respect to whether there is room for interpretation taking into consideration applicable tax provisions. Provisions for tax liabilities are accrued if necessary.

Deferred taxes

Provisions for deferred taxes are accrued using the liability method with respect to temporary differences in the value of an asset or liability in the statement of financial position and its value in the tax accounts at the reporting date.

Deferred tax liabilities are recorded for all temporary taxable differences, with the exception of:

- deferred tax liabilities resulting from the initial recognition of goodwill, an asset or liability from a transaction which is not a business combination and at the transaction date neither influences the accounting profit or loss nor the taxable profit or loss for the period,
- deferred tax liabilities from temporary taxable differences connected with investments in subsidiaries, affiliated companies, or shares in joint ventures, if the temporal course of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recorded for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable that the taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards and unused tax credits can be offset, with the exception of:

- deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or liability from a transaction that is not a business combination and which, at the transaction date, neither influences the accounting profit or loss nor the taxable profit or loss for the period,
- deferred tax assets from deductible temporary differences in connection with investments in subsidiaries if it is probable that the temporary differences will not be reversed in the foreseeable future or that no taxable income will be available against which temporary differences can be offset.

The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that there is sufficient taxable income against which the deferred tax assets can at least be partially offset. Deferred tax assets that are not recognized are reviewed on each reporting date and then recognized in the amount that it has become probable that future taxable income will make possible the realization of the deferred tax assets. Deferred tax assets and liabilities are measured based on those tax rates that will probably become effective in the period in which an asset is realized or a liability paid. The tax rates (and tax laws) effective at the reporting date are used as a basis. Deferred taxes that are directly related to items that do not affect profit or loss are also recorded without any effect on profit or loss. Such deferred taxes are recorded either in other comprehensive income or directly in equity, depending on the transaction on which they are based. Deferred tax assets and liabilities may be offset if and when the Group has an enforceable claim to offset the current tax assets against actual tax liabilities which are attributable to income taxes of the same taxable unit and are imposed by the same tax authority.

If a business combination gives rise to deferred tax benefits that do not fulfill the criteria for separate recognition as of the date of acquisition, such benefits are recognized in the following periods as long as this is in line with new information regarding facts and circumstances existing at the time of acquisition. The adjustment made is either an impairment of goodwill, if such takes places during the valuation period (and as long as it does not exceed goodwill), or recorded in profit or loss.

2 Accounting policies (Continued)

Value-added tax

Revenues, expenses and assets subject to VAT are recognized net of VAT. The following cases are exceptions to this rule:

- If VAT incurred upon the acquisition of assets or the utilization of services cannot be reclaimed from the tax authority, the VAT is recognized as part of the cost of conversion of the asset or as part of the expenses.
- Receivables and liabilities are recognized with the respective VAT amounts included.
- In the case of Group companies for which only partial reimbursement of VAT is possible, the non-reimbursable portion of VAT is not deducted.
- In the case of Group companies for which no reimbursement of VAT is possible, no VAT is deducted.

The VAT amount to be refunded by or paid to the tax authority is recognized in the statement of financial position under "Other current assets" or under "Other financial liabilities".

2.3.5 Intangible assets and property, plant and equipment

Intangible assets are recognized for the first time at acquisition cost or at cost of conversion. The cost of intangible assets acquired in the scope of a business combination is calculated as the fair value at date of acquisition. In subsequent periods, the intangible assets are recorded at cost or at cost of conversion less accumulated amortization and any accumulated impairment losses, if applicable. Research expenditures are recorded in the period in which they are incurred. Development costs, with the exception of the portion to be capitalized, are not capitalized, but rather recorded in profit or loss in the period in which they are incurred.

Property, plant and equipment is recorded at acquisition cost or cost of conversion less accumulated scheduled depreciation and/or accumulated impairment losses. Acquisition cost or cost of conversion includes costs for replacement parts for property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria have been fulfilled. If material parts of property, plant and equipment must be replaced at regular intervals, the Group capitalizes such parts as separate assets with specific useful lives or depreciation periods. Costs incurred for a major inspection are correspondingly capitalized at carrying amount as replacement cost of the asset if the criteria for recognition have been fulfilled. Any other maintenance and repair costs are recorded in profit or loss. The net present value of expected costs for disposal of an asset after its use is included in the cost or cost of conversion of the respective asset if the criteria for recognition have been fulfilled.

Intangible assets and property, plant and equipment are always depreciated over their economic lives and inspected for any possible impairment loss whenever there is any indication that the intangible asset might be impaired. Duration and method of depreciation are reviewed at least at the end of each reporting period. Any necessary changes to duration or depreciation method due to changes in the expected useful life or the expected deterioration of the future economic benefits of the asset are treated as changes in estimates. Amortization of intangible assets and depreciation of property, plant and equipment are recorded in the statement of comprehensive income under "Depreciation and amortization". Profit or loss from the disposal of intangible assets and property, plant and equipment is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recorded in the period during which the asset is disposed.

2 Accounting policies (Continued)

Straight-line amortization and depreciation is charged over the following useful lives of the assets:

Asset	Useful life	Remaining useful life
Intangible assets		
• Customer lists	3 to 20 years	1 to 20 years
• Trademarks	1 to 6 years	1 to 3 years
• Concessions, industrial property rights, and similar rights	3 to 6 years	1 to 6 years
Investments in non-Group buildings	remaining term of the contract, 10 years maximum	
Technical machines and equipment	4 to 10 years	
Vehicle fleet	3 to 5 years	
Other equipment, fixtures and fittings, and office equipment	4 to 10 years	
Buildings	20 to 50 years	

Intangible assets or property, plant and equipment are derecognized either upon disposal or when no economic benefits are expected to flow from further use or from the disposal of the recognized asset. Profit or loss arising from the derecognition of the asset are recorded in consolidated statement of comprehensive income as the difference between the net disposal proceeds and the carrying amount of the asset in the period in which the asset is derecognized. Remaining value, useful life and depreciation/amortization methods of the assets are reviewed at the end of each fiscal year and prospectively adjusted as necessary.

2.3.6 Lease agreements

The decision whether an agreement is classified as a lease is made based on the economic substance of the agreement at the time of the conclusion of the agreement, and requires an estimate as to whether the fulfillment of the agreement depends on the use of a specific asset or assets and whether the agreement grants the right to use this asset, even if this right is not expressly stipulated in the agreement. The Group companies using analysis equipment generally do not have civil-law title to this equipment. Invoicing for this equipment is "per reported result", whereby it can be assumed that the fee contains not only analysis materials and maintenance costs, but also a fee for provision of the equipment. Pursuant to IFRIC 4 (Determining Whether an Arrangement Contains a Lease), this type of agreement represents a lease agreement if the fulfillment of the agreement is dependent upon the use of a certain asset and the agreement grants a right to use the asset. According to these criteria, it can be assumed that the agreements on the use of analysis equipment contain lease agreements. Based on the content of the agreements, these are operating leases. The portion of lease components in these agreements is estimated based on the available documents because the parties to the contract have not provided any information.

The Group as lessee

Finance leases in which essentially all risks and rewards related to the title of the leased asset are transferred to the Group as the lessee result in capitalization of the leased asset at the beginning of the term of the lease. The leased asset is recognized at the lower of its fair value or the present value of the minimum lease payments. Lease payments are divided into finance costs and repayments of the principal in such manner that during the life of the lease a constant interest rate applies to the remaining lease obligation. Finance costs are recorded in profit or loss. Leased assets are depreciated over their useful lives. If transfer of the title to the asset to the Group at the end of the lease is not sufficiently likely, the lease is fully amortized over the shorter of the estimated useful life of the asset and the term of the lease.

Payments for operating leases are recorded on a straight-line basis in the consolidated statement of comprehensive income as expenses for rental and lease agreements over the term of the lease agreement.

Agreements on the use of analysis equipment are formulated such that they contain embedded lease components. Based on the content of the agreement, these are operating leases. The amount of the lease components in these agreements is estimated based on the available documents because the parties to the contract have not provided any information.

2 Accounting policies (Continued)

2.3.7 Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction or production of an asset are capitalized as part of the cost or cost of conversion of the respective asset if a significant period of time is required to prepare the asset for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

2.3.8 Financial instruments

Financial assets and liabilities

Financial assets within the meaning of IAS 39 are either categorized as financial assets that are measured at fair value through profit or loss, as loans and receivables, as financial investments held to maturity, as financial assets available for sale or as derivatives designated as hedging instruments.

Financial liabilities within the meaning of IAS 39 are either classified as financial liabilities measured at fair value through profit or loss, or as "Other financial liabilities".

The Group determines the classification of its financial assets when they are recognized for the first time. Any necessary and permissible reclassifications are made at the end of the fiscal year. No reclassifications took place in either of the reporting years.

When financial assets and liabilities are first recognized, they are measured at their fair value, and as a rule are recorded as of the conclusion date of the contract. Transaction costs connected with an acquisition are also recognized for all financial assets and liabilities not subsequently measured at fair value through profit or loss.

Financial assets and liabilities are only netted in the Group statement of financial position if there is a legal claim at that time to offset the recorded amounts against each other and it is intended to do this on a net basis or to simultaneously repay the corresponding liability when the corresponding asset is realized.

With the exception of derivative instruments as well as non-controlling interests in a partnership ("puts on NCI"), no financial investments were measured at the reporting date either as financial assets that are measured at fair value through profit or loss or as financial investments held to maturity, nor were any financial liabilities classified as financial liabilities measured at fair value through profit or loss.

Primary financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment. Gains or losses are recognized in profit or loss for the period if loans or receivables are derecognized or impaired. Loans and receivables include Group trade receivables, certain current assets and cash and cash equivalents.

Available-for-sale financial investments are defined as non-derivative financial assets that are classified as available-for-sale and are not categorized otherwise. After initial measurement, financial investments that are available-for-sale are measured at fair value; profit or loss is recorded under "Accumulated other comprehensive income" less any income tax effects. At the date on which the financial investment is derecognized or on which a related impairment is determined, the previously recognized accumulated other comprehensive income is recognized through profit or loss. The fair value of financial investments traded on organized markets is determined using the market bid price quoted at the reporting date. The fair value of financial investments for which no active market exists is assessed using valuation methods. If there is no market and the fair value cannot be reasonably assessed, the asset is recognized at amortized cost.

Financial liabilities and interest-bearing loans are measured at amortized cost using the effective interest rate method. Amortization and derecognition of liabilities are reported through profit or loss.

2 Accounting policies (Continued)

Derivative financial instruments

The Group uses interest rate swaps, caps and collars as derivative financial instruments for hedging future interest payments. The hedge accounting provided for under IAS 39 was not utilized for the Group financial statements.

Thus derivative financial instruments must be classified as held for trading, and are recorded at fair value through profit or loss as of the conclusion date of the respective contract and thereafter.

The fair value of interest rate swap and collar contracts is determined using the net present value of future contracted payment flows, based on current market data.

Impairment of financial assets

The Group determines at each reporting date whether there is any indication of impairment of a financial asset or a group of financial assets that are not recorded at fair value through profit or loss.

Objective evidence for the occurrence of impairment could include, for example, the repudiation of a draft invoice in a demand for payment, significantly overdue payment or other indications of non-collectability.

With respect to financial investments available for sale, an objective indication of impairment is present if the fair value falls below the carrying amount either for an extended period or by a significant amount. To the extent such an asset is impaired, the cumulative loss previously recognized directly in equity is booked to profit or loss. A reversal of an impairment loss on an equity instrument classified as available for sale at a later point in time is not recorded in profit or loss, but rather reversed in equity.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the Group loses control over the contractual rights on which the financial asset is based. A financial liability is derecognized when the underlying obligation is fulfilled, terminated or has expired.

2.3.9 Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the expected sales price achievable in the course of ordinary business operations less estimated costs of completion and necessary sales and marketing expenses.

Any costs incurred to transport inventories to their present location and to render them in their current condition are capitalized as follows:

Raw materials, consumables and supplies:

- First-in-first-out method (Fifo)

Finished and unfinished products or services:

- Directly attributable materials and production costs as well as reasonable portions of overhead production costs based on the facility's normal production capacity without taking borrowing costs into account

2.3.10 Impairment of non-financial assets

At each reporting date, the Group determines whether situations exist that would necessitate an impairment of non-financial assets. If there is any such indication or if an annual impairment test is necessary for an asset, the Group estimates the recoverable amount of the respective asset. The recoverable amount of an asset is the greater of the fair value of an asset or a CGU less cost of sale and the value-in-use. The recoverable amount must be determined for each individual asset unless a particular asset does not generate any cash flows that are largely independent of other assets or other groups of assets. If the carrying amount of an asset or CGU exceeds its respective recoverable amount, the asset is impaired and is depreciated to recoverable amount.

Value-in-use is the net present value of future expected cash flows using a discount rate before tax that reflects market expectations with respect to the interest rate effect and the specific risk of the asset. Recent market transactions, if applicable, are taken into consideration when determining the fair value less any cost of sale. If there are no such identifiable transactions, a suitable valuation model is used. This is based on valuation multiples or other available indicators of fair value.

The Group bases its impairment decisions on detailed budget and projection calculations that are prepared separately for each Group CGU to which individual assets are allocated. As a rule, these budget and projection calculations cover a span of five years. A long-term growth rate is determined for longer periods of time and used to project future cash flows beyond the fifth year. Impairment costs of continuing business operations, including impairment of inventories, are recorded through profit or loss in the categories relating to the function of the impaired asset within the Company. This does not apply to assets previously revalued to the extent that the increases in value from the revaluation were recorded in other comprehensive income. In such case the impairment is also recorded in other comprehensive income up to the amount of a previous revaluation.

Assets other than goodwill are evaluated at every reporting date as to whether there are indications that a previously recorded impairment loss no longer exists or has been reduced. If such indications are present, the Group assesses the recoverable value of the asset or the CGU. Any previously recorded impairment losses are only reversed if a change in the assumptions that formed the basis for the determination of the recoverable amount has taken place since recording the last impairment loss. The impairment reversal is limited by the fact that the carrying amount of an asset may neither exceed its recoverable amount nor the carrying value that would have remained after scheduled depreciation if in previous years no impairment losses for the asset had been recorded.

Goodwill is valued once a year on December 31, and whenever indications suggest a possible impairment. This value is also reviewed if circumstances indicate that impairment may have occurred. The impairment is calculated by determining the recoverable amount of the CGU (or the CGU groups) to which the goodwill is allocated. If the recoverable amount from the CGU is less than the carrying amount of this unit, an impairment loss is recorded. Once impairment losses are recorded on goodwill, such impairment losses are not to be reversed in future periods.

2.3.11 Cash and cash equivalents

The statement of financial position item “Cash and cash equivalents” comprises cash on hand, bank deposits and short-term deposits with a term of less than 3 months. For the purposes of the cash flow statement, cash and cash equivalents comprises cash as defined above and short-term deposits.

2.3.12 Provisions

Principles

A provision is recognized if the Group has a present (legal or constructive) obligation arising from a past event, expenditure of resources with economic benefit to fulfill the obligation is likely, and a reliable assessment of the amount of the obligation is possible. If an accrued liability is expected to be reimbursed at least in part (e.g. liabilities covered under an insurance policy), the reimbursement is classified as a separate asset, provided there is a high probability of it occurring. The expense for such a provision is reported in the consolidated statement of comprehensive income less any reimbursement. If the interest rate effect from a discounting event is substantial, provisions are discounted using a discount rate before tax that reflects the specific risks for the obligation involved. In case of discounting, the increase in the provision resulting from passage of time is recorded as finance costs.

Provisions for restructuring

A provision for restructuring is only recognized if the general requirements for realization of provisions are fulfilled. Furthermore, the Group must follow a formalized restructuring plan setting out detailed requirements regarding the business unit or part of the business unit concerned, the site and the number of employees concerned, as well as a detailed estimate of associated cost and a reasonable time schedule. The employees concerned must justifiably expect that the restructuring will take place, or it must have already begun.

2.3.13 Pensions and other post-employment benefits

Non-current pension provisions comprise defined benefit plans for pensions and other post-employment benefits as well as provisions for German phased retirement programs and long-service awards. Defined-benefit pensions and other post-employment benefit obligations are measured pursuant to IAS 19 (Employee Benefits) using the projected unit credit method. The net present value of the obligation is determined based on the duration of the employee's service, expected salary increases and projected retirement age.

Actuarial gains or losses resulting from changes to actuarial assumptions or differences between former actuarial assumptions and actual developments are recognized directly in equity in the period in which they were incurred, taking into account any deferred taxes. After deduction of plan assets, all obligations are thus fully reflected in the statement of financial position, eliminating in particular any expense variations from potential changes in calculation parameters. All actuarial gains and losses and any attributable deferred taxes incurred in the respective reporting period are thus part of accumulated other comprehensive income. The Company's obligations from German phased retirement programs result from individual employee contracts. Employees may choose between two variants of the German phased retirement program: The so-called block model requiring the employee to continue working full-time at first, usually followed by an equally long release period; or a 50% part-time employment for the whole period until retirement commences. Actuarial gains and losses from German phased retirement program provisions are recorded in full through profit or loss.

Provisions for long-service awards are accrued for claims based on collective agreements or long-term claims based on other employee agreements depending on the durations of service at the Company in accordance with the regulations of IAS 19. For long-service awards, gains or losses from changes in the calculation parameters are directly recorded in full as profit or loss in the same fiscal year.

In Switzerland, the Group maintains a defined-benefit pension agreement. Swiss companies do not accrue pension provisions as a rule since pensions are paid by pension funds which are legal entities under Swiss law and which provide for appropriate cover while Swiss companies are obligated to pay monthly contributions to these pension fund entities. The accumulated funds are released for retirement payments only. The pension plan assets comprise the savings balance of active insured individuals and the credit balance in the various accounts of the collective foundations as well as the amount of coverage if accrued pension benefits are not guaranteed. Swiss pension funds are responsible for maintaining sufficient liquidity to honor their financial obligations. The governing body is the respective foundation board.

The pooled plan is furthermore a defined benefit plan within the meaning of IAS 19. Because of the current extremely low discount rate assumptions, calculating pension payment obligations in accordance with IFRS/IAS 19 as compared to the applicable rates under Swiss law, generally yields extremely low funding levels, especially for active plan contributors but also, to a lesser extent, for pensioners. In these calculations the company is assumed to be the debtor and the expected funding gap is recognized accordingly in the statement of financial position.

The Group has pension obligations for senior management personnel. These benefits are not re-insured through an external fund.

2.3.14 Non-controlling interests in partnerships/put options

Pursuant to the rules set forth in IAS 32 on the delimitation of equity and liabilities, non-controlling interests in partnerships for which minority partners have a right of termination are recorded as a liability. In the same manner, shares for which the minority shareholder has been granted a put option by the majority partner are to be recognized at the fair value of the purchase price as an obligation. If this is done for a business combination, the business combination is accounted for as if the non-controlling interests had already been acquired. As a result, goodwill is recognized in full. Such shares are shown on the Group statement of financial position as a liability under "Other financial liabilities". Income from these shares which can be withdrawn by the minority partner is shown in the consolidated statement of comprehensive income under "Revaluation of non-controlling interests in partnerships".

2 Accounting policies (Continued)

2.3.15 Share-based payment

Members of management and other senior managers of the Group receive as remuneration for their work share-based payments in the form of equity instruments (equity-settled share-based payment transactions).

If equity instruments are issued and some or all of the services the company received in return are not clearly identifiable, the services received or to be received that cannot be identified are measured at the difference between the fair value of the share-based payment and the fair value of the identifiable services already received by the date the equity instruments were granted. This difference is then recorded as an expense.

Expenses for equity-settled share-based payment transactions are measured at fair value as of the date the equity is granted. Fair value is determined using a suitable option pricing model. Expenses arising from the granting of equity instruments and the corresponding increase in capital reserves are recognized over the period of time in which the conditions for performance and services are to be fulfilled ('vesting period'). This period ends at the first possibility to exercise the option, that is, when the employee concerned is irrevocably entitled to exercise the option. The cumulative expenses recorded for equity-settled share-based payment transactions thereby reflect at any reporting date up to the date of first possibility of exercising the option the vesting period already expired as well as the number of equity instruments which, based on the best estimate of management, will eventually vest. However, the amount by which income is reduced or increased reflects the change in cumulative expenses reported at the beginning versus the end of the reporting period.

Forfeited equity instruments granted for remuneration are not recorded as expense. An exception are those equity instruments granted for which non-forfeitability is based on certain market or non-vesting conditions. These equity instruments granted are deemed to be exercisable regardless of whether the market or non-vesting conditions are fulfilled, as long as all performance and service conditions have been fulfilled.

If the underlying conditions of an equity-settled share-based payment transaction are changed, expenses are recorded in the minimum amount of costs that would have been incurred if contractual conditions had not been changed, provided that the original conditions of the remuneration agreement are fulfilled. The company also records the effect of changes that increase the fair value of the share-based payment or are related to any other benefit for the employee, valued at the date of the change.

If an equity-settled share-based payment agreement is canceled, this is treated as if the option had been exercised on the day of cancelation. Expenditure not yet recognized is recorded immediately. This applies to all remuneration agreements for which non-vesting conditions on which either the company or the employee have an influence have not been fulfilled. However, if the canceled remuneration agreement is replaced by another remuneration agreement declared on the day it is granted as replacement for the canceled remuneration agreement, the canceled agreement and the new remuneration agreement are recorded in the statement of financial position as a change to the original remuneration agreement. All cancellations of remuneration agreements based on equity-settled share-based payment transactions are treated equally.

2.3.16 Fair value measurement

The Group measures the fair value of its financial instruments, such as derivatives, as of each reporting date. The fair values of financial instruments measured at amortized cost are listed in section 7.

The fair value represents the price received for an asset sold or the money paid for a liability transferred in an ordinary business transaction between market players at the measurement date. When measuring the fair value it is assumed that the asset is sold or the liability transferred in a business transaction either on the primary market for such asset sale or liability transfer or the best market for such transactions if no primary market exists.

The Group must have access to either the primary or the best markets.

2 Accounting policies (Continued)

The fair value of an asset or liability is measured using the market players' assumptions applied in setting the price of the asset or liability. It is also assumed that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to achieve an economic benefit through the highest and best use of the asset or its sale to another market participant who will put the asset to the highest and best use.

The Group uses measurement methods which it considers appropriate under the given circumstances and for which sufficient data is available to perform fair value measurement. It is important however to mainly use appropriate and observable input factors and keep non-observable input factors to a minimum.

Financial instruments recorded on the statement of financial position as measured at fair value are to be organized within a three-level hierarchy, as are all line items for which fair value is to be stated in the Notes. The levels reflect the market-relevance of the respective data used in the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1: Quoted prices for similar assets or liabilities on active markets

Level 2: Directly (prices, for example) or indirectly (derived from prices) observable market inputs other than Level 1

Level 3: Inputs for assets and liabilities not based on observable market data.

For assets or liabilities repeatedly reported in the financial statements the Group determines any hierarchy level re-classification by re-evaluating the existing classification at the end of each reporting period. Such revaluation is based on the lowest-level input parameters which are essential for fair value measurement.

In order to meet the requirements for fair value disclosures, the Group has established certain groups of assets and liabilities based on type, characteristics and risks as well as the fair value hierarchy levels mentioned above.

2.4 Significant judgments, estimates and assumptions

When compiling the consolidated financial statements, management makes judgments, estimates and assumptions that affect the amounts of income, expenses, assets, liabilities and contingent liabilities reported as of year-end. However, these estimates and assumptions are uncertain and thus can lead to results which may later require material adjustment of the carrying amount of the assets or liabilities.

In applying Group accounting policies, management made the following judgments which substantially influence amounts in the consolidated financial statements:

Consolidation of special purpose entities

The Group has associate relationships with collaborative laboratories owned by doctors. The Group therefore does not hold a direct stake in these collaborative laboratories, but benefits arising from the business activities of these entities accrue primarily to the Group. In reviewing the particulars and circumstances in these relationships, management reached the conclusion that these entities are controlled by the Group within the meaning of SIC-12. They were therefore included in the Group's financial statements accordingly.

Effects of refinancing initiated in January 2012

SYNLAB HOLDING and various subsidiaries refinanced existing interest-bearing loans and borrowings effective as of January 24, 2012, and entered into a new loan agreement for 395 million euros. The refinancing process commenced in mid-November 2011. In a review Company management decided that this refinancing qualified as new financing within the meaning of IAS 39.39. This led to a revaluation of the expected cash flows from the previous financing in line with IAS 39 AG8, the reversal of accrued transaction costs from previous financing and their recognition through profit or loss. Company management did not take into consideration effects arising from refinancing with regard to the recognition of transaction costs in profit or loss and the presentation of cash flows from financial liabilities until fiscal year 2012, maintaining that the refinancing was not sufficiently substantiated at the reporting date. Also, the financing banks' credit committees' only approved the transaction in January 2012.

2 Accounting policies (Continued)

Effects of refinancing in March and December 2013

Pursuant to an agreement concluded on March 28, 2013, SYNLAB HOLDING and several subsidiaries substantially expanded the existing financing agreement for the SYNLAB GROUP with respect to credit facilities, the restrictions originally agreed for the SYNLAB GROUP and the covenants to be observed. This expansion provided the SYNLAB GROUP with additional financing in the amount of 85 million euros in addition to the credit facilities existing as of December 31, 2012, comprising 10 million euros in increased short-term credit facilities, 75 million euros for additional capital investments and prospects for additional credit facilities of 175 million euros for capital investments. A further contract change concluded on December 18, 2013 provides for the reclassification of amortizing credit lines in the amount of 54 million euros as credit lines with a bullet structure. Other agreements involve changes to the covenants, potential equity injections and other changes regarding future acquisitions governed by the credit agreement. The changes to the existing financing agreement do not involve the exchange of debt instruments with substantially different contractual terms, but rather only represent a modification of the existing terms. These contractual changes thus do not have an impact on accrued transaction costs. Transaction costs resulting from these contractual changes were capitalized as of the conclusion date of the changed contract, and will be amortized over the term of the financing agreement.

Future-related assumptions

The most significant future-related assumptions and any other sources of forecasting uncertainty which pose significant risk involve a possibility that the carrying amount of assets and liabilities must be materially adjusted in the next fiscal year as outlined below. Group assumptions and estimates are based on parameters prevailing at the date the consolidated financial statements were prepared. These circumstances and assumptions regarding future developments may change however depending on market activity and conditions beyond the Group's control, and are only factored into assumptions after their occurrence.

a) Impairment of goodwill and intangible assets with indefinite useful lives

The Group conducts a review of goodwill and intangible assets at least once annually and whenever there are indications that an impairment of goodwill or intangible assets with indefinite useful lives may have occurred. Impairment tests conducted by the Group as of December 31, 2013 are based on calculations of recoverable amount using the discounted cash flow method. Cash flows are projected based on financial planning for the next five years. Cash flows beyond the planning period are projected using individual growth rates. Recoverable amount depends largely on the discount rate used in the discounted cash flow method, on expected cash inflows and outflows, and on the growth rate used for extrapolation.

The assumptions are based on premises derived from the currently available information. In particular, projected results are based on prevailing circumstances as well as realistic prognoses for future results both globally and for the industry. Major planning assumptions are based on planning discussions with important Group customers. Even though management feels that the assumptions it has used in calculating the recoverable amount are reasonable, unforeseeable changes in these assumptions could lead to impairment expenses that could have a negative impact on the financial position, financial performance and cash flows. The basic assumptions made to calculate the recoverable amount of goodwill for the individual CGUs, and of the intangible assets with indefinite useful lives as well as for sensitivity analysis are explained in detail in sections 6.2 and 6.3 of the Notes. As of December 31, 2013, the carrying amount of goodwill was 350,850 thousand euros (previous year: 311,940 thousand euros) and the carrying amount of intangible assets with indefinite useful lives was 1,233 thousand euros (previous year: 0 thousand euros).

b) Measuring property, plant and equipment and intangible assets

Measuring property, plant and equipment and intangible assets requires the use of estimates for determining fair value at the time of acquisition, in particular regarding assets acquired in the scope of a business combination. Furthermore, the expected useful life of these assets must be determined. Management uses judgment in determining the fair value of the assets and their useful lives as well as deciding whether an indication of impairment of value requires impairment testing. As of December 31, 2013, the carrying amount of property, plant and equipment was 67,355 thousand euros (previous year:

64,494 thousand euros); the carrying amount of intangible assets was 306,009 thousand euros (previous year: 299,222 thousand euros). More details are provided in sections 6.3 and 6.4 of the Notes.

c) Taxes

There is uncertainty regarding the interpretation of complex tax provisions, changes in the tax code as well as the amount and date of future taxable events. Given the large scope of international business transactions and the long-term nature and complexity of existing contractual agreements, it is possible that differences between the actual results and assumptions made or future changes in such assumptions could lead to adjustments in taxable income or tax expense already recorded. The Group accrues provisions based on realistic estimates of the potential impact of tax audits in those countries in which it conducts transactions. The amount of such provisions is based on various factors, including for example experience gained from previous tax audits and differing interpretations of tax provisions by the taxable company and the tax authorities. Such diverging interpretations occur when a large number of different tax issues are present, dependent upon the conditions prevailing in the country of domicile of the respective Group company. Because the Group views the probability of legal dispute and corresponding tax liabilities as being low, no contingent liabilities were recorded.

At each reporting date, the Group evaluates whether future tax benefits are sufficiently likely to justify the recognition of deferred tax assets. This requires management to assess the tax advantages resulting from available tax strategies and future taxable income in addition to other positive and negative factors. Expected taxable income as projected in company forecasts is used in these assessments. The amount of deferred tax assets stated could be reduced if projected taxable income and the tax benefits to be gained from available tax strategies are lower, or if changes in current tax provisions limit the time frame or the scope of realization of future tax benefits.

Deferred tax assets are recorded for all unused tax loss carryforwards in the amount in which it is likely that taxable income will be available against which the tax loss can actually be used. When determining the amount of the deferred tax asset, management must exercise a substantial amount of discretion in estimating the amount and timing of future taxable income as well as future tax planning strategies.

The Group has unrecognized tax loss carryforwards of 80,390 thousand euros (previous year: 50,734 thousand euros). These amounts have been incurred by Group companies with a history of losses. The loss carryforwards do not expire and cannot be offset against taxable income from other Group companies. The Group companies do not have any taxable temporary differences or tax structuring options that could lead to partial recognition of deferred tax assets. If the Group were able to capitalize all non-recognized deferred tax assets, the consolidated profit for the year would increase by 23,667 thousand euros (previous year: 14,936 thousand euros). In the current fiscal year, deferred tax assets in the amount of 636 thousand euros (previous year: 128 thousand euros) were recorded on tax loss carryforwards from the previous year on the basis of a reassessment of potential future taxable income or taxable temporary differences. Further details on taxes are provided in section 5.10 of the Notes.

d) Pension benefits

The expenditure on post-employment defined-benefit plans and the present value of pension obligations are determined based on actuarial calculations. The actuarial calculation is based on various assumptions which may differ from actual future developments. This includes the determination of discount rates, future wage and salary increases, the mortality rate and future increases in pension benefits. Due to the complexity of calculations, the assumptions used and its long-term nature, a defined-benefit plan obligation is very sensitive to changes in these assumptions. All estimates are reviewed at the reporting date of each year.

In determining the suitable discount rate, management is guided by interest rates of corporate bonds in the respective currency with at least an AA rating; these are adjusted by extrapolating them to the expected duration of the defined benefit plan obligation. Furthermore, management reviews the quality of the underlying bonds, and those exhibiting excessively large credit spreads are eliminated from the portfolio used to determine the discount rate, as these bonds are not considered high-grade. The mortality rate is based on mortality tables available to the public in the respective country. Future wage, salary, and pension increases are based on projected future inflation rates for the respective country.

All assumptions are reviewed at the reporting date of each year.

These estimates are very uncertain due to the long-term nature of such pension plans. As of December 31, 2013, the carrying amount of pensions and similar obligations was 11,437 thousand euros (previous year: 10,133 thousand euros). Further details are provided in section 6.14 of the Notes.

e) Measurement of contingent consideration at fair value

Contingent consideration arising in the scope of business combinations is recorded as part of the business combination at fair value as of the date of acquisition. If the contingent consideration satisfies the definition of a derivative, and thus of a financial liability, it will be re-measured at fair value in subsequent periods as of each reporting date. Fair value is determined using discounted cash flows. Basic assumptions take into consideration the likelihood of fulfillment of every performance target as well as the discount rate. As of December 31, 2013, the fair value of the consideration was 15,533 thousand euros (previous year: 15,691 thousand euros).

f) Fair value of financial instruments

If the fair value of financial assets and liabilities recorded in the statement of financial position cannot be determined using data from an active market, it is determined using valuation techniques such as the discounted cash flow method. The inputs used in the model are based on observable market data whenever possible. If this is not possible, the determination of fair values is to a certain extent a matter of discretion. Discretionary decisions involve inputs such as liquidity risk, default risk and volatility. Changes in the assumptions with respect to these factors could have an impact on the recorded fair value of the financial instruments. As of December 31, 2013, the negative fair value of the financial instruments was 2,340 thousand euros (previous year: 4,908 thousand euros).

3 Changes in accounting policies

3.1 New and revised standards and interpretations

The recognition and measurement methods used in preparing the consolidated financial statements of SYNLAB HOLDING generally correspond to the methods used in the previous year, with the exception of those changes in IFRS accounting standards whose application is mandatory as of January 1, 2013. The recognition and measurement methods used thus comply with the IFRS applicable for 2013 as adopted by the EU.

In fiscal year 2013, the Group took into account the following revised or new IFRS standards and interpretations, to the extent that these are applied.

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 published in June 2011 is to be applied for the first time in fiscal years beginning on or after July 1, 2012. The amendment of IAS 1 concerns the presentation of items of other comprehensive income. Items to be reclassified through profit or loss in future ('recycled') are to be recorded separately from items remaining in equity. These changes affect only the presentation in the financial statements, and therefore have no effect on the Group's financial position, financial performance and cash flows.

IAS 12 Deferred Tax—Recovery of Underlying Assets

The amendment to IAS 12 published in December 2010 is to be applied for the first time in fiscal years beginning on or after January 1, 2013. The amendment to IAS 12 introduces a simplification rule. Accordingly, an assumption is made (which may be refuted) that the carrying amount realized through sale always applies for measuring deferred taxes on real estate measured at fair value. The disposal of property, plant and equipment that is not subject to depreciation and is measured using the revaluation method is always assumed. As expected, the application of this amendment did not have any impact on the Group's financial position, financial performance and cash flows under the German legal system.

3 Changes in accounting policies (Continued)

IAS 19 Employee Benefits

This revised standard is to be adopted for the first time in fiscal years beginning on or after January 1, 2013. The revised IAS 19 eliminates the 'corridor method' and mandates the recognition of actuarial gains and losses in other comprehensive income. In addition, expected income from plan assets and interest cost for the pension obligation have been replaced with a uniform net interest component. Going forward, past service cost is to be recognized in full in the period in which the corresponding change in benefit plans takes place. The revised IAS 19 also changes the rules applying to post-employment benefits and expands disclosure and explanation requirements.

A detailed analysis of the effects on financial position, financial performance and cash flows is provided in section 3.3.

IFRS 13 Fair Value Measurement

In May 2011, the IASB published IFRS 13, Fair Value Measurement. The new rules do not regulate the extent to which certain assets and liabilities are to be measured at fair value, but rather only define the term 'fair value' and harmonize disclosure requirements for fair value measurement. The new rules are to apply to fiscal years beginning on or after January 1, 2013. Application of IFRS 13 did not have any significant impact on measurement of fair value within the Group. Any mandatory disclosures regarding individual assets and liabilities subject to fair value measurement are contained in the corresponding sections of the Notes.

Improvements to IFRS (2009 - 2011)

The improvements to IFRS published in 2009 - 2011 have been compiled as an omnibus standard and were published in May 2012, containing amendments to various IFRS to be applied for fiscal years beginning on or after January 1, 2013. The Group has not yet applied the following amendments:

- IAS 1: Clarifies the difference between voluntary additional comparative information and mandatory comparative information which usually encompasses the previous reporting period;
- IAS 16: Clarifies that essential spare parts and servicing equipment classified as property, plant and equipment are not to be treated as inventory.
- IAS 32: Clarifies that income tax on distributions to holders of equity instruments are treated as per IAS 12 Income Taxes;

3.2 Published standards whose application is not yet mandatory

The standards that have been published by the date of publication of the consolidated financial statements but are not yet mandatory are listed below. This list refers to the published standards and interpretations which the Group assumes, based on sound business judgment, will be applicable in the future. The Group intends to apply these standards as soon as they become effective.

IAS 27 Consolidated and Separate Financial Statements According to IFRS (revised in 2011)

The revised IAS 27 was published in May 2011. This revised standard is to be adopted for the first time in reporting periods beginning on or after January 1, 2014. Following the publication of IFRS 10 and IFRS 12, the scope of application of IAS 27 was limited to accounting for investments in subsidiaries, jointly controlled entities and associated entities in a company's separate financial statements.

IAS 28 Investments in Associates (revised in 2011)

The revised IAS 28 was published in May 2011. This revised standard is to be adopted for the first time in reporting periods beginning on or after January 1, 2014. After the adoption of IFRS 11 and IFRS 12, the regulatory scope of IAS 28 was extended to require application of the equity method not only for associated companies, but for joint ventures as well.

3 Changes in accounting policies (Continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities (revised)

This amendment is to be applied for the first time in reporting periods beginning on or after January 1, 2014, and clarifies the phrase "currently has a legally enforceable right to set off the recognized amounts". It further clarifies application of netting criteria in IAS 32 with regard to settlement systems (e.g. central clearing houses) using gross settlement for business transactions performed at different points in time. These changes are not expected to have an impact on the presentation of the Group's financial position, financial performance and cash flows.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the requirements for consolidated financial statements set out in IAS 27, Consolidated and Separate Financial Statements (revised 2008), and SIC-12, Consolidation—Special Purpose Entities. This revised standard is applicable in the European Union for the first time in reporting periods beginning on or after January 1, 2014. Based on currently applicable principles, IFRS 10 regulates which entities are to be included in the consolidated financial statements, based on a comprehensive definition of control. The pronouncement provides additional guidelines on interpretation of the concept of control in unclear instances. An investor has control over the investee when it has existing rights that give it exposure to the variable returns and the ability to direct the relevant activities that significantly affect the investee's returns. Significant changes to the current requirements could arise in situations where an investor holds less than half of the voting rights in an entity, but has the ability to direct the relevant activities of the investee by other means.

IFRS 11 Joint Arrangements

This standard replaces IAS 31, Interests in Joint Ventures (amended 2008), and the interpretation SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 regulates the accounting for joint arrangements, the emphasis being on the type of rights and obligations arising from the arrangements rather than on their legal form. IFRS 11 classifies joint arrangements into two groups: joint operations and joint ventures. IFRS 11 eliminates the option of proportionate consolidation for joint venture companies. Going forward, these companies are to be included in the consolidated financial statements using the equity method only.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive pronouncement regulating disclosure requirements for all types of interests in other entities including joint arrangements, associated companies, structured entities, and off-balance sheet entities. This revised standard is to be applied for the first time in reporting periods beginning on or after January 1, 2014. This standard requires disclosure of information that enables users of financial statements to evaluate the nature of and risks associated with interests in other entities and the effects of those interests on a company's financial position, financial performance and cash flows.

IFRS 10, 11, 12, and the subsequent amendments to IAS 27 and IAS 28 enter into force in the European Union for fiscal years beginning on or after January 1, 2014. The new or amended pronouncements may be applied early, in which case, all of the aforementioned new standards must be applied as of the same date. The only exception is IFRS 12, whose disclosure requirements may be applied on an early basis and independently of other pronouncements. The pronouncements apply retrospectively. The Company currently does not expect the changes to have an effect on the scope of consolidation.

IFRS 10, IFRS 12 and IAS 27 Investment Entities

This amendment to IFRS 10, IFRS 12 and IAS 27 published in October 2012 is to be applied for the first time in fiscal years beginning on or after January 1, 2014. This amendment provides that 'investment entities' are exempt from the consolidation rules as per IFRS 10, and that all subsidiaries controlled by them are to be measured at fair value through profit or loss. An exception applies to investments in subsidiaries which provide services to the investment entity which are still to be consolidated as per IFRS 10. Parent companies of investment entities which are not themselves classified as investment entities thus have to include in their consolidated financial statements all companies which are controlled by an investment entity. An investment entity is defined as an entity which obtains funds from investors and provides investment management services to investors, thereby generating returns from capital appreciation, investment income, or both.

This amendment is not applicable to the Group and will therefore have no impact on the Group's financial position, financial performance or cash flows.

Amendment to IAS 36—Recoverable Amount Disclosures for Non-Financial Assets

The amendment to IAS 36 published in May 2013 is to be applied for the first time in fiscal years beginning on or after January 1, 2014. This amendment is intended to eliminate undesirable effects on disclosure requirements resulting from adoption of IFRS 13. It also requires disclosures on recoverable amounts for assets and cash-generating units for which an impairment loss was recognized or reversed during the reporting period. The amendment applies retrospectively. Early application is permissible.

This amendment only requires additional or modified disclosures and has no impact on the Group's financial position, financial performance or cash flows.

Amendment to IAS 39—Novation of Derivatives and Continuation of Hedge Accounting

The amendment to IAS 39 and IFRS 9 was published in June 2013 and is to be applied for the first time in fiscal years beginning on or after January 1, 2014. Under certain circumstances, this amendment provides for the continuation of hedge accounting in instances where derivatives designated as hedges are transferred to a central clearing house (novation) due to statutory or regulatory requirements. The amendment applies retrospectively. Early application is permissible. As the Company does not anticipate using a clearing house the first-time application of this provision is not expected to have an impact.

IFRS 9 Financial Instruments: Classification and Measurement

The first part of Phase I in preparation of IFRS 9 Financial Instruments was published in November 2009. The standard includes revised provisions regarding the classification and measurement of financial assets. Accordingly, debt instruments are to be carried either at amortized cost or at fair value through profit or loss, regardless of their respective characteristics, and taking into account the business model. Equity instruments must always be carried at fair value. Fluctuations in the value of equity instruments however may be recorded in other comprehensive income due to the instrument-related elective option which may be exercised when the financial instrument is acquired. In such case only certain dividend income from equity instruments would be recorded in profit or loss. Exempt are financial assets held for trading which must be measured at fair value through profit or loss. The IASB completed the second part of Phase I of the project in October 2010. The standard was thus supplemented with rules on financial liabilities, prescribing that existing classification and measurement standards for financial liabilities are to be retained with the following exceptions: Effects resulting from changes in a company's own credit risk from financial liabilities classified as measured at fair value through profit or loss are to be recorded in equity, and derivative liabilities on unlisted equity instruments may no longer be recorded at cost. IFRS 9 is to be applied for the first time in fiscal years beginning on or after January 1, 2015. Mandatory application will probably be postponed due to delayed conclusion of Phases II and III. A probable date is January 1, 2018.

Application of the first part of Phase I will affect the classification and measurement of the Group's financial assets. The second part of this project phase is not expected to have a major impact on the Group's financial position, financial performance and cash flows. The third phase of the project completed in November 2013 concerns hedge accounting. In order to present a comprehensive view of the potential effects, the Group will not quantify these effects until the other phases have been completed and their results published.

IFRS 9 Financial Instruments: Hedge Accounting

The publication of hedge accounting regulations in November 2013 marked another step in the IASB's project work to further develop the new IFRS 9 Financial Instruments. This standard includes supplementary rules and changes to the existing published version of IFRS 9, and formulates new requirements which concern in particular the designation of instruments and risks, effectiveness requirements, hedge adjustments and derecognition and, to a certain extent, hedge accounting. This standard replaces the interpretation IFRIC 9 Reassessment of Embedded Derivatives, and provides for changes to a number of existing standards such as IFRS 7 regulating the disclosure requirements for financial instruments as well as the requirements of the IFRS 9 versions published in 2009 and 2010. This standard formulates extensive transition rules, and has been available for application from the publishing date, but IFRS 9 must be applied in its entirety to do so.

Amendment to IAS 19—Employee Contributions

The amendment to IAS 19 was published in December 2013 and is to be applied for the first time in fiscal years beginning on or after July 1, 2014. This amendment regulates the recording of contributions by employees or third parties to defined benefit plans as reducing service costs for services performed in the reporting period in question. The change applies retrospectively. Early application is permissible.

The Group is currently examining the future impact of the new standard on the financial position, financial performance and cash flows of the Group.

Improvements to IFRS (2010 - 2012)

The Improvements to the IFRS published in 2010 - 2012 have been compiled as an omnibus standard and were published in December 2013. It contains amendments to various IFRS, most of which are to be applied in fiscal years beginning on or after July 1, 2014. The Group has not yet applied the following amendments:

- IFRS 2: Clarifies the definition of vesting conditions and in particular definitions of service and performance conditions;
- IFRS 3: Clarifies the classification and measurement of contingent consideration in relation to business combinations. Accordingly, classification of an obligation to pay contingent consideration as a liability or as equity is solely determined based on IAS 32.11. A contingent consideration item is to be measured at fair value and the resulting changes recognized in profit or loss;
- IFRS 8: Requirements for the aggregation of operating segments and reconciliation of total segment assets with the entity's assets;
- IFRS 13: Clarifies rationale for amending IFRS 9 with regard to the measurement of short-term receivables and payables as a result of the publication of IFRS 13;
- IAS 16: Amendments to the treatment of accumulated depreciation under the revaluation method.
- IAS 24: Clarifies that external entities providing key planning, managerial and supervisory services (external key management personnel services) to a company are to be treated by the reporting company as a 'related party' in accordance with IAS 24, and includes an exemption for disclosures of compensation paid for these management services by an external management entity to its own employees.
- IAS 38: Amendments to the treatment of accumulated depreciation under the revaluation method.

The Group is currently examining the future impact of the new standard on the financial position, financial performance and cash flows of the Group.

Improvements to IFRS (2011 - 2013)

The Improvements to the IFRS published in 2011 - 2013 have been compiled as an omnibus standard and were published in December 2013. It contains amendments to various IFRS whose application is mandatory for fiscal years beginning on or after July 1, 2014. The Group has not yet applied the following amendments:

- IFRS 1: Clarifies which versions of the standards and interpretations are mandatory and which versions are optional for first-time IFRS adopters.
- IFRS 3: Clarifies the exclusion of the formation of joint arrangements from the scope of IFRS 3.
- IFRS 13: Clarifies the scope of application of the portfolio exception as per IFRS 13.48 ff.

3 Changes in accounting policies (Continued)

- IAS 40: Clarifies the scope of IFRS 3 and IAS 40 regarding classification of real estate as investment property or owner-occupied property.

IFRIC 21 Levies

The IASB published IFRIC Interpretation 21 in May 2013. This interpretation provides that a company operating in a particular market has to recognize a liability for a levy imposed by the competent authority at the time the business transaction triggering the levy occurs. The interpretation also clarifies that a levy which depends for example on reaching a defined minimum transaction volume may only be classified as a liability once the volume reaches the defined threshold. This interpretation is to be applied for the first time in fiscal years beginning on or after January 1, 2014. Early application is permissible.

3.3 Adjustments according to IAS 8

Initial application of revised IAS 19—Employee Benefits

As outlined in section 3.1, 'New and revised standards and interpretations', the revised IAS 19 is to be applied for the first time in fiscal years beginning on or after January 1, 2013. The new standard applies retrospectively. Previous-year figures were thus adjusted, reflecting the impact of the revised IAS 19 application, which affected the Group statement of financial position, income statement, cash flow statement and statement of changes in equity. After factoring in deferred taxes, accumulated other comprehensive income was reduced by 356 thousand euros, pensions and similar obligations increased by 486 thousand euros, net profit decreased by 64 thousand euros, and deferred tax assets rose by 66 thousand euros. The Group's statement of comprehensive income was affected in the line items personnel expenses (minus 2 thousand euros), finance costs (plus 72 thousand euros), income tax expenses (minus 6 thousand euros), and actuarial gains and losses recorded in other comprehensive income (minus 828 thousand euros). The Group's consolidated profit for the period was thus reduced by 64 thousand euros, and total comprehensive income was reduced by 892 thousand euros.

The impact of the first-time application of the revised standard was lower than originally expected, as the risk sharing between employer and employee applicable to Swiss pension plans effectively reduced pensions and similar obligations. Because the Group deemed the impact of the adjustments on the previous year's figures to be immaterial, no third statement of financial position was prepared.

Adjustment of goodwill and purchase price liability—acquisition of Laboratoire d'analyses medicales Dr. Jean Collard SPRL, Liège

As outlined under section "4.2 Business combinations 2012", as of December 21, 2012, the Group acquired a 100% shareholding in the two Belgian companies: Laboratoire d'analyses medicales Dr. Jean Collard SPRL, Liège, and Laboratoire Biosemois SPRL, Liège.

Two contingent consideration elements were agreed as part of the purchase price agreement with the former owner of the two aforementioned companies. Accordingly, additional payments are due to the former owner if certain conditions are met. The receipt of defined payments is the prerequisite for payment of Earn Out 1, expected with certainty and paid in the fourth quarter of fiscal year 2013. Payment of Earn Out 2 of up to 5,000 thousand euros required achievement of defined EBITDA goals in fiscal year 2013. Based on past experience with other acquisitions and after a preliminary assessment, the Group initially assumed that both earn-out payments would have to be paid in full and provisions for the payments were recognized accordingly. Because the acquisition was only completed at the end of December, a more detailed analysis could not be carried out before the consolidated financial statements were prepared.

Such detailed assessment was only prepared during fiscal year 2013. It then emerged that various facts had not been considered in the preliminary assessment prepared for the 2012 consolidated financial statements. Had these facts been taken into consideration at the time, it would have become obvious that Earn Out 2 would not have to be paid. Thus the figures in previous year's statement of financial position were adjusted accordingly, and the line items goodwill and other provisions were reduced by 5,000 thousand euros.

4 Business combinations

4.1 Business combinations in 2013

Acquisitions in 2013—Baltic States

On July 31, 2013 the SYNLAB GROUP acquired the Estonian company Medicap Holding AS and its subsidiaries Quattromed HTI Laborid OÜ in Estonia, Quattromed Finland OY in Finland and UAB "SORPO" in Lithuania, thereby opening up new markets in the Baltic States.

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	20,413
Property, plant and equipment	1,802
Investment property	41
Current assets	
Inventories	349
Trade receivables	1,549
Other current assets	165
Cash and cash equivalents	246
Total assets	**24,565**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	1,690
Provisions for deferred taxes	4,258
Current liabilities	
Short-term interest-bearing loans and borrowings	2,256
Trade payables	767
Other current financial liabilities	430
Other current liabilities	212
Total liabilities	**9,613**
Total identifiable net assets at fair value	**14,952**
Goodwill from company acquisition	20,957
Total consideration	**35,909**

The consideration breaks down as follows:

	KEUR
Purchase price 1	20,576
Purchase price 2	1,470
Additional purchase price from contingent consideration (Earn Out 1)	2,635
Additional purchase price from contingent consideration (Earn Out 2)	11,228
Total consideration	**35,909**

The fair value of trade receivables is 1,549 thousand euros. The gross value of trade receivables is 1,549 thousand euros. There was no impairment of trade receivables.

Goodwill in the amount of 20,957 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Baltic States. It is assumed that most of the goodwill recorded will not be tax deductible.

As from the acquisition date, the acquired companies have contributed 6,893 thousand euros to revenue and 409 thousand euros to consolidated profit/loss for the year from continuing operations.

4 Business combinations (Continued)

If the business combination had taken place at the beginning of the year, revenue from continuing operations would have risen by 7,680 thousand euros and consolidated profit/loss from continuing operations would have increased by 237 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(35,909)
Outstanding additional purchase price from contingent consideration (Earn Out 1)	2,635
Outstanding additional purchase price from contingent consideration (Earn Out 2)	11,228
Cash consideration	**(22,046)**
Net cash of acquired company	246
Transaction costs of acquisition	(1,634)
Transaction costs of acquisition not yet affecting cash flows	642
Actual cash outflow due to company acquisition	**(22,792)**

Two contingent consideration elements were agreed as part of the purchase price agreement with the former owners of Medicap Holding AS. Accordingly, payment to the sellers of a maximum amount of 2,700 thousand euros falls due in 2014 on reaching a defined revenue threshold in Finland. A further payment of a maximum amount of 11,830 thousand euros depends on revenue trends in Finland in 2014 and will be disbursed in 2015. It was assumed to be highly probable that the revenue targets would be reached in 2013 and thus that payment of the purchase price would fall due in 2014. Because of the expected revenue trends, it was also assumed that the last tranche, due in 2015, is very likely to be paid. Accordingly, the maximum contingent consideration was recognized stating no range.

Acquisitions in 2013—Switzerland

Additional companies were acquired in Switzerland as of January 1, 2013 with the intention to strategically strengthen our operations in that market. Acquiring Bureco AG has enhanced our Environmental Analytics business segment. To complement the group's activities in the laboratory sector the MLO AG group of companies and their wholly-owned subsidiary Ärztelabor Westbahnhof AG as well as the 30% shareholding in Bakteriologisches Institut Olten BIO AG have been acquired. As the SYNLAB GROUP does not have control over Bakteriologisches Institut Olten BIO AG, the shareholding was recorded at (amortized) cost in "Other non-current assets".

4 Business combinations (Continued)

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	3,159
Property, plant and equipment	322
Other non-current assets	47
Deferred tax assets	108
Current assets	
Inventories	160
Trade receivables	815
Income tax receivables	1
Other current assets	291
Cash and cash equivalents	393
Total assets	**5,296**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	167
Pensions and similar obligations	625
Provisions for deferred taxes	555
Current liabilities	
Other current provisions	138
Trade payables	278
Other current financial liabilities	233
Other current liabilities	34
Total liabilities	**2,030**
Total identifiable net assets at fair value	**3,266**
Goodwill from company acquisition	3,085
Total consideration	**6,351**

The consideration breaks down as follows:

	KEUR
Purchase price 1	4,390
Purchase price 2	742
Additional purchase price from contingent consideration (Earn Out 1)	1,022
Additional purchase price from contingent consideration (Earn Out 2)	197
Total consideration	**6,351**

The fair value of trade receivables is 815 thousand euros. The gross value of trade receivables is 815 thousand euros. There was no impairment of trade receivables.

Goodwill in the amount of 3,085 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Switzerland. It is assumed that most of the goodwill recorded will not be tax deductible.

As from the acquisition date, the acquired company Bureco AG has contributed 1,616 thousand euros to revenue and reduced the consolidated profit/loss for the year by 48 thousand euros. The acquired companies MLO AG and Ärztelabor Westbahnhof AG were merged with synlab Suisse SA as of January 1, 2013. Due to this merger, no details are available for these two companies because the relevant information cannot be derived from the absorbing company's financial data.

4 Business combinations (Continued)

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(6,351)
Portion of fixed purchase price not yet affecting cash flows 1	564
Outstanding additional purchase price from contingent consideration (Earn Out 1)	818
Cash consideration	**(4,969)**
Net cash of acquired company	393
Transaction costs of acquisition	(319)
Actual cash outflow due to company acquisition	**(4,895)**

For each company, contingent consideration was agreed as part of the purchase price agreement with the former shareholders of Bureco AG and MLO AG. With respect to Bureco, in addition to the purchase price disbursements in 2013, another payment of up to 150 thousand Swiss francs may become due on reaching defined EBITDA thresholds in fiscal year 2013. Conversely, another payment to the previous owners of MLO AG will become due if revenue for fiscal year 2013, after adjustment for defined special factors, exceeds a defined revenue threshold. As it is considered highly likely that the respective targets will be achieved, the Company recorded the respective contingent considerations in the maximum amounts stating no range.

Acquisitions in 2013—Germany

In Germany the Group's presence has been increased in the laboratory services market for human medicine analytics in 2013 through share and asset deals. Acquisition of the laboratories Hürth-Knapsack and Wiesbaden, Hürth and Wiesbaden, has added capacity in our environmental analytics sector.

The acquisition of the hospital Steinlach-Klinik, Mössingen, had a strategic background: Pursuant to changes in German legislation in 2012, and in particular according to Sec. 95 (1) Social Security Code V (SGB V), only accredited hospitals and hospital operators, accredited medical practitioners, providers of non-medical dialysis services and non-profit entities accredited or authorized to provide medical care may establish new medical care units (Medizinische Versorgungszentren, MVZ). The SYNLAB GROUP aims at becoming accredited as founders of new medical care units, pushing for regional expansion in Germany through the foundation and subsequent combination or merger of existing and newly acquired medical care units. This was the main, if not the only, reason for acquiring Steinlach-Klinik which, at the time of acquisition, was an accredited hospital within the meaning of the above by virtue of an existing medical care contract with the German Association of Statutory Health Insurance Physicians (Kassenärztliche Vereinigung, KV), the purpose of which was achieving the status of an accredited operator of medical care units.

Company	Country	Type	DATE
Laboratory practice Dres. Joachim and Leeser, Essen	DE	asset deal	01/01/2013
Steinlach-Klinik, Mössingen	DE	asset deal	04/15/2013
Practice Dres. Cremer, Kläs, Jung, Schulze, Mannheim	DE	asset deal	06/30/2013
Labomed GmbH, Stuttgart	DE	100%—share deal	05/01/2013
Institut für Pathologie Mannheim GbR, Mannheim	DE	asset deal	06/30/2013
Practice Dr. Arlt, Stuttgart	DE	asset deal	08/01/2013
Hürth-Knapsack and Wiesbaden laboratories, Hürth and Wiesbaden	DE	asset deal	08/01/2013
Cytology practice Dr. Kuznik, Aalen	DE	asset deal	10/01/2013

The purchase agreement for Institut für Pathologie Mannheim GbR, Mannheim, was concluded on January 1, 2013, but only became effective on fulfilment of a condition precedent on June 30, 2013. Therefore it was only included in the scope of consolidation as of June 30, 2013.

4 Business combinations (Continued)

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	18,825
Property, plant and equipment	1,955
Other non-current assets	19
Current assets	
Inventories	416
Trade receivables	1
Income tax receivables	10
Other current assets	634
Cash and cash equivalents	341
Total assets	**22,201**
Non-current liabilities	
Pensions and similar obligations	164
Other non-current provisions	20
Current liabilities	
Other current provisions	17
Trade payables	32
Other current financial liabilities	913
Other current liabilities	784
Total liabilities	**1,930**
Total identifiable net assets at fair value	**20,271**
Goodwill from company acquisition	17,532
Total consideration	**37,803**

The consideration breaks down as follows:

	KEUR
Purchase price 1	33,040
Purchase price 2	2,025
Shares in SYNLAB HOLDING issued, measured at fair value	2,484
Reduction in purchase price pursuant to the share transfer agreement	(374)
Reduction in purchase price pursuant to the share transfer agreement	(72)
Additional purchase price from contingent consideration (Earn Out 1)	350
Additional purchase price from contingent consideration (Earn Out 2)	350
Total consideration	**37,803**

The fair value of trade receivables is 1 thousand euros. The gross value of trade receivables is 1 thousand euros. There was no impairment of trade receivables.

Goodwill in the amount of 17,532 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Germany. It is assumed that most of the recognized goodwill will not be tax deductible.

As from the acquisition date, Labomed GmbH / practice Dr. Arlt, Stuttgart, Institut für Pathologie Mannheim GbR, Mannheim, and practice Dres. Cremer, Kläs, Jung, Schulze, Mannheim, have contributed 6,248 thousand euros to revenue and increased consolidated profit/loss for the year by 907 thousand euros. For all other asset deal acquisitions no details are available because the relevant information cannot be derived from the absorbing company's financial data.

4 Business combinations (Continued)

If the business combination for all share and asset deal acquisitions had taken place at the beginning of the year, revenue from continuing operations would have increased by 10,130 thousand euros and consolidated profit/loss from continuing operations would have increased by 1,962 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(37,803)
Portion of fixed purchase price not yet affecting cash flows 1	708
Shares in SYNLAB HOLDING issued, measured at fair value	2,484
Outstanding additional purchase price from contingent consideration (Earn Out 1)	48
Outstanding additional purchase price from contingent consideration (Earn Out 2)	350
Cash consideration	**(34,213)**
Net cash of acquired company	341
Transaction costs of acquisition	(105)
Transaction costs of acquisition not yet affecting cash flows	27
Actual cash outflow due to company acquisition	**(33,950)**

For the acquired companies practice Dres. Cremer, Kläs, Jung, Schulze, Mannheim , practice Dr. Arlt, Stuttgart and Labomed GmbH, Stuttgart, further purchase price portions amounting to 2,975 thousand euros were transferred to external security deposit accounts, in addition to the purchase price payments directly disbursed to the sellers. The money served as collateral for outstanding purchase price payments until final agreement between the purchasing and selling parties with regard to the actual purchase price has been reached. The collateral was recognized in "Other current assets" in the amount of 2,975 thousand euros. The corresponding liabilities to the sellers were recorded in "Other current financial liabilities" in the amount of 2,832 thousand euros, minus the purchase price reduction of 143 thousand euros. The external security deposit accounts will be closed in the first quarter of 2014 when the money is disbursed. Beyond that there is a purchase price agreement with the former owner of laboratory Dr. Joachim stipulating a contingent consideration payment of up to 350 thousand euros on achieving defined revenue thresholds in fiscal years 2013 and 2014. It is highly probable that all targets will be fully reached. Accordingly, a contingent consideration of up to 120 thousand euros was recognized, stating no range.

Acquisitions in 2013—Others

With the intention to strategically strengthen our laboratory services in the Czech Republic, Italy and the United Arab Emirates, the SYNLAB GROUP acquired additional companies serving these markets:

Company	Country	Type	Date
Freiburg Medical Laboratory Middle East LLC, United Arab Emirates	AE	26.0% additional interest—share deal	08/01/2013
ANECLAB GmbH	AT	60.0%—share deal	01/01/2013
Aneclab s.r.o.	CZ	100.0%—share deal	01/01/2013
BH Vimperk services s.r.o.	CZ	100.0%—share deal	06/13/2013
RMA lab s.r.o.	CZ	100.0%—share deal	01/01/2013
Synlab Emilia Romagna S.r.l.	IT	100.0%—share deal	04/02/2013
Practice Dr. Panarella, Italy	IT	asset deal	04/02/2013
Spectromass Analitikai Labortórium Kft.	HU	100.0%—share deal	07/10/2012

The company acquisition in the United Arab Emirates involved a step-by-step increase in the shareholding from 44.0% to 70.0%. After revaluation of the shareholding, income of 294 thousand euros was recorded in the financial result.

Together with the acquisition of the Czech company Aneclab s.r.o., its Austrian subsidiary, ANECLAB GmbH was also acquired.

4 Business combinations (Continued)

Although the company Spectromass Analitikai Labortórium Kft. was acquired in 2012, it was only consolidated for the first time as of January 1, 2013.

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	5,512
Property, plant and equipment	625
Other non-current assets	48
Deferred tax assets	55
Current assets	
Inventories	394
Trade receivables	2,618
Other current assets	601
Cash and cash equivalents	1,344
Total assets	**11,197**
Non-current liabilities	
Pensions and similar obligations	528
Other non-current provisions	114
Other non-current financial liabilities	1,793
Provisions for deferred taxes	795
Current liabilities	
Short-term interest-bearing loans and borrowings	387
Other current provisions	129
Income tax liabilities	153
Trade payables	1,588
Other current financial liabilities	322
Other current liabilities	574
Total liabilities	**6,383**
Total identifiable net assets at fair value	**4,814**
Non-controlling interests	825
Goodwill from company acquisition	4,157
Total consideration	**8,146**

The consideration breaks down as follows:

	KEUR
Purchase price 1	4,076
Purchase price 2	1,301
Purchase price 3	451
Fair value of shareholding before acquiring control	1,696
Reduction in purchase price pursuant to the share transfer agreement	(815)
Additional purchase price from contingent consideration (Earn Out 1)	1,063
Additional purchase price from contingent consideration (Earn Out 2)	226
Additional purchase price from contingent consideration (Earn Out 3)	126
Other purchase price elements	22
Total consideration	**8,146**

The fair value of trade receivables is 2,618 thousand euros. The gross value of trade receivables is 2,778 thousand euros. Impairment of trade receivables in the amount of 160 thousand euros was recognized.

4 Business combinations (Continued)

Goodwill in the amount of 4,157 thousand euros represents the value of expected synergies from the acquisition of the company. Goodwill was allotted to the cash-generating units Czech Republic in the amount of 2,145 thousand euros, ROW in the amount of 1,714 thousand euros, and Hungary in the amount of 298 thousand euros. It is assumed that most of the goodwill recorded will not be tax deductible.

As from the acquisition date, the acquired companies have contributed 5,288 thousand euros to revenue from continuing operations and 385 thousand euros to the consolidated profit/loss from continuing operations. For all asset deal acquisitions no details are available because the relevant information cannot be derived from the absorbing company's financial data.

Had the business combinations taken place at the beginning of the year, revenue from continuing operations would have increased by 3,150 thousand euros, and consolidated profit/loss from continuing operations would have increased by 225 thousand euros.

Cash outflow due to company acquisitions:

	KEUR
Analysis of cash outflow due to company acquisitions	
Total consideration	(8,146)
Fair value of shareholding before acquiring control	1,696
Outstanding additional purchase price from contingent consideration (Earn Out 1)	54
Outstanding additional purchase price from contingent consideration (Earn Out 2)	127
Outstanding additional purchase price from contingent consideration (Earn Out 3)	27
Portion of other purchase price not yet affecting cash flows	21
Cash consideration	**(6,221)**
Net cash of acquired companies	1,344
Transaction costs for company acquisitions	(278)
Transaction costs for company acquisitions not yet affecting cash flows	166
Actual cash outflow due to company acquisitions	**(4,989)**

The Group agreed contingent consideration as part of the purchase price agreements with the former owners of the two Czech companies RMA lab s.r.o and BH Vimperk services s.r.o., and the former owners of the Italian company Synlab Emilia Romagna S.r.l. Payment of contingent consideration for the acquisitions in the Czech Republic (up to a maximum of 5,000 thousand Czech crowns and 1,400 thousand Czech crowns, respectively) depends on the achievement and payment for defined analysis volumes. Conversely, the contingent consideration (100 thousand euros) for the Italian company acquired in 2014 will only become due on exceeding defined EBITDA thresholds. As it was assumed highly probable that all acquired companies would achieve the set targets, the Company recorded the respective contingent consideration in the maximum amounts, stating no range.

4.2 Business combinations in 2012

Acquisitions in 2012—Hungary

As part of the strategy to expand laboratory activities in Hungary, the Company acquired 75% of shares in Laboratórium Kft., GENOID Kft. and Spectromass Analitikai Labortórium Kft. on July 10, 2012. The remaining 25% shareholding was acquired in early January 2013. As outlined in section 2.2, Spectromass Analitikai Labortórium Kft. was not included in the scope of consolidation as of December 31, 2012.

4 Business combinations (Continued)

At the time of acquisition, the fair value of identifiable assets and liabilities of Laboratórium Korlátolt Felelösségü Társaság and GENOID Kft. was as follows:

	KEUR
Non-current assets	
Intangible assets	9,339
Property, plant and equipment	1,480
Other non-current assets	914
Deferred tax assets	33
Current assets	
Inventories	639
Trade receivables	2,957
Income tax receivables	88
Other current assets	9,040
Cash and cash equivalents	214
Total assets	**24,704**
Non-current liabilities	
Interest-bearing loans and borrowings	4,232
Other financial liabilities	685
Provisions for deferred taxes	897
Current liabilities	
Interest-bearing loans and borrowings	308
Other current provisions	141
Income tax liabilities	26
Trade payables	2,024
Other financial liabilities	4,050
Other liabilities	1,551
Total liabilities	**13,914**
Total identifiable net assets at fair value	**10,790**
Goodwill from company acquisition	4,117
Total consideration	**14,907**

The consideration breaks down as follows:

	KEUR
Purchase price 1	11,351
Purchase price 2	2,709
Additional purchase price from contingent consideration (Earn Out)	847
Total consideration	**14,907**

The fair value of trade receivables is 2,957 thousand euros. The gross value of trade receivables is 3,178 thousand euros. Impairment of trade receivables in the amount of 221 thousand euros was recognized.

Goodwill in the amount of 4,117 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Hungary. It is assumed that most of the goodwill recorded will not be tax deductible.

If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been increased by 7,617 thousand euros and the consolidated profit/loss from continuing operations would have been reduced by 267 thousand euros.

4 Business combinations (Continued)

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(14,907)
Portion of fixed purchase price not yet affecting cash flows	2,667
Outstanding purchase price from contingent consideration (Earn Out)	833
Cash consideration	**(11,407)**
Net cash of acquired company	214
Transaction costs of acquisition	(167)
Transaction costs of acquisition not yet affecting cash flows	14
Actual cash outflow due to company acquisition	**(11,346)**

Two contingent consideration elements were agreed as part of the purchase price agreement with the former owners of the aforementioned companies. According to the original agreement, additional payments to the former owners were possible if the defined EBITDA, net debt and working capital goals were reached for the fiscal years 2012 (Earn Out 1) and 2013 (Earn Out 2). Under the agreement of November 30, 2012, however, the parties agreed that these claims and the acquisition of the remaining 25% of shares would be satisfied by payment of an amount of 800 million Hungarian forints. This agreement became effective on January 4, 2013.

Acquisitions in 2012—Italy

Two smaller companies were acquired in Italy in order to strengthen the Group's presence in the northern Italian market. Effective May 3, 2012, the Company acquired 100% of Centro A. Fleming S.r.l., Verona, and effective October 1, 2012, 100% of Eurolab Srl, Collebeato.

4 Business combinations (Continued)

At the time of acquisition, the fair values of the identifiable assets and liabilities of the Italian business combinations were as follows:

	KEUR
Non-current assets	
Intangible assets	2,377
Property, plant and equipment	265
Current assets	
Inventories	24
Trade receivables	398
Other current assets	87
Cash and cash equivalents	13
Total assets	**3,164**
Non-current liabilities	
Pensions and similar obligations	193
Other provisions	37
Provisions for deferred taxes	737
Current liabilities	
Interest-bearing loans and borrowings	297
Income tax liabilities	1
Trade payables	380
Other financial liabilities	95
Other liabilities	68
Total liabilities	**1,808**
Total identifiable net assets at fair value	**1,356**
Goodwill from company acquisition	0
Total consideration	**1,356**

The consideration breaks down as follows:

	KEUR
Purchase price 1	1,707
Reduction in purchase price pursuant to the share transfer agreement	(351)
Total consideration	**1,356**

The fair value of trade receivables is 398 thousand euros. The gross value of trade receivables is 480 thousand euros. Impairment of trade receivables in the amount of 82 thousand euros was recognized.

If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been increased by 437 thousand euros and the consolidated profit/loss from continuing operations would have been reduced by 319 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(1,356)
Reduction in purchase price pursuant to the share transfer agreement	351
Portion of fixed purchase price not yet affecting cash flows	120
Cash consideration	**(885)**
Net cash of acquired company	13
Transaction costs of acquisition	(77)
Transaction costs of acquisition not yet affecting cash flows	48
Actual cash outflow due to company acquisition	**(901)**

A contingent consideration was agreed as part of the purchase price agreement with the former owners of Eurolab S.r.l. Accordingly, an additional payment to the former owners may become due upon achieving a defined working capital threshold for fiscal year 2012. It is highly probable that all targets will be fully reached. Accordingly, the contingent consideration in the maximum amount of 120 thousand euros was recognized stating no range.

Acquisitions in 2012—Germany

In Germany, too, activities were further expanded in 2012 by acquisition of six companies in the form of share or asset deals.

Company	Type	DATE
Practice Dr. Gaul	asset deal	01/01/2012
Practice Dr. Bremen & Bergmann Cytology Wuppertal	asset deal	01/01/2012
Practice Dr. Püttmann	asset deal	01/01/2012
Laboratorium für spektralanalytische und biologische Untersuchungen Dr. Bayer GmbH	100%—share deal	02/28/2012
Practice Dr. Mayer-Weber/Bäuerle	asset deal	07/01/2012
Practice Dr. Roskos	asset deal	07/01/2012

4 Business combinations (Continued)

At the time of acquisition, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	6,839
Property, plant and equipment	605
Current assets	
Inventories	50
Trade receivables	342
Income tax receivables	13
Other current assets	119
Cash and cash equivalents	550
Total assets	**8,518**
Non-current liabilities	
Other financial liabilities	314
Provisions for deferred taxes	1,210
Current liabilities	
Interest-bearing loans and borrowings	6
Other current provisions	91
Income tax liabilities	136
Trade payables	56
Other financial liabilities	417
Total liabilities	**2,230**
Total identifiable net assets at fair value	**6,288**
Goodwill from company acquisition	7,652
Total consideration	**13,940**

The consideration breaks down as follows:

	KEUR
Purchase price 1	10,883
Additional purchase price	40
Additional purchase price from contingent consideration (Earn Out 1)	1,080
Additional purchase price from contingent consideration (Earn Out 2)	1,974
Additional purchase price from contingent consideration (Earn Out 3)	(37)
Total consideration	**13,940**

The fair value of trade receivables is 342 thousand euros. The gross value of trade receivables is 427 thousand euros. Impairment of trade receivables in the amount of 85 thousand euros was recognized.

Goodwill in the amount of 7,652 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Germany. It is assumed that most of the goodwill recorded will not be tax deductible.

If the business combination had taken place at the beginning of the year, revenue from continuing operations would have increased by 583 thousand euros and consolidated profit/loss from continuing operations would have risen by 140 thousand euros.

Contingent consideration was agreed as part of the purchase price with the prior owner of Laboratorium für spektralanalytische und biologische Untersuchungen Dr. Bayer GmbH. Accordingly, additional payments to the former owner were contractually agreed on the condition that defined gross revenue targets were reached in fiscal years 2011 (Earn Out 1) and 2012 (Earn Out 2), and that a defined amount of working capital level was recorded in the financial statements as of December 31, 2011. Earn Out 1 was paid in full; Earn Out 3 was deducted. Earn Out 2 became due in full in April 2013.

4 Business combinations (Continued)

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(13,940)
Outstanding fixed purchase price	150
Outstanding purchase price from contingent consideration	1,974
Cash consideration	**(11,816)**
Net cash of acquired company	550
Transaction costs of acquisition	(38)
Actual cash outflow due to company acquisition	**(11,304)**

Acquisitions in 2012—Belgium

The Group has expanded its activities into an additional country by acquiring the Belgian companies Laboratoire d'analyses medicales Dr. Jean Collard SPRL, Liège, and Laboratoire Biosemois SPRL, Liège, effective December 21, 2012.

At the time of the acquisition, the fair values of the identifiable assets and liabilities of Laboratoire d'analyses medicales Dr. Jean Collard SPRL and Laboratoire Biosemois SPRL were as follows:

	KEUR
Non-current assets	
Intangible assets	41,413
Property, plant and equipment	1,212
Other non-current assets	4
Current assets	
Inventories	587
Trade receivables	3,703
Other current assets	342
Cash and cash equivalents	25,050
Total assets	**72,311**
Non-current liabilities	
Interest-bearing loans and borrowings	230
Other provisions	583
Provisions for deferred taxes	14,033
Current liabilities	
Interest-bearing loans and borrowings	118
Trade payables	1,777
Other financial liabilities	1,164
Other liabilities	232
Total liabilities	**18,137**
Total identifiable net assets at fair value	**54,174**
Goodwill from company acquisition	41,907(*)
Total consideration	**96,081**(*)

(*) Restated as per IAS 8. See Note 3.3.

4 Business combinations (Continued)

The consideration breaks down as follows:

	KEUR
Purchase price 1	64,566
Shares in SYNLAB HOLDING issued, measured at fair value	16,000
Additional purchase price	315
Additional purchase price from contingent consideration (Earn Out 1)	15,200
Additional purchase price from contingent consideration (Earn Out 2)	0(*)
Total consideration	**96,081**(*)

(*) Previous year's figure restated as per IAS 8.

The fair value of trade receivables is 3,703 thousand euros. The gross value of trade receivables is 4,300 thousand euros. Impairment of trade receivables in the amount of 597 thousand euros was recognized.

Goodwill in the amount of 41,907 thousand euros represents the value of expected synergies from company acquisitions. Goodwill was allotted in full to the CGU Belgium. It is assumed that most of the goodwill recorded will not be tax deductible.

If the business combination had taken place at the beginning of the year, revenue from continuing operations would have increased by 23,522 thousand euros and the consolidated profit/loss from continuing operations, adjusted for special effects, would have risen by 6,591 thousand euros. Including these special effects, consolidated profit/loss for the year would have gone up by 19,240 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(96,081)(*)
Shares in SYNLAB HOLDING issued, measured at fair value	16,000
Outstanding purchase price from contingent consideration (Earn Out 1)	15,200
Outstanding purchase price from contingent consideration (Earn Out 2)	0(*)
Cash consideration	**(64,881)**
Net cash of acquired company	25,050
Transaction costs of acquisition	(793)
Transaction costs of acquisition not yet affecting cash flows	793
Actual cash outflow due to company acquisition	**(39,831)**

(*) Previous year's figure restated as per IAS 8.

Two contingent consideration elements were agreed as part of the purchase price agreement with the former owner of the two aforementioned companies. Accordingly, additional payments are due to the former owner if certain conditions are met. The receipt of defined payments was the prerequisite for payment of Earn Out 1, expected with certainty and paid in the fourth quarter of fiscal year 2013. Payment of Earn Out 2 of up to 5,000 thousand euros required achievement of defined EBITDA goals in fiscal year 2013. Based on past experience with other acquisitions, and after a preliminary assessment, the Group initially assumed that Earn Out 2 would also have to be paid in full. Full details are given in section 3.3 of the Notes. Accordingly, the contingent consideration in the maximum amount of 5,000 thousand euros was recognized as of December 31, 2012, and no range was stated.

Because the acquisition was only completed end of December, a more detailed analysis could not be carried out before the consolidated financial statements were prepared. Such detailed assessment was only carried out during fiscal year 2013. It then emerged that various facts had not been considered in the preliminary assessment prepared for the consolidated financial statements 2012. Had these facts been taken into consideration at the time, it would have become obvious that Earn Out 2 would not have to be paid.

4 Business combinations (Continued)

Acquisitions in 2012—Other

As part of the strategy to further expand laboratory activities in the Slovak Republic, 100% of shares in Malá Praha Spol S.r.o., Kosice were acquired on August 23, 2012.

In addition, the following SPEs were brought into the scope of consolidation:

Company	Country	Date of first consolidation	Shareholding
Ärztliche Laborgemeinschaft Bonn GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Köln-Kalk GbR	DE	01/01/2012	SPE
Ärztliche Laborgemeinschaft Region Eschweiler GbR	DE	01/01/2012	SPE
Laborgemeinschaft Mittelhessen GbR	DE	01/01/2012	SPE
Laborgemeinschaft Hamburg-Nordwest GbR	DE	01/01/2012	SPE
Laborgemeinschaft Hochsauerland GbR	DE	01/01/2012	SPE
Laborgemeinschaft Nordeifel GbR	DE	01/01/2012	SPE
Laborgemeinschaft Troisdorf GbR	DE	01/01/2012	SPE
Privatärztliche LG Dinslaken GbR	DE	01/01/2012	SPE
Laborgemeinschaft Bayern-Nord GbR	DE	05/01/2012	SPE
Laborgemeinschaft Bayern-Süd GbR	DE	05/01/2012	SPE
Synlab Referans M-B Saglik Laboratuar Hizmetleri Sanayi Ticaret Limited	TR	01/01/2012	SPE

At the date of acquisition or first-time inclusion in the scope of consolidation, the fair value of identifiable assets and liabilities was as follows:

	KEUR
Non-current assets	
Intangible assets	318
Property, plant and equipment	10
Current assets	
Inventories	25
Trade receivables	974
Income tax receivables	6
Other current assets	165
Cash and cash equivalents	170
Total assets	**1,668**
Non-current liabilities	
Other financial liabilities	13
Provisions for deferred taxes	62
Current liabilities	
Interest-bearing loans and borrowings	51
Income tax liabilities	25
Trade payables	892
Other financial liabilities	8
Other liabilities	112
Total liabilities	**1,163**
Total identifiable net assets at fair value	**505**
Goodwill from company acquisition	0
Adjustment for minority interests	(185)
Total consideration	**320**

4 Business combinations (Continued)

The consideration breaks down as follows:

	KEUR
Purchase price 1	320
Total consideration	**320**

The fair value of trade receivables is 974 thousand euros. The gross value of trade receivables is 984 thousand euros. Impairment of trade receivables in the amount of 10 thousand euros was recognized.

If the business combination had taken place at the beginning of the year, revenue from continuing business operations would have increased by 636 thousand euros and consolidated profit/loss from continuing operations would have risen by 18 thousand euros.

Cash outflow due to company acquisition:

	KEUR
Analysis of cash outflow due to company acquisition	
Total consideration	(320)
Cash consideration	**(320)**
Net cash of acquired company	170
Transaction costs of acquisition	(9)
Actual cash outflow due to company acquisition	**(159)**

5 Information on the consolidated statement of comprehensive income

5.1 Revenue

Revenue breaks down into the following items:

	2013	2012
	KEUR	KEUR
Revenue from human medicine		
Health insurance companies	239,370	208,572
Privately insured patients	203,038	184,383
Clinics	97,385	99,399
Laboratories	31,683	29,387
Doctors	26,323	18,498
Other revenue from human medicine	2,507	2,331
	600,306	**542,570**
Revenue from environmental analysis	25,891	17,655
Revenue from other examinations	18,095	15,070
Revenue from veterinary medicine	10,538	8,901
Revenue from trading goods	10,394	10,049
Revenue from studies and expert opinions	3,611	3,981
Other revenue	2,330	2,643
	671,165	**600,869**

5 Information on the consolidated statement of comprehensive income (Continued)

Revenue breaks down by region as follows:

	2013 KEUR	2012 KEUR
Germany	381,564	369,908
Switzerland	77,502	64,905
Italy	62,139	56,850
Czech Republic	45,177	47,946
Hungary	25,246	17,769
Belgium	23,541	0
Austria	20,165	19,372
Slovakia	12,259	11,488
Baltic States	6,893	0
Other	16,679	12,631
	671,165	**600,869**

5.2 Material expenses

Significant items included in material expenses are as follows:

	2013 KEUR	2012 KEUR
Reagents and expenses "per reported result"	(108,947)	(101,826)
Consumables	(50,529)	(42,206)
Cost of other purchased services	(15,684)	(13,636)
Merchandise	(3,227)	(5,190)
Other and change in inventory	1,007	(697)
	(177,380)	**(163,555)**

Consumables and reagents are products used in the analyses. Based on master agreements with laboratory equipment manufacturers, agreements are also concluded regarding invoicing on a "per reported result" basis. These agreements stipulate payments to the supplier whenever analyses lead to results that may be invoiced.

Material expenses break down by region as follows:

	2013 KEUR	2012 KEUR
Germany	(113,315)	(114,282)
Switzerland	(13,586)	(11,579)
Italy	(12,130)	(10,998)
Czech Republic	(11,656)	(11,278)
Hungary	(7,948)	(5,584)
Belgium	(4,230)	0
Austria	(3,620)	(2,942)
Slovak Republic	(3,545)	(3,487)
Baltic States	(2,447)	0
Other	(4,903)	(3,405)
	(177,380)	**(163,555)**

5 Information on the consolidated statement of comprehensive income (Continued)

5.3 Personnel expenses

	2013	2012
	KEUR	KEUR
Annual salaries	(193,400)	(179,841)
Variable compensation	(2,234)	(4,193)
Overtime compensation	(1,263)	(2,408)
Other personnel expenses	(4,902)	(1,794)
Pension expenses	(1,531)	(1,206)(*)
Expenses resulting from share-based payment	(148)	(253)
Social security	(37,202)	(34,297)
	(240,680)	**(223,992)**

(*) Restated as per IAS 8. See Note 3.3.

During the fiscal year, pension insurance premiums were paid in the amount of 13,466 thousand euros (previous year: 13,041 thousand euros) and payments were made for pensions in the amount of 1,517 thousand euros (previous year: 1,673 thousand euros). In addition, post-employment benefits (severance pay) were paid in the amount of 2,053 thousand euros (previous year: 3,338 thousand euros).

5.4. Expenses on rental and lease agreements

	2013	2012
	KEUR	KEUR
Building expenses	(20,978)	(17,995)
Lease expenses for analysis equipment	(4,247)	(3,640)
Other fixtures and fittings, and office equipment	(3,042)	(2,379)
	(28,267)	**(24,014)**

5.5 Transport expenses

Transport expenses in the amount of 20,873 thousand euros (previous year: 20,867 thousand euros) relate to external logistics providers, and in the amount of 5,963 thousand euros (previous year: 5,215 thousand euros) to expenses incurred for the Company's vehicle fleet.

5.6 Other operating income

	2013	2012
	KEUR	KEUR
Income from reversal of valuation allowances	3,385	2,230
Other out-of-period income	3,257	2,231
Income from disposal of non-current assets	715	378
Rental income	387	320
Income from currency effects	156	527
Recoveries on derecognized receivables	72	102
Income from reversal of provisions	0	4,624
Other	4,653	731
	12,625	**11,143**

The line item "Other" also contains income in the amount of 951 thousand euros from a license agreement between practice Dr. Arlt and Labomed Stuttgart. This income was earned in the period between the Labomed GmbH acquisition as of May 1, 2013 and the acquisition of practice Dr. Arlt as of August 1, 2013.

The other out-of-period income items not related to this reporting period are mainly income from receivables due from health insurance companies.

5 Information on the consolidated statement of comprehensive income (Continued)

Income from the reversal of provisions is a result of the purchase price adjustment relating to the acquisition of MVZ Leverkusen Group.

5.7 Other operating expenses

	2013	2012
Temporary employees	(18,568)	(16,538)
IT and communication expenses	(15,119)	(14,063)
Administrative costs	(14,619)	(11,192)
Advertising and marketing expenses	(11,644)	(9,264)
Legal and consulting fees	(10,632)	(12,759)
Cost of premises	(8,150)	(7,082)
Personnel-related expenses	(7,795)	(7,718)
Additions to allowances for doubtful accounts	(7,585)	(8,845)
Repair and maintenance expenses	(6,959)	(5,680)
Energy expenses	(4,906)	(4,156)
Fees and dues	(2,805)	(1,803)
Costs for preparation of the financial statements	(2,462)	(2,032)
Loss on disposal of non-current assets	(461)	(155)
Exchange rate losses	(543)	(534)
Miscellaneous other operating expenses	(13,276)	(9,083)
	(125,524)	**(110,904)**

In addition to regular expenses for tax advice and accounting, legal and consulting fees in fiscal year 2013 primarily relate to company acquisitions (2,535 thousand euros; previous year: 3,965 thousand euros), legal disputes (1,922 thousand euros; previous year: 1,951 thousand euros), as well as restructuring (1,669 thousand euros; previous year: 852 thousand euros).

Miscellaneous other operating expenses contain out-of-period expenses totaling 4,334 thousand euros.

5.8 Depreciation, amortization and impairment

Depreciation, amortization and impairment relate to the following items:

	2013	2012
	KEUR	KEUR
Intangible assets	(43,013)	(37,427)
Property, plant and equipment	(19,506)	(16,766)
Other assets	0	(238)
	(62,519)	**(54,431)**

5 Information on the consolidated statement of comprehensive income (Continued)

5.9 Financial result

	2013	2012
	KEUR	KEUR
Income from associated companies	575	**404**
Income from derivative financial instruments measured at fair value	1,985	0
Exchange gains	933	349
Income from other securities and borrowings	292	229
Other finance income	791	469
	4,001	**1,047**
Revaluation of non-controlling interests in partnerships	(1,006)	**(978)**
Interest and similar expenses	(31,249)	(30,226)
Exchange losses	(1,611)	(968)
Unwinding of discounts on other non-current provisions	(646)	(208)
Interest portion of pensions and similar obligations	(266)	(307)(*)
Expenses from derivative financial instruments measured at fair value	0	(1,593)
Other finance costs	(57)	(662)
	(33,829)	**(33,964)**
	(30,259)	**(33,491)**

(*) Restated as per IAS 8. See Note 3.3.

5.10 Income tax

The major components of income tax are:

	2013	2012
	KEUR	KEUR
Current income taxes	(10,821)	(7,379)
Deferred income taxes	3,343	4,743(*)
Income tax reported in profit or loss for the period	**(7,478)**	**(2,636)**

(*) Previous year's figure restated as per IAS 8.

The effective tax rate for the Group for the fiscal year ending on December 31, 2013, is minus 97.43% (previous year: minus 10.77%). The following table presents the reconciliation between the reported and the expected income tax for the Group using the Group tax rate of 29.44% (previous year: 29.44%). For the Italian companies, calculations were based, as in the previous year, on a company tax rate of 31.40%, comprising Italian corporate income tax (imposta sul reddito delle società, IRES) of 27.5%, and Italian regional taxes (imposta regionale sulle attività, IRAP) of 3.9%. For the Czech companies, a company tax rate of 19.00% was used (previous year: 19.00%). For the Swiss companies, a company tax rate of between 14.84% (previous year: 14.84%) and 23.76% (previous year: 23.76%) was applied. For German companies, the rate used for calculations was the same as in the previous year, with a company tax rate of 29.44%, comprising corporate income tax of 15.83% (including solidarity surcharge) and trade tax of 13.62%. For the Austrian companies, a company tax rate of 25.00% was used, as in the previous year. For the Hungarian and Macedonian companies, a company tax rate of 10.00% was used, as in the previous year. For the Slovak company, a company tax rate of 23.00% was used (previous year: 19.00%). For the Polish company, a company tax rate of 19.00% was used, as in the previous year. For the Turkish and Croatian companies, a company tax rate of 20.00% was used, as in the previous year. For the Slovenian company, a company tax rate of 17.00% (previous year: 20%) was used. For the Romanian companies, a company tax rate of 16.00% was used, as in the previous year. For the Belorussian company, a company tax rate of 18.00% was used (previous year: 18.00%), as in the previous year. For the British companies, a company tax rate of 20.00% was used (previous year: 20.00%). For the Belgian company, a company tax rate of

33.99% was used (previous year: 33.99%). For the Estonian companies, a company tax rate of 20.10% was used.

For the Finnish companies, a company tax rate of 24.50% was used. For the Lithuanian company, a company tax rate of 15% was used.

	2013	2012
	KEUR	KEUR
Profit/loss before tax	**(7,675)**	**(24,483)**(*)
Income tax based on the Group income tax rate of 29.44% (previous year: 29.44%)	2,260	7,208(*)
Non-recognized loss carryforwards from current year	(6,206)	(3,436)
Use of loss carryforwards not recognized in previous years	8	1,081
Capitalization of previously non-capitalized loss carryforwards	636	128
Non-deductible transaction and ancillary costs	88	(3,965)
Diverging foreign tax rates	3,574	(245)(*)
Other non-deductible expenses	(7,362)	(3,391)
Other non-taxable income	2,236	1,312
Other	(2,683)	(1,310)
Tax effect from change in tax rates	(29)	(18)
Income tax at effective income tax rate of −97.43% (previous year: minus 10.77%)(*)	**(7,478)**	**(2,636)**

(*) Previous year's figure restated as per IAS 8.

Deferred income tax as of the reporting date can be broken down as follows:

	Consolidated statement of financial position		Consolidated profit/loss	
	12/31/2013	12/31/2012	2013	2012
Intangible assets	1,861	2,046	(185)	(395)
Property, plant and equipment	92	84	7	14
Other non-current assets	823	821	8	72
Inventories	4	5	0	3
Non-current interest-bearing loans and borrowings	19	10	(5)	10
Pensions and similar obligations	5,750	4,995(*)	220	(182)(*)
Other non-current provisions	532	1,373	(846)	(1,244)
Other non-current financial liabilities	1,438	2,190	(546)	839
Tax loss carryforward	11,261	11,587	(360)	3,233
Other	728	761	(19)	−68
Deferred income tax assets	**22,508**	**23,872**	**(1,726)**	**2,282**
Intangible assets	61,856	63,527	6,506	5,244
Property, plant and equipment	1,393	983	(375)	(119)
Other non-current assets	2,181	2,718	265	(516)
Non-current interest-bearing loans and borrowings	3,588	2,484	(1,110)	(2,374)
Pensions and similar obligations	4,511	3,856(*)	(213)	189(*)
Other non-current provisions	2	0	(2)	0
Other	183	200	(2)	37
Deferred income tax liabilities	**73,714**	**73,768**	**5,069**	**2,461**

(*) Previous year's figure restated as per IAS 8.

At the reporting date, those deferred tax assets and liabilities in the amount of 21,222 thousand euros (previous year: 20,121 thousand euros) were netted which fulfilled the prerequisites for offsetting. As a result, deferred tax assets in the amount of 1,286 thousand euros (previous year: 3,750 thousand euros) as well as deferred tax liabilities in the amount of 52,492 thousand euros (previous year: 53,647 thousand euros) were reported in the statement of financial position.

5 Information on the consolidated statement of comprehensive income (Continued)

The deferred income tax liabilities included in line item "Pensions and similar obligations" are largely attributable to deferred tax liabilities on plan assets of the Swiss companies. The deferred tax portion attributable to actuarial gains and losses recorded in 2013 in other comprehensive income amounts to 13 thousand euros (previous year: 218 thousand euros).

The Group has tax loss carryforwards in the amount of 119,152 thousand euros (previous year: 90,278 thousand euros) that can be used without restriction in various Group companies to be set off against future taxable income of the respective company or of another Group company. Due to insufficient levels of taxable income or opportunities for setting-off in the individual companies or other Group companies, no deferred tax assets were recorded for tax loss carryforwards in the amount of 80,390 thousand euros (previous year: 50,734 thousand euros).

Tax loss carryforwards may be carried forward in the same amount as the previous year without limitation.

As in the previous year, there were no deferred tax liabilities for unpaid taxes on profits of the Group's subsidiaries or associated companies as of December 31, 2013, as most of these profits may be absorbed by the receiving company without being taxed further. Temporary differences related to shares in subsidiaries and associated companies for which no deferred tax liabilities were recorded amount to a total of 6,090 thousand euros (previous year: 3,395 thousand euros).

6 Information on the consolidated statement of financial position

6.1 Goodwill

	KEUR
Acquisition cost and cost of conversion	
Balance as of 12/31/2011	**339,573**
Foreign currency translation	2,120
Changes in the scope of consolidation	53,676(*)
Balance as of 12/31/2012	**395,369(*)**
Foreign currency translation	(6,811)
Changes in the scope of consolidation	45,422
Balance as of 12/31/2013	**433,980**
Impairment	
Balance as of 12/31/2011	**(83,342)**
Foreign currency translation	(87)
Balance as of 12/31/2012	**(83,429)**
Foreign currency translation	290
Changes in the scope of consolidation	9
Balance as of 12/31/2013	**(83,130)**
Balance as of 12/31/2013	
Carrying amounts	
as of 12/31/2013	350,850
as of 12/31/2012	311,940(*)
as of 12/31/2011	256,231

(*) Previous year's figure restated as per IAS 8.

6 Information on the consolidated statement of financial position (Continued)

Goodwill from acquisitions was recognized in the following amounts:

	2013	2012
	KEUR	KEUR
Goodwill from		
a) Acquisition of Futurelab Group—2010	167,243	171,988
—Impairment of Czech laboratories	(3,199)	(3,489)
b) Acquisition of Fleminglabs Group—2010	43,600	43,600
c) Acquisition of synlab Services Group—2010	78,015	78,024
—Impairment of German laboratories	(78,015)	(78,024)
d) Acquisition of MVZ Leverkusen Group—2010	20,464	20,464
e) Acquisition of Chambon—2011	16,996	18,541
f) Acquisition of Bioanalytico—2011	6,429	6,538
g) Other acquisitions 2010 - 2011	2,602	2,602
—Impairment of other German laboratories 2010 - 2011	(1,916)	(1,916)
h) Acquisition of Hungarian companies—2012	3,935	4,053
i) Acquisition of German companies—2012	7,352	7,652
j) Acquisition of Belgian companies—2012	41,907	41,907(*)
k) Acquisitions in the Baltic States—2013	20,953	0
l) Acquisitions in Germany—2013	17,532	0
l) Acquisitions in Switzerland—2013	3,031	0
l) Other acquisitions—2013	3,921	0
	350,850	**311,940**

(*) Previous year's figure restated as per IAS 8.

The changes under c) above are due to liquidation of Orga-Lab GmbH; the changes under i) above are due to the reversal of the 2012 acquisition of practice Dr. Gaul in fiscal year 2013. These are part of the changes in the scope of consolidation in 2013.

Goodwill amounts are reported in the respective functional currency. Goodwill amounts outside the euro zone are as follows: Czech Republic: 1,511,544 thousand Czech crowns (previous year: 1,457,233 thousand Czech crowns); Switzerland: 94,644 thousand Swiss francs (previous year: 90,958 thousand Swiss francs); Hungary: 1,777,704 thousand Hungarian forint (previous year: 1,690,658 thousand Hungarian forint); United Arab Emirates: 8,352 thousand Emirati dirham; Lithuania: 245 thousand Lithuanian litas.

6.2 Goodwill impairment testing

For purposes of impairment testing of goodwill from business combinations, goodwill was allotted to the respective CGUs The Baltic States, Belgium, Germany, Italy, Austria, Switzerland, Slovak Republic, Czech Republic, Hungary and Rest of the World (ROW).

The balances at the respective reporting date are as follows:

	2013	2012
	KEUR	KEUR
Baltic States	20,953	0
Belgium	41,907	41,907(*)
Germany	73,341	56,109
Italy	44,207	44,207
Austria	21,957	21,957
Switzerland	77,125	75,346
Slovak Republic	8,665	8,665
Czech Republic	55,117	57,965
Hungary	5,927	5,784
ROW	1,651	0
Total	**350,850**	**311,940**

(*) Previous year's figure restated as per IAS 8.

6 Information on the consolidated statement of financial position (Continued)

The Group conducted its annual impairment testing as of December 31, 2013. The CGU recoverable amount is determined by calculating a value-in-use using cash flow projections based on five-year financial plans approved by management. The following discount rates were used:

	WACC after tax	WACC before tax
Baltic States	7.67%	9.25%
Belgium	7.34%	9.34%
Germany	6.53%	8.44%
Italy	8.70%	10.71%
Austria	6.60%	8.17%
Switzerland	6.69%	7.86%
Slovak Republic	7.97%	8.98%
Czech Republic	7.59%	8.35%
Hungary	9.77%	11.26%
ROW	10.89%	14.28%

CGU cash flows occurring after the five-year period are projected using a growth rate of 0.5%.

As in the previous year, there was no need to recognize any impairment losses in the current fiscal year. The following assumptions used in calculating the CGU value-in-use are subject to estimation uncertainty:

- Gross profit margins,
- discount rates,
- price trends for materials and external services used, and
- growth rates used in cash flow projections outside the budget period.

Gross margins—Gross margins are determined using historical average values. Expected effects from changes due to collective wage reforms were taken into consideration in the scope of cash flow projections.

Revenue/EBITDA margin—Forecast revenue and CGU results are based on generally available economic data as well as industry information, and take into account not only basic market forecasts but also current trends and past experience.

Discount rates—Discount rates represent the current market expectations with respect to risks attributable to the respective CGUs, including risks related to interest rate effects and specific risks connected with assets for which estimated future cash flows have not been adjusted. The calculation of the discount rate takes into account the specific circumstances of the Group and its business segments, and is based on its weighted average cost of capital (WACC). The weighted average costs of capital take both borrowed capital and equity into account. Costs of equity are derived from the return on capital that equity investors of the Group expect to receive. Costs of borrowed capital are based on the interest-bearing debt for which the Group bears responsibility for making debt service payments. Due to the fact that business activities of the CGUs are very similar, business risk was included by using a company-specific beta factor. This beta factor is determined annually based on market data available to the public.

Pricing trends for materials and external services—The estimates are based on published price indices for countries supplying the materials, as well as data relating to specific materials. Forecast data are only used if available to the public (primarily in the European Union and Switzerland). Otherwise historical price trends are used as an indicator for future price trends.

Estimated growth rates—The growth rates are based on published sector-specific market research.

Assumption sensitivity

A discount rate increase of 1.0 percentage point would lead to the following goodwill impairment: CGU Germany: by 7,353 thousand euros; CGU Czech Republic: by 5,364 thousand euros, and CGU Slovak Republic: by 1,167 thousand euros. Any realistic change in the underlying assumptions would not result in any impairment of other goodwill not listed above.

6 Information on the consolidated statement of financial position (Continued)

6.3 Intangible assets

	Customer lists	Trademarks	Concessions, industrial property rights and similar rights	Prepayments rendered	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cost					
Balance as of December 31, 2011	**304,145**	**15,122**	**22,897**	**597**	**342,761**
Foreign currency translation	1,477	(8)	389	1	1,859
Additions	6,068	0	5,425	1,049	12,542
Reclassifications	0	0	1,210	(1,210)	0
Disposals	(70)	0	(163)	0	(233)
Changes in the scope of consolidation	52,891	2,826	4,497	0	60,214
Balance as of December 31, 2012	**364,511**	**17,940**	**34,255**	**437**	**417,143**
Foreign currency translation	(5,159)	1	(911)	(3)	(6,072)
Additions	581	0	4,006	1,230	5,817
Reclassifications	1	0	1,054	(469)	586
Disposals	0	(713)	(503)	0	(1,216)
Changes in the scope of consolidation	43,140	2,781	1,988	0	47,909
Balance as of December 31, 2013	**403,074**	**20,009**	**39,889**	**1,195**	**464,167**
Amortization and impairment					
Balance as of December 31, 2011	**(63,212)**	**(9,248)**	**(7,557)**	**0**	**(80,017)**
Foreign currency translation	(308)	1	(336)	0	(643)
Amortization and impairment	(24,456)	(6,630)	(6,341)	0	(37,427)
Disposals	27	0	139	0	166
Balance as of December 31, 2012	**(87,949)**	**(15,877)**	**(14,095)**	**0**	**(117,921)**
Foreign currency translation	1,130	0	461	0	1,591
Amortization and impairment	(30,894)	(3,648)	(8,471)	0	(43,013)
Disposals	0	713	472	0	1,185
Balance as of December 31, 2013	**(117,713)**	**(18,812)**	**(21,633)**	**0**	**(158,158)**
Carrying amounts					
as of December 31, 2013	285,361	1,197	18,256	1,195	306,009
as of December 31, 2012	276,562	2,063	20,160	437	299,222
as of December 31, 2011	240,933	5,874	15,339	598	262,744

The customer lists primarily represent customer relationships with doctors and hospitals. These customer lists consist of customer relationships acquired in the scope of corporate transactions and so-called signing fees under supply agreements with hospitals. The rise in the customer lists pertaining to relationships with doctors may be attributed to company acquisitions in the Baltic States. The category 'signing fees' now includes the agreement between synlab Suisse SA and the Genolier hospital.

	2013	2012
	KEUR	KEUR
Customer relationships with doctors	228,377	222,153
Customer relationships with hospitals	17,009	16,273
Customer relationships with third-party laboratories	15,360	16,753
Customer relationships in the area of environmental analysis	13,827	14,362
Customer relationships with veterinarians	5,961	6,503
Signing fees	4,827	518
	285,361	**276,562**

6 Information on the consolidated statement of financial position (Continued)

Customer relationships break down into the following currency areas:

	2013	2012
	KEUR	KEUR
Euro	199,225	183,441
Swiss franc	49,267	51,874
Czech crown	31,541	36,808
Hungarian forint	3,869	4,439
Emirati dirham	1,360	0
Lithuanian litas	99	0
	285,361	**276,562**

Amounts recorded under "Concessions, industrial property rights and similar rights" mainly comprise acquisition costs for laboratory information systems.

In addition, 1,233 thousand euros were recorded as the value of one subsidiary's right to the status of an accredited operator of medical care units under "Industrial property rights". This right remains valid as long as the company operates as an accredited hospital, the legal framework does not change, and the company meets the medical care contract conditions, thus it is currently presumed that the company will benefit from this right for an indefinite period. The Group conducted annual impairment testing on December 31, 2013. The recoverable amount is determined by calculating value-in-use applying cash flow projections based on five-year financial plans approved by management. CGU cash flows occurring after the five-year period are projected using a growth rate of 0.5%. A discount rate of 6.53% (after tax)/9.30% (before tax) was applied. There was no need to recognize an impairment loss in the fiscal year under review. Company management is of the opinion that, based on sound business judgment, no change in any of the basic parameters used to determine value-in-use would cause the carrying amount of the right to accredited operator status to significantly exceed its recoverable amount.

6 Information on the consolidated statement of financial position (Continued)

6.4 Property, plant and equipment

	Investment in non-Group buildings	Technical machines and equipment	Vehicle fleet	Other equipment, fixtures and fittings, and office equipment	Prepayments and assets under construction	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Cost						
Balance as of December 31, 2011	**17,413**	**26,966**	**1,804**	**22,774**	**1,601**	**70,558**
Foreign currency translation	339	352	21	432	23	1,167
Additions	2,013	17,413	836	6,888	3,681	30,831
Reclassifications	1,130	1,294	0	966	(3,391)	(1)
Disposals	(1,430)	(2,428)	(233)	(122)	0	(4,213)
Changes in the scope of consolidation	658	2,038	83	788	8	3,575
Balance as of December 31, 2012	**20,123**	**45,635**	**2,511**	**31,726**	**1,922**	**101,917**
Foreign currency translation	(301)	(818)	(36)	(345)	(129)	(1,629)
Additions	1,605	9,231	286	5,325	4,352	20,799
Reclassifications	1,808	500	91	1,166	(4,151)	(586)
Disposals	(451)	(6,166)	(250)	(2,387)	0	(9,254)
Changes in the scope of consolidation	781	1,804	167	1,952	0	4,704
Balance as of December 31, 2013	**23,565**	**50,186**	**2,769**	**37,437**	**1,994**	**115,951**
Depreciation and impairment						
Balance as of December 31, 2011	**(4,557)**	**(8,526)**	**(730)**	**(8,486)**	**0**	**(22,299)**
Foreign currency translation	(300)	(397)	6	(79)	0	(770)
Depreciation and impairment	(2,724)	(7,366)	(524)	(6,152)	0	(16,766)
Disposals	0	2,378	32	2	0	2,412
Balance as of December 31, 2012	**(7,581)**	**(13,911)**	**(1,216)**	**(14,715)**	**0**	**(37,423)**
Foreign currency translation	116	578	18	270	0	982
Depreciation and impairment	(2,608)	(9,317)	(527)	(7,054)	0	(19,506)
Disposals	355	4,937	97	1,962	0	7351
Balance as of December 31, 2013	**(9,718)**	**(17,713)**	**(1,628)**	**(19,537)**	**0**	**(48,596)**
Carrying amounts						
as of December 31, 2013	13,847	32,473	1,141	17,900	1,994	67,355
as of December 31, 2012	12,542	31,724	1,295	17,011	1,922	64,494
as of December 31, 2011	12,856	18,440	1,074	14,288	1,601	48,259

Investments in non-Group buildings primarily concern leasehold improvements in rented space required for performing laboratory services. The technical equipment and machines consist mainly of analysis equipment.

The carrying amount of technical equipment, fixtures and fittings, and office equipment as well as software and license agreements held under financial lease arrangements as of December 31, 2013 was 25,784 thousand euros (previous year: 25,747 thousand euros). Of the additions during the fiscal year, 5,785 thousand euros (previous year: 18,209 thousand euros) were attributable to technical equipment, fixtures and fittings, and office equipment held under financial leases and lease-purchase agreements.

6 Information on the consolidated statement of financial position (Continued)

6.5 Investments in companies accounted for using the equity method

The changes in shareholdings held in associated companies were as follows:

	2013	2012
	KEUR	KEUR
Shares in associated companies as of January 1	1,166	762
Additions to the scope of consolidation (using the equity method)	2,016	0
Eliminations from the scope of consolidation (using the equity method)	(1,432)	0
Share in net income	575	404
	2,325	**1,166**

The shareholding in the company MED Laborunion GmbH was consolidated using the equity method for the first time in fiscal year 2013. The shareholding in the company Freiburg Medical Laboratory Middle East LLC, Dubai, which had been accounted for using the equity method in the previous year was fully consolidated in 2013 following the purchase of further shares.

For further information please refer to Note 4 'Business combinations' and Note 7 'Financial Instruments and financial risk management'.

6.6 Other non-current assets

"Other assets" include the following:

	2013	2012
	KEUR	KEUR
Security deposits	509	217
Advance payment for the acquisition of laboratory practice Dr. Nae, Germany	462	0
Loan to Permanence Basel AG, Switzerland	152	107
Loans to Schubert Medizinprodukte GmbH & Co. KG, Germany	113	152
Loan to Praxis Permanence Winterthur AG, Switzerland	48	62
Loan to Sannax SA, Switzerland	41	0
Loan to Klinik Hirslanden AG, Switzerland	0	195
Other financial assets	220	2,936
	1,545	**3,669**

Last year the loans to Permanence Basel AG, Praxis Permanence Wintherthur AG, and to Sannax SA were combined under line item "Other financial assets".

For further disclosures regarding the advance payment for the acquisition of the laboratory practice Dr. Nae please refer to Note 14.1 'Acquisitions after the reporting period'.

6.7 Inventories

	2013	2012
	KEUR	KEUR
Raw materials, consumables and supplies	15,151	14,310
Work in progress	1,194	1,118
Prepayments rendered	2,867	1,792
	19,212	**17,220**

Raw materials, consumables and supplies principally include consumable materials used in performing analyses, as well as small equipment provided to doctors for pre-analysis. Work in progress primarily involves semi-processed samples.

The Group recorded impairments in the amount of 74 thousand euros (previous year: 118 thousand euros) for small preanalysis equipment reported under "Inventories". Inventories were valued exclusively at cost. Write-downs refer to inventory that can no longer be used or sold.

6 Information on the consolidated statement of financial position (Continued)

6.8 Trade receivables

	2013			2012		
	Gross	Impairment	Net	Gross	Impairment	Net
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Receivables from						
Health insurance companies	37,816	(3,126)	34,690	37,296	(533)	36,763
Privately insured patients	32,381	(7,123)	25,258	35,363	(3,582)	31,781
Hospitals	25,719	(1,560)	24,159	18,349	(4,027)	14,322
Laboratories	17,210	(2,078)	15,132	14,770	(1,277)	13,493
Doctors	7,716	(1,389)	6,327	5,098	(872)	4,226
Others	14,560	(1,679)	12,881	16,237	(2,745)	13,492
	135,402	**(16,955)**	**118,447**	**127,113**	**(13,036)**	**114,077**

Trade receivables from third parties do not bear interest, fall due in between 30 and 120 days and break down as follows:

	Carrying amount	Gross receivables	Thereof impaired	not due	Thereof not impaired past due		
					< 3 months	3 < 5 months	> 5 months
December 31, 2013	118,447	135,402	58,175	58,200	16,262	1,420	1,345
December 31, 2012	114,077	127,113	55,014	46,018	17,782	3,823	4,476

Information regarding the terms for receivables from related parties in the amount of 1,773 thousand euros (previous year: 338 thousand euros) can be found in section 9.

Changes in the impairment loss account were as follows:

	KEUR
Balance as of December 31, 2011	**7,135**
Utilization	(847)
Additions recognized in profit or loss	8,845
Foreign currency translation	133
Reversals	(2,230)
Balance as of December 31, 2012	**13,036**
Utilization	(288)
Additions recognized in profit or loss	7,585
Foreign currency translation	7
Reversals	(3,385)
Balance as of December 31, 2013	**16,955**

6.9 Other current assets

The other current assets break down as follows:

	2013	2012
	KEUR	KEUR
Prepaid expenses	3,280	2,651
Collateral provided	2,975	1,000
Claims for reimbursement of VAT	1,637	1,166
Prepayments to and overpayments by suppliers	1,515	873
Receivables from associated companies	474	665
Claims from other taxes	729	515
Purchase price receivables	354	350
Receivables from employees	205	163
Other	5,694	4,603
	16,863	**11,986**

Collateral provided includes escrow deposits for future disbursements relating to the following acquisitions: Purchase prices for the company Dr. Arlt at MVZ Stuttgart: 2,000 thousand euros; practice

6 Information on the consolidated statement of financial position (Continued)

Cremer, Kläs, Jung, Schulze at Humangenetik Mannheim: 950 thousand euros; the company Labomed Stuttgart at Steinlach-Klinik: 25 thousand euros. Receivables from associated companies include receivables from the company Schubert Med.prod. GmbH & Co. KG. The purchase price receivables include reimbursement claims against the parties selling MVZ Leverkusen Group.

For further information please refer to Note 7 'Financial instruments and financial risk management'.

6.10 Cash and cash equivalents

	2013	2012
	KEUR	KEUR
Bank deposits denominated in		
Euro	52,721	33,984
Swiss franc	4,414	3,747
Hungarian forint	3,041	1,888
Czech crown	1,976	2,071
Other currencies	1,708	1,773
	63,860	**43,463**
Cash on hand and checks	719	324
	64,579	**43,787**

As of the reporting date, cash and cash equivalents included a liquidity reserve in the amount of 17.4 million euros for acquisitions. As of December 31, 2013, the Group held unused credit facilities in the amount of 2,961 thousand euros (previous year: 40,336 thousand euros).

6.11 Subscribed capital and reserves

6.11.1 Subscribed capital

	2013	2012
	KEUR	KEUR
Registered capital	2,762	2,696
Contributions for an approved capital increase	9	66
	2,771	**2,762**

Registered capital is made up of shares with a nominal value of EUR 1.00 and equal voting rights per share. The distribution of shares is as outlined in the list of shareholders.

As per a resolution passed at the shareholders meeting on June 29, 2012, management was authorized, subject to advisory board approval, to increase the Company's registered capital until July 12, 2017, once or several times, by up to a total amount of 1,350,000 euros by issuing additional shares for cash or in-kind contributions.

The purchase of treasury shares in fiscal year 2011 resulted in a reduction of subscribed capital by 4 thousand euros.

In connection with the acquisition of Laboratoire d'analyses medicales Dr. Jean Collard SPRL and Laboratoire Biosemois SPRL in 2012 it was resolved to increase subscribed capital by 66 thousand euros, utilizing authorized capital. The authorized capital in the amount of 1,350 thousand euros was thus reduced and the change recorded on January 17, 2013. The amount exceeding subscribed capital (15,935 thousand euros) was recorded in "Capital reserves".

Registered capital further increased by 9 thousand euros in fiscal year 2013 as a result of the acquisition of the company Institut für Pathologie Mannheim GbR. Authorized capital thus decreased by that amount to 1,275 thousand euros. The amount exceeding the subscribed capital in the amount of 2,475 thousand euros was recorded in "Capital reserves".

6.11.2 Capital reserves

	2013	2012
	KEUR	KEUR
Capital reserves	**199,684**	**212,287**

As outlined in section 6.11.1, capital reserves increased by 2,475 thousand euros as a direct result of the acquisition of the company Institut für Pathologie Mannheim GbR. Capital reserves further increased through share-based payments in the amount of 148 thousand euros; for additional information please refer to section 8 'Share-based payment'. Pursuant to a management resolution, 15,131 thousand euros of capital reserves were withdrawn effective December 31, 2013 to completely set off the existing accumulated loss.

SYNLAB HOLDING also acquired another 1.82% shareholding in BZH GmbH as of May 2, 2013. The purchase price for this shareholding was 16 thousand euros, increasing the total shareholding from 51.02% to 52.84%. Effective 18 July, 2013, the Company furthermore purchased the outstanding 49% shareholding in BILACON Institut für Biotechnologie, Laboranalytik und Consulting GmbH for 35 thousand euros, increasing its shareholding from 51% to 100%. Both companies had been fully consolidated in the previous fiscal year. The difference between the purchase price and the carrying amount of the transferred non-controlling interests was recorded under "Capital reserves" as a transaction between shareholders in accordance with IAS 27. Capital reserves decreased by 95 thousand euros due to the decrease in non-controlling interest by way of share acquisitions.

6.11.3 Accumulated other comprehensive income

Exchange differences from foreign operations

The reserve for currency translation differences serves to account for differences resulting from translation of the financial statements of foreign subsidiaries. As of December 31, 2013, accumulated other comprehensive income includes currency translation differences in the amount of 12,888 thousand euros (previous year: 19,745 thousand euros).

Actuarial gains and losses recorded in equity

Additionally, pursuant to the revised IAS 19, actuarial gains and losses must be recorded directly in equity. The resulting effects recorded in accordance with IAS 8 had an impact on previous-year accumulated other comprehensive income: Thus the opening statement of financial position as of January 1, 2012 was retrospectively adjusted for actuarial gains in the amount of 473 thousand euros, and the respective losses amounting to 828 thousand euros were recorded directly in equity for fiscal year 2012. In fiscal year 2013, the Company recorded actuarial gains in the amount of 42 thousand euros, closing this line item as of December 31, 2013 with a loss of 313 thousand euros (previous year: a loss of 355 thousand euros).

6.12 Disbursed and proposed dividends

As in the previous year, no dividends were disbursed by the parent company during the year under review. A dividend distribution will not be recommended at the shareholders meeting.

6.13 Interest-bearing loans and borrowings

	Non-current		Current		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Interest-bearing, secured bank loans	458,241	345,268	25,339	37,841	**483,580**	**383,109**
Finance costs	(9,300)	(8,513)	(3,410)	(2,563)	**(12,710)**	**(11,076)**
Mezzanine financing	0	0	10,000	10,000	**10,000**	**10,000**
Overdraft facilities	0	0	813	758	**813**	**758**
Lease liabilities	16,176	16,441	7,478	6,828	**23,654**	**23,268**
Derivative financial instruments	1,101	3,867	1,239	1,041	**2,340**	**4,908**
Other	188	276	385	231	**573**	**507**
Total	**466,406**	**357,339**	**41,844**	**54,136**	**508,250**	**411,475**

As of January 24, 2012, SYNLAB HOLDING and various subsidiaries refinanced outstanding bank loans, concluding a new loan agreement with a volume of 395,000 thousand euros and an uncommitted acquisition facility agreement for 75,000 thousand euros. This senior facilities agreement comprises committed facilities consisting of an amortizing tranche A1 in the amount of 115,000 thousand euros, and another tranche A2 due at final maturity in the amount of 160,000 thousand euros. In addition, further committed tranches for refinancing mezzanine loans and a revolving credit facility of 25,000 thousand euros were granted. On March 28, 2013 the Company agreed on the drawdown under this credit agreement of another tranche B2 on June 28, 2013 in the amount of 75,000 thousand euros, and re-designation of certain portions of tranches A2 and A3 and of the acquisition committed facility to a new tranche B1 in the amount of 105,261 thousand euros. On December 18, 2013, it was further agreed to change the credit agreement to allow for converting 69.17% of the amortizing tranche A1 to tranche A5 due at final maturity as of January 31, 2014. The credit facility agreement was concluded for euro amounts, but amounts may also be drawn in tranches in Swiss francs or Czech crowns, or by request in another freely convertible currency approved by the agent. The exchange rate is fixed at the time of disbursement. Interest rates are based on the one-month Euribor, the three-month Libor, or the three-month Pribor rate. The current margin for tranche A1 and the revolving credit facility is 4.25%, while all other tranches have a margin of 4.75%. Margin changes depend on changes in certain financial covenants.

All facilities have a maturity date of January 24, 2017; facility A1 tranches are repayable in semi-annual installments ranging between 9.0% and 10.5% of the nominal amount.

Between 50% and 100% of interest accruing for the facilities A1 to A4 is to be secured through a supplementary hedging contract.

As part of the refinancing conducted in January 2012, all remaining transaction costs from prior financing in the amount of 8,725 thousand euros were recorded through profit or loss as interest expense. Expenses incurred in 2012 through refinancing in the amount of 13,028 thousand euros were capitalized as financing cost pursuant to IAS 39, and will be amortized over the term of the loan agreement. In 2013, further transaction costs in the amount of 7,503 thousand euros were incurred due to the facility agreement changes and pledging. This amount was partly allocated to the new tranches and partly capitalized as subsequent costs to the original tranches retroactively.

The Group assumed a mezzanine financing agreement through the acquisition of synlab Services Group in the amount of 10,000 thousand euros. Profit participation rights of the type 'equiNotes-Instrument Type A*' (profit participation rights capital II) were made available to FORCE 2005-1 LIMITED PARTNERSHIP on November 30, 2006, and contributed to the company as of January 1, 2010. The profit participation rights capital II is recorded in the amount of 10,000 thousand euros under "Interest-bearing loans and borrowings". The company was obligated to pay the profit participation rights holder a return of 6.5% p.a. on the nominal amount of the profit participation rights capital until the agreed maturity on December 30, 2013, plus variable interest of 0.25% p.a., contingent on profitable ordinary operations. The capital to be repaid for the profit participation rights corresponds to the nominal amount on the start date. Participation in losses was not contractually agreed. Ordinary termination rights for the parties were not provided for. Claims to payment based on the profit participation rights were subordinate to current and future claims of all creditors of the company not fulfilling the criteria for equity according to the accounting principles of German Commercial Code, and equal in priority to current and future claims that fulfill these criteria. The subordination did not apply to claims from profit participation rights which arise or become due in the absence of insolvency or liquidation of the company. Servicing of the profit participation rights was not restricted to future revenues or profits. The agreed repayment date was December 31, 2013. However, the bank only debited the repayment on January 2, 2014.

6 Information on the consolidated statement of financial position (Continued)

The following table shows the calculation of total liquidity as the sum of the freely accessible credit facilities, measured at the rate on the initial borrowing date, plus cash and cash equivalents.

	December 31, 2013				
	Amount drawn down measured at the rate on the reporting date	Amount drawn down measured at the rate on the initial borrowing date	Agreed credit facility measured at the rate on the initial borrowing date	Cash and cash equivalents	Total liquidity
	KEUR	KEUR	KEUR	KEUR	KEUR
A1 synlab Suisse SA	26,604	27,157	27,157	0	0
A1 synlab Czech s.r.o.	6,711	7,303	7,303	0	0
A1 synlab services GmbH	39,565	39,565	39,565	0	0
A1 Futurelab Holding GmbH	5,900	5,900	5,900	0	0
A2 synlab Holding GmbH	25,847	28,547	25,847	0	0
A2 synlab Czech s.r.o.	28,966	31,523	31,523	0	0
A2 synlab services GmbH	27,402	27,402	27,402	0	0
A2 Futurelab Holding GmbH (Vienna)	6,206	6,206	6,206	0	0
RCF synlab services GmbH	10,000	10,000	10,000	0	0
ACF synlab services GmbH	2,855	2,855	2,855	0	0
ACF synlab Holding GmbH	28,892	28,892	28,892	0	0
ACF synlab Czech s.r.o.	7,074	7,698	7,698	0	0
A3 synlab services GmbH	4,355	4,355	4,355	0	0
UAF synlab Holding GmbH	60,000	60,000	60,000	0	0
ACF synlab Suisse SA	4,942	5,045	5,045	0	0
B1 synlab Holding GmbH	60,396	60,396	60,396	0	0
B1 synlab services GmbH	44,865	44,865	44,865	0	0
RCF synlab Holding GmbH	8,000	8,000	10,961	0	2,960
B2 synlab Holding GmbH	75,000	75,000	75,000	0	0
A4 synlab services GmbH	10,000	10,000	10,000	0	0
	483,580	**490,709**	**490,970**	**0**	**2,960**
Mezzanine financing	10,000	10,000	10,000	0	0
Overdraft facilities	813	0	1000	64,579	64,767
Total	**494,393**	**500,709**	**501,970**	**64,579**	**67,727**

6 Information on the consolidated statement of financial position (Continued)

	December 31, 2012				
	Amount drawn down measured at the rate on the reporting date	Amount drawn down measured at the rate on the initial borrowing date	Agreed credit facility measured at the rate on the initial borrowing date	Cash and cash equivalents	Total liquidity
	KEUR	KEUR	KEUR	KEUR	KEUR
A1 synlab Suisse SA	35,033	39,075	39,075	0	0
A1 synlab Czech s.r.o.	9,480	10,508	10,508	0	0
A1 synlab Services GmbH	51,236	56,929	56,929	0	0
A1 synlab Holding Austria GmbH (Vienna)	7,640	8,489	8,489	0	0
A2 synlab Holding GmbH	59,350	59,350	59,350	0	0
A2 synlab Czech s.r.o.	31,599	31,523	31,523	0	0
A2 synlab Services GmbH	62,921	62,921	62,921	0	0
A2 synlab Holding Austria GmbH (Vienna)	6,206	6,206	6,206	0	0
RCF synlab Services GmbH	14,500	14,500	15,000	0	500
ACF synlab Services GmbH	6,556	6,556	6,556	0	0
ACF synlab Holding GmbH	26,440	26,440	66,275	0	39,836
ACF synlab Czech s.r.o.	2,148	2,168	2,168	0	0
A3 synlab Services GmbH	10,000	10,000	10,000	0	0
UAF synlab Holding GmbH	60,000	60,000	60,000	0	0
	383,109	**394,664**	**435,000**	**0**	**40,336**
Mezzanine financing	10,000	10,000	10,000	0	0
Overdraft facilities	758	0	1,000	43,787	44,029
Total	**393,867**	**404,664**	**446,000**	**43,787**	**84,365**

At the reporting date, the following amounts had been drawn down from facilities denominated in foreign currencies:

		12/31/2013
	Currency	Amount drawn down, measured at the rate on the reporting date
		KEUR
A1 synlab Suisse SA	**CHF**	26,604
ACF synlab Suisse SA	**CHF**	4,942
A1 synlab Czech s.r.o.	**CZK**	6,711
A2 synlab Czech s.r.o.	**CZK**	28,966
ACF synlab Czech s.r.o.	**CZK**	7,074
Total		**74,297**

	Currency	12/31/2012 Amount drawn down, measured at the rate on the reporting date
		KEUR
A1 synlab Suisse SA	CHF	35,033
A1 synlab Czech s.r.o.	CZK	9,480
A2 synlab Czech s.r.o.	CZK	31,599
ACF synlab Czech s.r.o.	CZK	2,148
Total		**78,260**

Under the Senior Facilities Agreement, the Group pledged all shares held in the following companies, thus making these companies jointly and severally liable: synlab Holding GmbH, synlab Services GmbH, FL Holding 1 GmbH, FL Holding 2 GmbH, synlab Verwaltungs und Beteiligungs GmbH die Erste, synlab Holding Austria GmbH, synlab Suisse SA, synlab Slovakia s.r.o., Steinlach-Klinik GmbH, AMS analyses médicales services SA, Anamedica SA, Laboratoire d'Analyses Médicales Dr. Jean Collard SPRL, Synlab Hungary Kft., Institut für medizinische und chemische Labordiagnostik mbH, synlab czech s.r.o., synlab genetics s.r.o.SL Diagnostic Services Italy S.r.L., Synlab Italia S.r.l., synlab Holding Finland Oy, Quattromed Finland Oy, synlab Medizinisches Versorgungszentrum Leverkusen GmbH, synlab Medizinisches Versorgungszentrum Weiden GmbH, synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH, synlab Medizinisches Versorgungszentrum Augsburg GmbH, synlab Medizinisches Versorgungszentrum Heidelberg GmbH, synlab Medizinisches Versorgungszentrum Kassel GmbH, synlab Medizinisches Versorgungszentrum Trier GmbH, synlab Medizinisches Versorgungszentrum Berlin GmbH, synlab.vet GmbH and synlab Umweltinstitut GmbH, synlab Labor München Zentrum GbR, synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH, synlab Medizinisches Versorgungszentrum Stuttgart GmbH.

6.14 Pensions and other post-employment benefits

The provisions for severance payment obligations, pensions, and long-service awards as described below and reported in the IFRS consolidated statement of financial position as of December 31, 2013, were calculated by an actuary and substantiated in an actuarial expert opinion, unless otherwise indicated.

6.14.1 Swiss pension obligations

Swiss statutes require the Group to provide occupational pension schemes for employees and pay contributions into pension funds. The Group fulfills this obligation by way of a defined benefit plan. Due to regional legal differences it may be necessary to make supplementary payments for some employees when they retire. Pension obligations and current service cost were calculated using the projected unit credit method, applying a discount rate of 2.25% (previous year: 2.00%) and a salary increase rate of 2.00% (previous year: 2.00%). The staff turnover discount as per the Swiss Federal Law on Occupation Retirement (BVG 2010) was between 1.29% and 24.16% (previous year: 1.29% and 24.16%). Mortality, invalidity and withdrawal probabilities were calculated in accordance with BVG 2010.

6.14.2 Swiss long-service awards

Long-services award commitments in Switzerland are based on collective or other agreements granting employees long-term claims depending on their remuneration levels and duration of service. Provisions for long-service awards were calculated applying a discount rate of 2.25% (previous year: 2.00%), a salary increase rate of 2.00% (previous year: 2.00%), and a staff turnover rate per BVG 2010 of between 1.29% and 24.16% (previous year: between 1.29% and 24.16%).

6.14.3 German pension obligations

The Group assumed pension obligations from a defined benefit plan for ten executive staff in the course of the acquisition of MVZ Leverkusen Group. The obligations include comprehensive old-age pensions, early retirement, survivors' and invalidity pensions. Pension claims accrue based on years of service and annual salary levels. They are calculated applying a discount rate of 3.80% (previous year: 3.45%) and a pension increase trend of 1.50% (previous year: 1.50%). The assumed rate for salary increases was 2.00% (previous year: 2.00%) and for the assessment limit increase 2.00% as well (previous year: 2.00%). The biometric probability of events such as death, invalidity and marriage as well as collective age differences between spouses was taken from the reference guidelines published by Dr. Klaus Heubeck from 2005 ("Richttafeln 2005 G"). The assumed final funding age was the earliest possible pensionable age pursuant to German pension statutes, i.e. according to the Pension Insurance—Retirement Age Adjustment Act (RV-Altersgrenzenanpassungsgesetz). Staff turnover rates of 1.00% to 8.00% (previous year: 1.00% to 8.00%) were factored in.

As part of the asset deal concluded by synlab Umweltinstitut GmbH for another two laboratories in Germany (Hürth-Knapsack and Wiesbaden, Hürth and Wiesbaden), the Group assumed obligations for old-age pensions, early retirement, survivors' and invalidity pensions. The defined benefit plan includes basic pensions and complementary schemes. For basic pensions, salary-related contributions are deducted from the employee's salary and transferred to external pension plan providers (pension funds). Under certain circumstances the company may alternatively assume direct responsibility for part of the basic pension. The complementary scheme is a defined benefit plan in which benefits accrue based on years of service and salary levels.

6.14.4 German phased retirement program obligations

Under phased retirement agreements pursuant to the Phased Retirement Act (AltTZG) the Group is required to pay compensation and 'top-up' amounts plus other ancillary payments to those employees covered by agreement. The calculations were made based on a discount rate of 1.25% (previous year: 3.95%) and a salary increase rate of 2.00% (previous year: 2.00%). The biometric probability of events such as death and invalidity was taken from the reference guidelines published by Dr. Klaus Heubeck from 2005 ("Richttafeln 2005 G").

6.14.5 German long-service awards

Provisions for long-service award obligations were based on the biometric probability of events such as death and invalidity taken from the reference guidelines published by Dr. Klaus Heubeck from 2005 ("Richttafeln 2005 G"). The calculations were made based on a discount rate of 3.80% (previous year: 3.95%) and salary increases of 2.00% (previous year: 2.00%). Staff turnover rates of 7.00% to 12.50% (previous year: 7.00%) were factored in.

6.14.6 Italian severance pay obligations

Pursuant to the 1982 statutory regulations (Trattamento di Fine Rapporto, TFR), employees in Italy are entitled to a onetime severance payment when they leave the company. The amount depends on the employee's term of service and salary level. The company has recorded provisions for these entitlements accordingly. At the beginning of 2007, the statutory regulations were revised to the effect that a company is obligated to record provisions for severance payment obligations for up to 50 employees. If a company has more than 50 employees, it is obligated to contribute to a provision fund for those employees entitled to severance payments, these funds being disbursable to the employee upon leaving the company. Company obligations arising before 2007 are exempt and remain in the company. When calculating provisions thus relating to the defined benefit portion of the plan, the 11% tax deduction on index-related adjustments of the TFR nor the 0.50% social security payments to the INPS insolvency fund are included. Calculations are made applying an assumed inflation rate of 2.00% (previous year: 2.00%), a discount rate of 3.10% (previous year: 3.30%), and a staff turnover rate of 5.00% (previous year: 5.00%). The mortality rate was calculated based on RG48, the invalidity rate on the basis of INPS. The average retirement age was assumed to be 66 years. In the case of a newly acquired Italian company (Synlab Emilia Romagna S.r.l.), provisions in the amount of 209 thousand euros were calculated applying methods of mathematical finance.

6.14.7 Austrian severance pay obligations

Statutory regulations require the Group to pay one-time severance payments in the case of retirement, and in some cases upon early ending of employment as well. These payments depend on term of service and the salary received by the employee. These statutory regulations govern all employment agreements commencing prior to January 1, 2003. They are calculated using a discount rate of 3.10% (previous year: 4.20%) and a salary increase rate of 2.70% (previous year: from 2.00% to 2.70%). The staff turnover discount remained at the previous year's levels, i.e. between 0.00% and 6.50%. The AVÖ 2008-P "mixed" Pagler & Pagler calculation basis for pension insurance was used as a biometric basis. The computational retirement age was the earliest possible payment date for pension distribution pursuant to the 2004 pension reform, taking the transitional arrangements into consideration. For female members with accrued credits the computational retirement age corresponding to the Federal Constitutional Law on Different Retirement Ages of Men and Women under Social Security (Bundesverfassungsgesetz über die unterschiedliche Altersgrenzen von männlichen und weiblichen Sozialversicherten) was increased step-by-step. If retirement age has already been reached by the valuation date, retirement is assumed to start 6 months after the calculation date. Accrued entitlements to payments to survivors were determined according to the collective method.

6.14.8 Austrian long-service awards

Provisions for long-service awards are accrued for claims based on collective agreements or long-term claims based on other employee agreements depending on the duration of service with the company in accordance with IAS 19. Provisions for long-service awards factored in payroll taxes of 7.90% (previous year: 7.90%). Furthermore, the same calculation parameters as for calculating severance pay obligations were applied.

6.14.9 Other post-employment benefits

In the Slovak Republic, the Group is legally obligated to make a one-time salary-based severance payment to a retiring employee. Provisions for this defined benefit plan have been recorded in the amount of 53 thousand euros (previous year: 41 thousand euros). The calculations were made based on a discount rate of 3.10% (previous year: 4.20%) and a salary increase rate of 2.00% (previous year: 2.50%). Staff turnover rates of 2.50% to 4.00% (previous year: 2.50% to 4.00%) were factored in. The retirement age was assumed to be 62 to 64 years.

In Belgium, employees may take early retirement from the age of 60 if certain requirements are met. If this is the case, the Group is legally obligated to pay salary-based top-ups until these employees reach the statutory retirement age of 65. The respective provisions as of December 31, 2013 amounted to 87 thousand euros.

Pursuant to statutory regulations, employees in the United Arab Emirates are entitled to a one-time severance payment when they leave the Company. The amount depends on the employee's term of service and salary level. The respective provisions as of December 31, 2013 amounted to 273 thousand euros.

As outlined above, synlab Umweltinstitut GmbH assumed pension obligations as part of an asset deal for another two laboratories in Germany (Knapsack). The Group thus assumed additional obligations for continued salary payments in case of death and year-end payments. The basic pensions form the basis for calculating the Company's salary-based elated defined benefit plan obligations for continued salary payment in case of death and the year-end payment at retirement.

In Hungary, provisions for long-service awards were recorded for the first time as of December 31, 2012. In 2013, provisions for long-service award obligations were reversed due to termination of a benefit plan and amount to 0 thousand euros as of December 31, 2013 (previous year: 24 thousand euros).

6.14.10 Overview of pensions and similar obligations

The change in pensions and similar obligations was as follows. The reconciliation is based on the revised IAS 19; previous-year figures were restated accordingly. For further details please refer to section 3.3 'Restatement in accordance with IAS 8'.

6 Information on the consolidated statement of financial position (Continued)

		2013					
		Switzerland	Italy	Germany	Austria	Other	Total
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
A.	**Changes in pensions and similar obligations**						
	Net present value of defined benefit obligations (DBO) at the beginning of the period	26,655	2,282	1,335	791	65	31,128
	Changes in the scope of consolidation	3,907	280	164	0	248	4,599
	Service cost	1,217	47	114	49	129	1,556
	Interest cost	598	75	49	33	2	757
	Employee contributions	1,003	0	0	0	0	1,003
	Benefits paid	(888)	(219)	(397)	(12)	(1)	(1,517)
	Insurance premiums	(367)	0	0	0	0	(367)
	Plan curtailment	45	0	0	0	(23)	22
	Revaluations	(303)	(22)	(23)	111	5	(232)
	Exchange rate differences	(505)	0	0	0	(12)	(517)
	Net present value of defined benefit obligations at the end of the period	**31,362**	**2,443**	**1,242**	**972**	**413**	**36,432**
B.	**Plan assets available measured at market values**						
	Plan assets at the beginning of the period	20,995	0	0	0	0	20,995
	Changes in the scope of consolidation	3,282	0	0	0	0	3,282
	Interest income	492	0	0	0	0	492
	Employer contributions	1,003	0	0	0	0	1,003
	Employee contributions	1,003	0	0	0	0	1,003
	Benefits paid	(855)	0	0	0	0	(855)
	Insurance premiums	(367)	0	0	0	0	(367)
	Revaluations (income from plan assets, excluding amounts included in interest cost)	(157)	0	0	0	0	(157)
	Exchange rate differences	(401)	0	0	0	0	(401)
	Plan assets at the end of the period	**24,995**	**0**	**0**	**0**	**0**	**24,995**
C.	**Balance sheet provisions**						
	Net present value of defined benefit obligations (DBO) at the end of the period	31,362	2,443	1,242	972	413	36,432
	Net present value of plan assets at the end of the period	(24,995)	0	0	0	0	(24,995)
	Balance sheet provisions at year-end	**6,367**	**2,443**	**1,242**	**972**	**413**	**11,437**
D.	**Breakdown of costs for pensions and similar obligations (defined benefit costs)**						
	thereof recorded in profit and loss for the period						
	Service cost	1,217	47	114	49	129	1,556
	Interest cost	107	75	49	33	2	266
	Effects of plan settlements/plan curtailments	45	0	0	0	(23)	22
	Revaluation of other long-term obligations	(31)	0	(27)	11	0	(47)
	Total annual net expense	**1,338**	**122**	**136**	**93**	**108**	**1,797**
	thereof recorded in other comprehensive income						
	Actuarial gains/losses from changes in demographic assumptions	0	0	0	0	0	0
	Actuarial gains/losses from changes in financial assumptions	(1,028)	43	11	85	3	(886)
	Adjustments based on past experience	757	(65)	(7)	15	2	702
	Income/expenses from plan assets, excluding amounts included in interest cost	157	0	0	0	0	157
	Total annual amount recorded in other comprehensive income	**(114)**	**(22)**	**4**	**100**	**5**	**(27)**
	Total annual expenses for pensions and similar obligations	**1,224**	**100**	**140**	**193**	**113**	**1,770**

6 Information on the consolidated statement of financial position (Continued)

	2012(*)					
	Switzerland	Italy	Germany	Austria	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
A. Changes in pensions and similar obligations						
Net present value of defined benefit obligations (DBO) at the beginning of the period	23,732	1,962	1,703	628	70	28,095
Changes in the scope of consolidation	0	193	0	(13)	0	180
Service cost	1,282	13	33	126	(6)	1,448
Interest cost	658	94	70	32	6	860
Employee contributions	917	0	0	0	0	917
Benefits paid	(1,081)	(185)	(363)	(38)	(5)	(1,672)
Insurance premiums	(360)	0	0	0	0	(360)
Plan curtailments	0	5	30	0	0	35
Revaluations	1,346	200	(138)	56	0	1,464
Exchange rate differences	161	0	0	0	0	161
Net present value of defined benefit obligations at the end of the period	**26,655**	**2,282**	**1,335**	**791**	**65**	**31,128**
B. Plan assets available measured at market values						
Plan assets at the beginning of the period	19,209	0	0	0	0	19,209
Changes in the scope of consolidation	0	0	0	0	0	0
Interest income	553	0	0	0	0	553
Employer contributions	917	0	0	0	0	917
Employee contributions	917	0	0	0	0	917
Benefits paid	(1,035)	0	0	0	0	(1,035)
Insurance premiums	(360)	0	0	0	0	(360)
Revaluations (income from plan assets, excluding amounts included in interest cost)	661	0	0	0	0	661
Exchange rate differences	133	0	0	0	0	133
Plan assets at the end of the period	**20,995**	**0**	**0**	**0**	**0**	**20,995**
C. Balance sheet provisions						
Net present value of defined benefit obligations (DBO) at the end of the period	26,655	2,282	1,335	791	65	31,128
Net present value of plan assets at the end of the period	(20,995)	0	0	0	0	(20,995)
Balance sheet provisions at year-end	**5,660**	**2,282**	**1,335**	**791**	**65**	**10,133**
D. Breakdown of costs for pensions and similar obligations (defined benefit costs)						
thereof recorded in the profit and loss for the period						
Service cost	1,282	13	33	126	(6)	1,448
Interest cost	105	94	70	32	6	307
Effects of plan settlements/ plan curtailments	0	5	30	0	0	35
Revaluation of other long-term obligations	(73)	0	(207)	3	0	(277)
Total annual net expense	**1,314**	**112**	**(74)**	**161**	**0**	**1,513**
thereof recorded in other comprehensive income						
Actuarial gains/losses from changes in demographic assumptions	(551)	0	0	0	0	(551)
Actuarial gains/losses from changes in financial assumptions	1,640	215	44	40	0	1,939
Adjustments based on past experience	330	(15)	(11)	13	0	317
Income/expenses from plan assets, excluding amounts included in interest cost)	(661)	0	0	0	0	(661)
Total annual amount recorded in other comprehensive income	**758**	**200**	**33**	**53**	**0**	**1,044**
Total annual expenses for pensions and similar obligations	**2,072**	**312**	**(41)**	**214**	**0**	**2,557**

(*) Restated as per revised IAS 19.

Current service cost, effects of plan settlements and plan curtailments, and revaluation of other long-term obligations were included in the amounts recorded in "Personnel expenses"; interest costs were included in the respective expense items.

6 Information on the consolidated statement of financial position (Continued)

The fair value of plan assets breaks down by asset classes as follows; all fair values are quoted on active markets.

	2013	2012
	KEUR	KEUR
Cash and cash equivalents	3,050	86
Equity instruments	6,853	4,770
Debt instruments	6,470	9,603
Real estate	5,877	4,791
Other	2,745	1,745
	24,995	**20,995**

Plan assets do not contain the Company's own financial instruments, real estate held for the Company's own use, or any other assets used by the Company.

The Group expects to pay contributions to defined benefit plans for fiscal year 2014 in the amount of 1,053 thousand euros (previous year: 926 thousand euros).

The following sensitivity analysis shows the impact on net present value of the defined benefit obligations if the most important actuarial assumptions were to change.

	Changed by	Impact on DBO amount
		KEUR
Salary increases	(0.50)%	36,166
Salary increases	0.50%	36,659

	Changed by	Impact on DBO amount
		KEUR
Discount rate	(0.50)%	38,786
Discount rate	0.50%	34,408

The following defined benefit plan payments are expected to be disbursed in the next years:

	KEUR
Within the next 12 months	1,153
In 2 years	1,018
In 3 years	1,040
In 4 years	1,167
In 5 years	1,356
In the 5 years thereafter	7,841

The average duration of all post-employment benefit payments in the countries listed below is as follows:

(in years)	Switzerland	Italy	Germany	Austria	Other
as of 12/31/2012	16	12	20	10	10
as of 12/31/2013	13	10	19	10	5

6 Information on the consolidated statement of financial position (Continued)

6.15 Other provisions

	Contingent consideration	Onerous contracts	Others	Total
	KEUR	KEUR	KEUR	KEUR
Balance as of January 1, 2013	**15,691(*)**	**3,004**	**8,187**	**26,882(*)**
Change in the scope of consolidation	0	0	418	418
Foreign currency translation	9	0	(18)	(9)
Additions	15,362	0	3,866	19,228
Utilization	(16,100)	(1,895)	(2,833)	(20,828)
Reversals	0	0	(1,028)	(1,028)
Unwinding of discounts	571	85	(10)	646
Balance as of December 31, 2013	**15,533**	**1,194**	**8,582**	**25,309**
Thereof current	2,813	1,194	6,457	10,464
Thereof non-current	12,720	0	2,125	14,845

	Contingent consideration	Onerous contracts	Others	Total
	KEUR	KEUR	KEUR	KEUR
Balance as of January 1, 2012	**9,771**	**6,929**	**8,883**	**25,583**
Change in the scope of consolidation	15,200(*)	0	853	16,053(*)
Foreign currency translation	(13)	0	13	0
Additions	201	40	3,555	3,796
Utilization	(7,072)	(4,011)	(3,051)	(14,134)
Reversals	(2,418)	(140)	(2,066)	(4,624)
Unwinding of discounts	22	186	0	208
Balance as of December 31, 2012	**15,691(*)**	**3,004**	**8,187**	**26,882(*)**
Thereof current	15,191	1,870	5,979	23,040
Thereof non-current	500(*)	1,134	2,208	3,842(*)

(*) Previous year's figure restated as per IAS 8.

The contingent consideration in the amount of 14,434 thousand euros is from the acquisition of Quattromed Finland OY, and the contingent consideration in the amount of 815 thousand euros is from the acquisition of Med. Labor Olten MLO AG. Utilization of the provisions for the acquisition of Quattromed Finland OY is expected in June 2014 in the amount of 2,700 thousand euros, and in June 2015 in the amount of 11,830 thousand euros.

Utilization of provisions for contingent consideration from the previous year in connection with the acquisition of Laboratoire d'analyses medicales Dr. Jean Collard SPRL amounted to 15,200 thousand euros, and 500 thousand euros to acquire shares in synlab Holding Austria. The reversal in the amount of 808 thousand euros is related to the acquisition of Synlab Emilia Romagna S.r.l., and the provisions for onerous contracts are for laboratory agreements yielding negative margins until their expiration.

The other additions to provisions are mainly related to restructuring costs (approx. 1,500 thousand euros).

6 Information on the consolidated statement of financial position (Continued)

6.16 Other financial liabilities

	Non-current		Current		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Liabilities from salaries and social security payments	0	0	14,362	13,757	**14,362**	**13,757**
Non-controlling interests in partnerships	1,086	2,443	2,845	825	**3,931**	**3,268**
Liabilities from VAT and other taxes	82	70	4,307	4,236	**4,389**	**4,306**
Purchase price obligations	1,419	364	5,986	12,476	**7,405**	**12,840**
Other	431	422	269	352	**700**	**774**
Total	**3,018**	**3,299**	**27,769**	**31,646**	**30,787**	**34,945**

Non-controlling interests in partnerships include the exit claims of the non-controlling interests in Medizinisches Versorgungszentrum Labor München Zentrum GbR.

Purchase price obligations include outstanding payments from acquisitions in Hungary and Italy and from acquisitions of various laboratories in Germany. Please also refer to the information in section 4. In addition, current liabilities include obligations from cooperation agreements in Switzerland.

6.17 Other liabilities

Other liabilities break down as follows:

	12/31/2013	12/31/2012
	KEUR	KEUR
Liabilities from contribution of synlab Services Group	6,365	7,811
Liabilities to employees	5,887	6,191
Customer overpayments	611	704
Deferred income	762	624
Other	2,566	4,312
Total	**16,191**	**19,642**

Liabilities from contribution concern liabilities from acquired medical care units which have not yet been settled.

Liabilities to employees principally concern accrued overtime pay and vacation pay.

7 Financial instruments and financial risk management

The carrying amounts, amounts recognized and fair values by valuation categories are as follows:

	December 31, 2013						
	Amounts recognized in the statement of financial position according to IAS 39						
	Valuation categories pursuant to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized directly in equity	Fair value recognized through profit or loss	Value recognized pursuant to IAS 17	Fair value
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Assets		***198,154***	***198,100***	***53***	***1***	***0***	***198,154***
Cash and cash equivalents	LaR	64,579	64,579	0	0	0	64,579
Trade receivables	LaR	118,447	118,447	0	0	0	118,447
Other non-current financial assets							
Non-current receivables	LaR	1,491	1,491	0	0	0	1,491
Equity investments	AfS	53	0	53	0	0	53
Derivatives not used as hedges	AtFVPL	1	0	0	1	0	1
Other current financial assets (less prepaid expenses)	LaR	13,583	13,583	0	0	0	13,583
Liabilities and shareholders' equity		**621,578**	**591,653**	**0**	**6,271**	**23,654**	**634,288**
Trade payables	FLAC	82,541	82,541	0	0	0	82,541
Interest-bearing loans and borrowings							
Interest-bearing bank loans/ overdraft facilities	FLAC	481,683	481,683	0	0	0	494,393
Liabilities from finance leases	n. a.	23,654	0	0	0	23,654	23,654
Derivatives not used as hedges	FLHfT	2,340	0	0	2,340	0	2,340
Other	FLAC	573	573	0	0	0	573
Other financial liabilities:							
Non-controlling interests in a partnership (puts on NCI)	FLHfT	3,931	0	0	3,931	0	3,931
Other	FLAC	26,856	26,856	0	0	0	26,856
Thereof aggregated according to valuation category pursuant to IAS 39							
Loans and receivables	LaR	198,100	198,100	0	0	0	198,100
Financial assets available for sale	AfS	53	0	53	0	0	53
Financial liabilities valued at amortized cost	FLAC	591,653	591,653	0	0	0	604,363
Financial liabilities available for sale	FLHfT	6,271	0	0	6,271	0	6,271
Financial assets recognized at fair value through profit or loss	AtFVPL	1	0	0	1	0	1

	December 31, 2012						
	Amounts recognized in the statement of financial position according to IAS 39						
	Valuation categories pursuant to IAS 39	Carrying amount	(Amortized) cost	Fair value recognized directly in equity	Fair value recognized through profit or loss	Value recognized pursuant to IAS 17	Fair value
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Assets		**170,868**	**170,864**	**0**	**4**	**0**	**170,868**
Cash and cash equivalents	LaR	43,787	43,787	0	0	0	43,787
Trade receivables	LaR	114,077	114,077	0	0	0	114,077
Other non-current financial assets							
Non-current receivables	LaR	1,525	1,525	0	0	0	1,525
Equity investments	AfS	2,140	2,140	0	0	0	2,140
Hedging instruments	AtFVPL	4	0	0	4	0	4
Other current financial assets (less prepaid expenses)	LaR	9,335	9,335	0	0	0	9,335
Liabilities and shareholders' equity		**522,010**	**490,059**	**0**	**8,176**	**23,268**	**533,086**
Trade payables	FLAC	75,590	75,590	0	0	0	75,590
Interest-bearing loans and borrowings							
Interest-bearing bank loans/ overdraft facilities	FLAC	382,792	382,792	0	0	0	393,867
Liabilities from finance leases	n. a.	23,268	0	0		23,268	23,268
Derivatives not used as hedges	FLHfT	4,908	0	0	4,908	0	4,908
Other	FLAC	507	0	0	0	0	507
Other financial liabilities:							
Non-controlling interests in a partnership (puts on NCI)	FLHfT	3,268	0	0	3,268	0	3,268
Other	FLAC	31,677	31,677	0	0	0	31,677
Aggregated according to valuation category pursuant to IAS 39							
Loans and receivables	LaR	168,724	168,724	0	0	0	168,724
Financial assets available for sale	AfS	2,140	2,140	0	0	0	2,140
Financial liabilities valued at amortized cost	FLAC	490,566	490,059	0	0	0	501,641
Financial liabilities available for sale	FLHfT	8,176	0	0	8,176	0	8,176
Financial assets recognized at fair value through profit or loss	AtFVPL	4	0	0	4	0	4

Cash and cash equivalents, trade receivables, and other current assets usually have residual maturity terms of less than one year. Their carrying amounts at the reporting date thus approximate their respective fair values. Any trade receivables for which allowances have been made are exclusively attributable to default and credit risk level 3, as the input factors for assessing the creditworthiness of these trade receivables are materially based on company-internal estimates. In part these have to do with classifications for trade receivables aging, the country of the debtor ("country-specific risks"), or a combination of the two, and are derived from historical data. Specific factors such as information regarding a customer's insolvency also play a role in such estimates. The value adjustment rate varies between 0.5% and 100%.

The fair value of other non-current receivables equals the present value of the asset-related payments, taking into account the respective current interest rate parameters which reflect the market and partner-related changes in expectations and terms and conditions.

7 Financial instruments and financial risk management (Continued)

Trade accounts payable and other liabilities usually have residual maturity terms of less than one year. Their carrying amounts thus approximate their respective fair values.

The fair values of interest-bearing loans and borrowings are determined as the present value of the liability-related payments, using the respective applicable yield curves and credit-spread curves for the respective currency. The fair value of derivative financial liabilities is measured using the mark-to-market method and interest rates congruent with the terms of the liabilities. These fair values are classified to hierarchy level 2.

The fair value of non-controlling interests in a partnership (puts on NCI) was measured based on the compensation formula set forth in the partnership agreement, taking into account multiples, and in consideration of the Company's planning and market interest rates. The fair value thus measured is therefore classifiable to hierarchical level 3 per IFRS 13, and led to a charge against earnings in the amount of 1,006 thousand euros in the year under review (previous year: 978 thousand euros).

There was no change in classification in the past fiscal year.

	2013					
			From measurement subsequent to acquisition			
	From interest	From charges	At fair value	Exchange rate differences	Impairment	Net result
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Loans and receivables	292	0	0	(678)	(7,585)	(7,971)
Financial liabilities valued at amortized cost	(31,249)	0	0	0	0	(31,249)
Financial instruments held for trading	0	(27)	1,985	0	0	1,958
Total	**(30,957)**	**(27)**	**1,985**	**(678)**	**(7,585)**	**(37,262)**

	2012					
			From measurement subsequent to acquisition			
	From interest	From charges	At fair value	Exchange rate differences	Impairment	Net result
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Loans and receivables	229	0	0	349	(6,615)	(6,037)
Financial liabilities valued at amortized cost	(29,844)	0	0	(968)	0	(30,812)
Financial instruments held for trading	0	1	(2,583)	0	0	(2,582)
Total	**(29,615)**	**1**	**(2,583)**	**(619)**	**(6,615)**	**(39,431)**

The components of the net result are recorded in finance income or finance costs, with the exception of impairments on trade receivables, which are recorded under "Other operating expenses".

The interest result from financial liabilities of the valuation category "Financial liabilities valued at amortized cost" principally include interest expenses arising from interest-bearing, secured loans.

Financial risks

As an international company, SYNLAB HOLDING is exposed to entrepreneurial and industry-specific risks. Managing risks and rewards is an integral part of Company and management decision-making.

In order to be properly prepared for competitive and market environment changes and efficiently manage the company's added value, the parent company has implemented a risk management system which is monitored by the Group management.

The risk management handbook and supplementary Group guidelines define the risk management processes, the limits to be observed and the use of financial instruments for risk management. The goal behind operating the risk management system is being able to recognize and evaluate any emerging risks. These identified risks are immediately communicated, managed, and monitored.

The chief risks to which the Group is exposed are liquidity, credit, interest rate and currency risks. Group risk management is aimed at containing risks arising as a result of business and financing activities. This is accomplished mainly by using derivative and non-derivative hedging instruments.

Liquidity risk

The liquidity risk of the Group has to do with the potential inability to fulfill current or future financial obligations due to lack of sufficient cash. Minimizing and managing liquidity risks are among the primary tasks of company management. The Group monitors its liquidity daily. In order to manage future liquidity needs, the Company uses an eight-week forecast prepared weekly, and a twelve-month rolling liquidity plan prepared on a monthly basis. Beyond that, management continually analyzes compliance with the covenants specified in the long-term loan agreement.

In addition to EBIT and EBITDA, monitoring the change in net working capital and cash flow is important in managing and optimizing the existing finance structure. The Group's goal is to maintain a balance between continuity of funding and ensuring flexibility by utilizing overdraft facilities, bank loans, finance leases, and lease-purchase agreements. To ensure the Group's liquidity, uncommitted overdraft facilities in the amount of 2,960 thousand euros (previous year: 500 thousand euros) were available as of December 31, 2013.

As a result of regular evaluations of risk concentration with respect to debt refinancing, the Group has come to the conclusion that this risk can be seen as low. In particular, the newly agreed Group-wide financing showed that financing sources are sufficiently available. Debt with a term of up to 12 months can be either paid off or extended with existing lenders on the basis of the current liquidity and capital flow planning.

The maturity structure of Group financial obligations is as follows:

	December 31, 2013			
	Residual maturity			
	up to 1 year	more than 1 and up to 5 years	more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans and borrowings	41,844	466,406	0	**508,250**
Trade payables	82,541	0	0	**82,541**
Other financial liabilities	27,769	2,935	83	**30,787**
Financial liabilities	**152,154**	**469,341**	**83**	**621,578**

	December 31, 2012			
	Residual maturity			
	up to 1 year	more than 1 and up to 5 years	more than 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans and borrowings	54,136	357,339	0	**411,475**
Trade payables	75,590	0	0	**75,590**
Other financial liabilities	31,646	3,299	0	**34,945**
Financial liabilities	**161,372**	**360,638**	**0**	**522,010**

7 Financial instruments and financial risk management (Continued)

The following tables show contractual (non-discounted) interest and principal payments for non-derivative financial liabilities, as well as for derivative financial instruments with a negative fair value:

	December 31, 2013								
	Cash flows 2014			Cash flows 2015			Cash flows 2016 - 2018		
	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans and borrowings	(24,296)	(705)	(35,339)	(24,027)	(695)	(7,164)	(25,519)	(740)	(451,077)
Interest-bearing bank loans/ overdraft facilities	(16)	0	(813)	0	0	0	0	0	0
Lease liabilities	(809)	(172)	(7,478)	(491)	(125)	(6,021)	(425)	(136)	(9,345)
Derivatives not used as hedges	(1,239)	0	0	(1,101)	0	0	0	0	0
Other financial liabilities[(1)]	0	0	(28,154)	0	0	(3,123)	0	0	0

	December 31, 2012								
	Cash flows 2013			Cash flows 2014			Cash flows 2015 - 2017		
	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Interest-bearing loans and borrowings	0	(16,604)	(33,550)	0	(14,889)	(24,124)	0	(28,138)	(335,435)
Interest-bearing bank loans/ overdraft facilities	(15)	0	(758)	0	0	0	0	0	0
Bond	0	0	0	0	0	0	0	0	0
Lease liabilities	(808)	(130)	(6,840)	(526)	0	(5,880)	(557)	(52)	(8,654)
Derivatives not used as hedges	(1,041)	0	0	(3,867)	0	0	0	0	0
Other	0	0	(231)	0	0	(276)	0	0	0
Other financial liabilities	0	0	(31,646)	0	0	(3,299)	0	0	0

(1) Including "Other interest-bearing loans and borrowings".

All instruments still held at the reporting date and for which payments were contractually agreed were included. Target figures are not taken into consideration with regard to future new liabilities. Amounts denominated in foreign currencies were translated at the respective spot price as of the reporting date. Variable interest payments from financial instruments were calculated using the interest rates last determined prior to the reporting date. Financial liabilities repayable at any time are always allotted to the earliest time slot. The amounts for derivative financial instruments presented correspond to the net undiscounted cash flows.

Credit risk

Financial instruments pose a default risk for the Group in that a business partner might not meet obligations in connection with a financial instrument or customer master agreement, potentially leading to financial losses. These include credit risks (in particular risks arising from trade receivables), as well as risks related to financing activities, including deposits at banks and financial institutions, currency transactions and other financial instruments.

Trade receivables

The risk of default on customer receivables is managed by the corresponding business unit, observing group guidelines, procedures and controls for customer default risk management. This means that all outstanding receivables from customers are regularly monitored and collected when overdue using a multi-step collections procedure. In doing so however, the Group business and related customer structure should be taken into account: On the one hand, the Group is unable to proactively minimize risk prior to transactions because it must fulfill its public service obligation. However, the Group receives well over a third of its revenues (30.25%; previous year: 35%) from business with health insurance providers which only pose a minor risk of default due to their structure as statutory health insurance companies or regional authorities.

Whenever any default risks are discernible with respect to financial assets, an impairment is recorded. The need for impairment is analyzed individually for major customers on each reporting date. In addition, a large number of small receivables are grouped and assessed collectively for impairment. The calculation is based on actual historical data. The maximum default risk as of the reporting date corresponds to the carrying amount of all financial asset classes reported in this section.

There is no evident default risk concentration from business relationships with individual customers, as customers reside in various countries and belong to very disparate customer groups, of which the greater part carries only a minimal default risk.

Financial instruments and deposits

The default risk for deposits with banks and financial institutes is managed in accordance with Group Treasury guidelines. The Company only invests surplus funds in approved business partners, and allocates such funds to the respective parties only within the scope of available credit lines. The credit limits for business partners are reviewed annually by management, and may be adjusted during the year if the situation so requires. Credit limits are set in order to minimize risk concentration, consequently keeping financial losses resulting from the potential default of a business partner as low as possible. The Group's maximum default risk for the statement of financial position items as of December 31, 2013 and 2012 is equal to the carrying amount of all classes of financial assets reported in this section.

The default risk related to derivative financial instruments is minimized by the fact that such transactions are conducted only with contractual partners with top credit ratings. For this reason, the general default risk in connection with derivative financial instruments used by the Group is deemed to be insubstantial.

Interest rate risk

The Group is exposed to interest rate risk due to its financing activities. In particular, market-induced interest rate fluctuations may impact the interest debt in connection with variable interest-bearing loans. Interest rate fluctuations affect the interest-related cash flow. The Group holds interest rate swaps, collars and caps to minimize the risk from variable cash flows or to convert these variable cash flows into fixed cash flows, and to hedge against interest rate fluctuations. As the Group capitalizes financial liabilities at amortized cost instead of at market value, there is no economic risk from changes of the carrying amount of the financial liabilities due to interest rate changes.

The Group bears interest rate risk mainly in the euro zone, in the Czech Republic, Hungary and in Switzerland.

In accordance with the Group's risk strategy and the approach taken in the previous year, no hedging relationships were recorded for variable interest loans and interest hedging instruments because an effective hedging relationship could not be demonstrated given the business transactions and the payment structure. Accordingly, these hedging relationships are recorded at fair value through profit or loss.

Pursuant to IFRS 7, the Group is required to use sensitivity analyses to present any relevant interest rate risks. These analyses show the effects of changes in market interest rates on interest payments, interest income and expense.

7 Financial instruments and financial risk management (Continued)

The following table illustrates the contractually agreed maturities of the swaps held for trading as of December 31, 2013:

Hedge instrument	Commences	Ends	Nominal volume	Local currency	Reference rate
			(KEUR)		
Swap	04/04/2007	03/31/2014	544		4.30%
Swap	05/06/2008	12/31/2014	904		4.58%
Swap	10/07/2008	12/31/2014	417		4.50%
Swap	01/14/2009	09/30/2014	10,000		3.93%
Swap	04/01/2012	03/31/2015	35,677	(978,436 KCZK)	2.70%
Swap	04/01/2012	06/30/2015	15,000		2.64%

The following table illustrates the contractually agreed maturities of the collars that are held for trading.

Hedge instrument	Commences	Ends	Nominal volume	Reference rate floor	Reference rate cap
			(KEUR)		
Collar	04/01/2012	03/31/2015	75,000	0.40%	2.00%
Collar	04/01/2012	03/31/2015	75,000	0.40%	2.00%

The following table illustrates the contractually agreed maturities of the caps that are held for trading.

Hedge instrument	Commences	Ends	Nominal volume	Local currency	Reference rate
			(KEUR)		
Cap	07/01/2011	06/30/2014	10,000		2.75%

Interest rate sensitivity

The following table demonstrates the sensitivity of this portion of the loans to a change in interest rates which appears fundamentally possible based on sound business judgment, after the effect of hedging transactions. Assuming all other variables remain constant, the consolidated profit or loss for the year before taxes is affected as follows, due to the impact on variable-interest loans. There is only an immaterial effect on Group equity.

	Increase/decrease in basis points	Effect on profit/loss
		KEUR
2013	+100	(4,055)
	—(2)	—
2012	+100	(1,146)
	(100)	1,142

(2) In view of the currently low interest rate levels, a sensitivity analysis showing further decreases in base rates was not necessary.

The assumed basis point development in a sensitivity analysis of interest rates is based on the currently prevailing market environment, and compared to previous years a higher volatility was observed.

Foreign currency risk

Foreign currency risk is the risk to which the fair value or future cash flows of a financial instrument are exposed due to exchange rate fluctuations. The Group is particularly exposed to foreign currency risks arising from its business activities and Company-internal financing in foreign currencies because revenues and/or expenses are, to a certain extent, denominated in currencies other than the Group's functional currency.

In order to manage foreign currency risks, the Group has arranged loans for net investments in foreign operations in those currencies in which the expected cash flows from these net investments will be generated.

7 Financial instruments and financial risk management (Continued)

Exchange rate fluctuation sensitivity

The following table demonstrates the sensitivity of the consolidated profit/loss for the year before taxes (due to changes in the fair value of the monetary assets and liabilities, including non-designated foreign currency derivatives) to fluctuations in the Czech crown, the Hungarian forint and the Swiss franc which appear fundamentally possible on the basis of sound business judgment. All other variables remain constant. The Group risk regarding exchange rate fluctuations in all other currencies is immaterial.

Based on past experience, the following scenarios have been developed for assessing sensitivity to exchange rate fluctuations:

2013

	Positive exchange rate trend Rate	Negative exchange rate trend Rate
Swiss franc	1.3000	1.1000
Czech crown	28.0000	24.0000
Hungarian forint	320.0000	270.0000

The effect on profit or loss before taxes is as follows:

	Changes due to positive exchange rate trend	Changes due to negative exchange rate trend
	KEUR	KEUR
Statement of financial position items with exchange rate risk		
Financial obligations	(2,288)	4,953
Trade receivables minus trade accounts payable	495	(830)
Cash and cash equivalents	(62)	(18)
Effect on profit or loss before tax in %	**24.2%**	**−53.5%**

2012

	Positive exchange rate trend Rate	Negative exchange rate trend Rate
Swiss franc	1.4000	1.0000
Czech crown	26.0000	24.0000
Hungarian forint	310.0000	270.0000

The effect on profit or loss before taxes is as follows:

	Changes due to positive exchange rate trend	Changes due to negative exchange rate trend
	KEUR	KEUR
Statement of financial position items with exchange rate risk		
Financial obligations	(6,025)	9,152
Trade receivables minus trade accounts payable	81	(41)
Cash and cash equivalents	(19)	28
Effect on profit or loss before tax in %	**24.4%**	**37.4%**

8 Share-based payment

In 2010, the SYNLAB HOLDING shareholders resolved to allow certain members of the extended management of the SYNLAB GROUP to participate in the Group's success by granting them an indirect interest in SYNLAB HOLDING equity as part of their compensation package. This management participation program provides the individuals mentioned above the possibility as limited partners (*Kommanditisten*) to purchase a certain amount of shares in synlab Management-Beteiligungs GmbH & Co. KG, a company outside the scope of consolidation of SYNLAB HOLDING, which holds a maximum 3% of the registered capital in synlab Holding GmbH. Conditions for participation were determined at the shareholders meeting.

8 Share-based payment (Continued)

Starting in fiscal year 2011, the Company indirectly granted shares in SYNLAB HOLDING, the parent company of the Group, to directors and senior staff of SYNLAB HOLDING and its domestic and foreign subsidiaries as part of their share-based remuneration packages. This entails either paying in cash a purchase price based on the fair value of the shares at the time of issue or financing the purchase price with loans agreed under normal market conditions.

The shares acquired in this manner are subject to a vesting period as long as the individual beneficiary remains in a management position with the Group until the occurrence of either a good-leaver event or exit of the major shareholder of SYNLAB HOLDING. Company management estimated the average vesting period for this program, introduced in 2011, to be four years for a good-leaver event and five years for an exit event. For shares newly granted in 2012, an average vesting period of one and a half years was assumed for a good leaver event, and three years for exit. Average vesting period assumptions for shares newly granted in 2013 were one year for either a bad or good-leaver event and two years for exit. After expiry of the vesting period, i.e. after a good-leaver event or an exit, the recipient will receive a payment based on his/her shares in synlab Management-Beteiligungs GmbH & Co. KG. Entitlement lapses, however, if the recipient's employment is terminated by way of a bad-leaver event, i.e. prior to expiry of the vesting period.

In fiscal year 2011, Company executives participated in the amount of 0.72% of SYNLAB HOLDING registered capital or 20 thousand euros, and 0.11% or 3 thousand euros in fiscal year 2012. A further increase by 0.07% or 2 thousand euros followed in 2013. In 2011, 65.2% of the executive shares granted went to company directors (0.46%). In 2012 and 2013 none of the shares granted were allotted to company directors.

These share-based commitments are structured as equity-settled instruments. Pre-tax expenses for share-based payments in fiscal year 2013 amounted to 148 thousand euros (previous year: 253 thousand euros) and comprised exclusively awards made in the scope of the aforementioned programs and settled with equity instruments.

The fair value of the shares granted was calculated as the difference between the present value of expected payments to members of management based on the payout structure and vesting period and the purchase price paid by members of management on the date the shares were granted. The fair value of all commitments granted in fiscal years 2011 to 2013 amounted to 760 thousand euros (previous year: 926 thousand euros).

9 Related party disclosures

The consolidated financial statements include SYNLAB HOLDING and the subsidiaries designated in the list of shareholdings.

The Management Board of SYNLAB HOLDING in the fiscal year ended was composed as follows:

- Dr. med. Bartl Wimmer . . . . CEO / Managing Director
- Alexander Hoffmann . . . . COO
- Markus Stötter . . . . CFO / Managing Director

In the reporting period, Management Board members received total remuneration of 616 thousand euros (previous year: 635 thousand euros). This includes a share-based payment in the amount of 103 thousand euros (previous year: 79 thousand euros). At the time of issue, share-based payments granted to management had a fair value of 420 thousand euros (previous year: 360 thousand euros).

For further information please refer to section 13.4.

The advisory board of the Company is composed as follows:

- Dr. Ewald Walgenbach (Chairman), Managing Director of BC Partners
- Michael Wunderlich (Vice-Chairman), Partner of BC Partners
- Maximilian Kastka, Principal of BC Partners
- Christian Mogge, Principal of BC Partners

9 Related party disclosures (Continued)

- Dr. med. Fred Buchwald, Laboratory Medicine Specialist (*Facharzt für Laboratoriumsmedizin*)
- Miroslav Herden, Kaufmann (German business management degree)
- Rolf Norbert Schöngen, Laboratory Medicine Specialist (*Facharzt für Laboratoriumsmedizin*)

Advisory board members received no compensation in the year under review.

SYNLAB HOLDING, Augsburg, Germany, is the top-level controlling parent company. This company prepares the consolidated financial statements for the smallest and largest consolidated groups. Furthermore, SL Lux SCA, Luxembourg, holds a 72.27% share in the SYNLAB HOLDING registered capital, and thus controls the company. All shares of SL Lux SCA, Luxembourg (100.00%) are held by funds managed by BC Partners.

9.1 Receivables and payables concerning related parties

	December 31, 2013				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	SL Lux Investment KEUR	KEUR	KEUR	KEUR	KEUR
Loans to related companies	0	113	0	0	**113**
Other receivables from related companies	0	184	0	1,589	**1,773**
Other current accounts receivable from related companies	1	474	0	2	**477**
Trade accounts payable to related companies	0	209	0	0	**209**
Other accounts payable to related companies	0	183	6,365	0	**6,548**

	December 31, 2012				
	Companies with significant influence on the Group	Associated companies	Companies in which managers hold key positions	Other	Total
	SL Lux Investment KEUR	KEUR	KEUR	KEUR	KEUR
Loans to related companies	0	152	0	0	**152**
Other receivables from related companies	0	12	326	0	**338**
Other current accounts receivable from related companies	1	665	837	463	**1,966**
Trade accounts payable to related companies	0	192	4,613	0	**4,805**
Other accounts payable to related companies	0	70	0	0	**70**

9.2 Income and expenses

	2013				
	Companies with significant influence on the Group	Associated companies	Companies in which synlab managers hold key positions	Other	Total
	SL Lux Investment KEUR	KEUR	KEUR	KEUR	KEUR
Sales of goods and services	0	2,352	0	348	**2,700**
Services received	0	2,671	9	4	**2,684**
Purchases of goods (including merchandise)	0	17	0	0	**17**
Other expenses for related parties	0	0	0	9	**9**
Interest income	0	0	0	22	**22**
Income from associated companies	0	575	0	0	**575**

9 Related party disclosures (Continued)

	2012				
	Companies with significant influence on the Group	Associated companies	Companies in which synlab managers hold key positions	Other	Total
	SL Lux Investment KEUR	KEUR	KEUR	KEUR	KEUR
Sales of goods and services	0	1,178	0	253	**1,431**
Services received	0	1,250	(1,227)	3	**26**
Other income (trade, miscellaneous) from related parties	0	41	0	0	**41**
Other expenses for related parties	0	0	0	6	**6**
Interest income	0	8	0	0	**8**
Interest expense	0	298	0	0	**298**

Trade receivables do not bear interest and are usually due within between 30 to 120 days. All payments to or from related parties as well as sales to or purchases from related parties are made on an arm's length basis.

There are no guarantees for receivables from or payables to related parties. Interest on other receivables from related companies is charged at normal market rates.

10 Contingent liabilities and other financial obligations

10.1 Obligations relating to operating leases where the Group is the lessee

The Group has concluded rental and lease agreements as lessee primarily for company buildings, fixtures, fittings, and office equipment, data processing equipment and vehicles. The lease agreements have an average term of between three and five years.

At the reporting date, there were the following future minimum lease payment obligations arising from contractual operating leases:

	December 31, 2013				
	Fixtures, fittings, and office equipment	Analysis equipment	Leases on buildings	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Up to 1 year	583	803	19,955	2,774	**24,115**
1 - 5 years	1,977	472	46,392	2,224	**51,065**
More than 5 years	15	0	19,609	0	**19,624**
Total	**2,575**	**1,275**	**85,956**	**4,998**	**94,804**
Operating lease payments during the fiscal year	5,547	12,435	21,465	2,376	**41,823**

	December 31, 2012				
	Fixtures, fittings, and office equipment	Analysis equipment	Leases on buildings	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Up to 1 year	3,409	7,743	13,262	830	**25,244**
1 - 5 years	1,902	165	37,215	1,024	**40,306**
More than 5 years	0	123	17,428	0	**17,551**
Total	**5,311**	**8,031**	**67,905**	**1,854**	**83,101**
Operating lease payments during the fiscal year	4,243	20,458	19,103	962	**44,766**

The Group has concluded lease agreements for technical machines and equipment. The average term of these lease agreements is between three and five years. The lease agreements do not include an extension option beyond the maximum duration of five years. The lease agreements place no restrictions on the Group as lessee. Lease payments for analysis equipment are mostly invoiced according to the variable use of the leased objects.

10.2 Obligations arising from financial leases

The Group has concluded financial leases for various technical equipment and fixtures, fittings, and office equipment. These leases provide for lease extensions at the then prevailing market conditions. Options for extension may only be exercised by the corresponding contracting company. Future minimum lease payments from financial leases may be restated at present value as follows:

	December 31, 2013		December 31, 2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	KEUR	KEUR	KEUR	KEUR
Up to 1 year	8,214	7,478	7,770	6,828
1 - 5 years	16,235	15,366	15,330	14,539
More than 5 years	817	810	2,354	1,901
Total minimum lease payments	**25,266**	**23,654**	**25,454**	**23,268**
Less interest portion	(1,612)		(2,186)	
Total	23,654		**23,268**	
Lease payments for the year		9,693		7,455

10.3 Contingent liabilities

Total contingent liabilities as of December 31, 2013 amounted to 140 thousand euros. These principally include the UniCredit contract performance guarantee at synlab in Poland in the amount of 45 thousand euros, asset retirement obligations and planning expenses at Steinlach-Klinik GmbH in the amount of 35 thousand euros and a fixed amount for damages at SYNLAB HOLDING in the amount of 35 thousand euros. There were no significant contingent liabilities in the previous year.

11 Capital management

The overriding goal of Group capital management is to ensure that the Group is and will be able to pay its debts and remains financially healthy. In addition to EBIT and EBITDA, monitoring changes in net working capital and cash flow are important in monitoring, managing and optimizing the existing finance structure. Net debt includes interest-bearing loans and borrowings less cash and cash equivalents.

	2013	2012
	KEUR	KEUR
Interest-bearing loans and borrowings	508,250	411,475
Cash and cash equivalents	(64,579)	(43,787)
Net debt	**443,671**	**367,688**
Equity attributable to equity holders of the parent	**215,030**	**234,375**(*)
Equity and net debt	**658,701**	**602,063**(*)

(*) Previous year's figure restated as per IAS 8.

Under the financing agreement of January 24, 2012, the Company is obligated to observe certain financial covenants. Non-compliance with these requirements could have the consequence that the lender terminates financing and demands immediate repayment of the respective value of the loan. The covenants contained in the loan agreement involve maintaining a certain net debt-to-EBITDA ratio, EBITDA-to-interest ratio, and cash flow-to-interest-and-principal ratio. These ratios allow calculation of the relative burden on the Company posed by debt/interest payments. The existing financing agreement was amended in March and December 2013, and the restrictions and covenants originally agreed were expanded substantially.

12 Segment reporting

For management purposes, the Group is organized into nine separately managed and monitored segments. Reconciliations include the central functions, financing and taxes, and consolidation. The Group's laboratory business is subject to various opportunity and risk profiles as well as varying government regulations in the countries where the Group operates; thus the internal reporting structure is organized according to geographic segmentation of the Group.

SYNLAB HOLDING management has the highest discretionary authority. EBITDA of the business entities is monitored separately by management in order to make decisions regarding distribution of resources and determine the profitability of the entities. EBITDA figures are used to measure segment performance and is reflected in the consolidated financial statements. Group financing (including finance costs and income) and income taxes are managed at Group level, however, rather than at the individual business segment level.

The Company has introduced structural changes to its internal control mechanisms vis-à-vis the previous year's segment reporting. Operating activities in Hungary were separated from the Rest-of-the-World segment and a new Hungary segment was formed. Another two segments, Belgium and Baltic States, were introduced as a result of the acquisitions in Belgium end of 2012 and of the companies in Estonia, Finland and Lithuania in 2013.

Accounting principles used in deriving segment information conform with the accounting rules used in the consolidated financial statements. Transfer prices between business segments are determined based on normal market conditions for transactions with third parties.

Because Group assets are of minor importance for management of the Company, Company management does not monitor these separately by business segment.

Description of segments subject to reporting requirements

The SYNLAB GROUP portfolio comprises activities in 20 countries, distinguishing only the following segments according to the opportunity and risk profile:

Germany

In Germany the SYNLAB GROUP's activities are concentrated mainly in southern and western Germany. The SYNLAB GROUP operates four large central laboratories in these areas, as well as numerous small local laboratories in order to ensure regional accessibility to its referring physicians. In addition, the SYNLAB GROUP also operates a small hospital as well as hospital laboratories that were taken over under outsourcing contracts.

Switzerland

Similar to operations in Germany, the SYNLAB GROUP provides laboratory services in Switzerland primarily for samples sent in by private physicians and for hospital laboratories as part of outsourcing projects. The SYNLAB GROUP is among the big six providers in the Swiss market which together comprise approximately 57% of the accessible market.

Italy

In Italy, the SYNLAB GROUP is mainly represented in the industrial north. Due to government regulation, only about a third of the Italian laboratory market is accessible to private laboratory service providers. In addition, the market is strongly influenced by regional authorities which determine the maximum number of tests private providers may conduct.

Belgium

The SYNLAB GROUP concentrates particularly on the human medicine sector in Belgium, but also offers laboratory services for the veterinary sector.

12 Segment reporting (Continued)

Czech Republic

Activities of the SYNLAB GROUP in the Czech Republic are basically the same as in the markets or segments described above. Any significant differences are attributable to the way the public health sector is organized, to market concentration, and the dominant market position of the Group's activities in the Czech market. The Group is one of the three largest market participants in the Czech Republic.

Austria

Due to government regulations, only a small part of the market in Austria is accessible to laboratory service providers which are corporations. The SYNLAB GROUP is the leading participant in this limited market, particularly in Vienna and the surrounding metropolitan area. The activities here are the same is in the segments discussed above.

Slovak Republic

Activities of the SYNLAB GROUP in Slovakia are similar to those in the above-mentioned markets or segments. Substantial differences arise from the particular organization of the public healthcare system. In Slovakia the Group is among the three leading market participants.

Hungary

In addition to laboratory services for privately insured patients, the SYNLAB GROUP also offers environmental and forensic analytical services in Hungary, and is the only service provider in the forensic sector.

Baltic States

This segment comprises the SYNLAB GROUP laboratories in Estonia, Finland and Lithuania. In Estonia and Finland, laboratory services for private physicians are the main business, whereas in Lithuania most business is with privately insured patients. In Estonia, the SYNLAB GROUP is the market leader.

Rest of World

The segment ROW comprises Group activities in Slovenia, Macedonia, Croatia, Romania, Poland, the Republic of Belarus, the United Kingdom, Turkey and the United Arab Emirates which do not fulfill the quantitative thresholds for reportable segments, and thus are summarized in a separate category.

Reconciliations

Reconciliations include all Group central functions such as management, legal, Group finances, internal audit and strategic procurement which cannot be attributed to individual operating segments. Furthermore, reconciliations include finance income and expenses and taxes because they are centrally managed by the Group, and therefore cannot be attributed to individual business segments, as well as the consolidation transactions to be conducted among the individual segments.

12 Segment reporting (Continued)

Income from transactions with other segments is eliminated for consolidation purposes.

	2013						
	Germany	Switzerland	Italy	Czech Republic	Belgium	Austria	Hungary
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue							
External customers	381,564	77,502	62,139	45,177	23,541	20,165	25,246
Revenue from human medicine	330,388	74,411	54,818	44,273	22,100	16,339	23,171
Revenue from veterinary medicine	9,010	0	0	86	1,386	0	0
Revenue from environmental analysis	20,138	1,595	0	86	0	2,508	1,563
Revenue from trading goods	7,845	23	0	732	0	24	331
Other revenue	14,183	1,473	7,321	0	55	1,294	181
Other segments	6,046	0	1	7	0	201	4
Total revenue	**387,610**	**77,502**	**62,140**	**45,184**	**23,541**	**20,366**	**25,250**
Results							
Material expenses	(115,320)	(13,586)	(12,130)	(11,656)	(4,230)	(3,620)	(7,948)
Personnel expenses	(147,776)	(27,962)	(16,802)	(13,177)	(5,861)	(7,371)	(7,612)
Expenses for rental and lease agreements	(15,537)	(2,162)	(3,193)	(2,913)	(791)	(722)	(1,162)
Transport expenses	(20,102)	(1,291)	(2,255)	(704)	(294)	(511)	(970)
Other operating income	7,723	769	252	1,063	756	857	745
Other operating expenses	(65,874)	(15,185)	(14,020)	(9,356)	(5,107)	(2,269)	(4,449)
EBITDA = segment result	**30,724**	**18,085**	**13,992**	**8,441**	**8,014**	**6,730**	**3,854**
Other information							
Depreciation, amortization and impairment	(31,439)	(6,829)	(7,825)	(6,875)	(3,408)	(1,350)	(2,266)

	Slovakia	Baltic States	ROW	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue						
External customers	12,259	6,893	16,679	671,165	0	671,165
Revenue from human medicine	12,225	6,782	15,717	600,224	0	600,224
Revenue from veterinary medicine	4	13	39	10,538	0	10,538
Revenue from environmental analysis	0	0	0	25,890	0	25,890
Revenue from trading goods	25	0	166	9,146	0	9,146
Other revenue	5	98	757	25,367	0	25,367
Other segments	0	0	61	6,320	(6,320)	0
Total revenue	**12,259**	**6,893**	**16,740**	**677,485**	**(6,320)**	**671,165**
Results						
Material expenses	(3,545)	(2,447)	(4,903)	(179,385)	2,005	(177,380)
Personnel expenses	(4,312)	(2,112)	(5,394)	(238,379)	(2,301)	(240,680)
Expenses for rental and lease agreements	(734)	(282)	(928)	(28,424)	157	(28,267)
Transport expenses	(116)	(377)	(444)	(27,064)	228	(26,836)
Other operating income	503	451	543	13,662	(1,037)	12,625
Other operating expenses	(1,942)	(1,252)	(3,354)	(122,808)	(2,716)	(125,524)
EBITDA = segment result	**2,113**	**874**	**2,260**	**95,087**	**(9,984)**	**85,103**
Other information						
Depreciation, amortization and impairment	(1,130)	(813)	(584)	(62,519)	0	(62,519)

12 Segment reporting (Continued)

	KEUR
Segment result	**85,103**
Depreciation, amortization and impairment	(62,519)
Operating profit/loss	**22,584**
Income from associated companies	575
Finance income	4,001
Finance costs	(33,829)
Revaluation of non-controlling interests in partnerships	(1,006)
Profit/loss before tax	**(7,675)**
Income tax	(7,478)
Consolidated profit/loss for the year	**(15,153)**

There is no particular dependency on important large customers.

	2012					
	Germany	Switzerland	Czech Republic	Italy	Austria	Hungary
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue						
External customers	369,908	64,905	47,946	56,850	19,372	17,769
Revenue from human medicine	326,071	63,269	47,286	50,233	15,961	16,863
Revenue from veterinary medicine	8,899	0	0	0	0	0
Revenue from environmental analysis	15,003	0	0	0	1,867	785
Revenue from trading goods	8,944	184	660	0	(63)	68
Other revenue	10,990	1,452	0	6,616	1,608	53
Other segments	4,153	0	31	1	311	0
Total revenue	**374,061**	**64,905**	**47,977**	**56,851**	**19,684**	**17,769**
Results						
Material expenses	(115,722)	(11,579)	(11,278)	(10,998)	(2,942)	(5,584)
Personnel expenses	(147,323)	(23,967)(*)	(13,541)	(16,320)	(7,228)	(5,472)
Expenses for rental and lease agreements	(13,790)	(1,898)	(2,574)	(2,977)	(790)	(887)
Transport expenses	(20,425)	(1,192)	(663)	(1,974)	(862)	(671)
Other operating income	8,116	768	972	156	804	514
Other operating expenses	(62,652)	(12,805)	(7,851)	(13,204)	(2,337)	(3,577)
Loss from first-time consolidation	0	0	0	0	0	0
EBITDA=segment result	**22,266**	**14,232**	**13,042**	**11,534**	**6,329**	**2,094**
Other information						
Depreciation, amortization and impairment	(27,130)	(5,614)	(6,849)	(10,613)	(1,379)	(1,518)

12 Segment reporting (Continued)

	Slovakia	ROW	Segments Total	Reconciliations	Group
	KEUR	KEUR	KEUR	KEUR	KEUR
Revenue					
External customers	11,488	12,631	600,869	0	600,869
Revenue from human medicine	11,454	11,432	542,570	0	542,570
Revenue from veterinary medicine	2	0	8,901	0	8,901
Revenue from environmental analysis	0	0	17,655	0	17,655
Revenue from trading goods	26	230	10,049	0	10,049
Other revenue	6	969	21,694	0	21,694
Other segments	0	96	4,592	(4,592)	0
Total revenue	**11,488**	**12,727**	**605,461**	**(4,592)**	**600,869**
Results					
Material expenses	(3,487)	(3,405)	(164,995)	1,440	(163,555)
Personnel expenses	(3,840)	(4,210)	(221,901)(*)	(2,091)	(223,992)(*)
Expenses for rental and lease agreements	(624)	(687)	(24,227)	214	(24,014)
Transport expenses	(135)	(366)	(26,288)	206	(26,082)
Other operating income	469	353	12,152	(1,009)	11,143
Other operating expenses	(1,528)	(3,172)	(107,126)	(3,778)	(110,904)
Loss from first-time consolidation	0	(26)	(26)	0	(26)
EBITDA=segment result	**2,342**	**1,214**	**73,050**	**(9,611)**	**63,439**(*)
Other information					
Depreciation, amortization and impairment	(825)	(503)	(54,431)	0	(54,431)

	KEUR
Segment result	**63,439**(*)
Depreciation, amortization and impairment	(54,431)
Operating profit/loss	**9,008**(*)
Income from associated companies	404
Finance income	1,047
Finance costs	(33,964)(*)
Revaluation of non-controlling interests in partnerships	(978)
Profit/loss before tax	**(24,483)**(*)
Income tax	(2,636)
Consolidated profit/loss for the year	**(27,119)**(*)

(*) Previous year's figure restated as per IAS 8.

13 Supplementary information pursuant to the German Commercial Code (HGB)

13.1 Company management

In the year under review the Company management members were:

Dr. med. Bartl Wimmer, Specialist Doctor for Laboratory Medicine (Facharzt für Laboratoriumsmedizin), CEO/ Managing Director, Berchtesgaden, Germany

Markus Stötter, Diplom-Kaufmann (German business administration degree), CFO/Managing Director), Augsburg, Germany

13.2 Shareholdings and exemptions

The information regarding shareholdings required pursuant to sec. 313 (2) of German Commercial Code is presented in the list of shareholdings.

13 Supplementary information pursuant to the German Commercial Code (HGB) (Continued)

Companies for which exemptions were claimed pursuant to sec. 264 (3) of the German Commercial Code (HGB), sec. 291 of the German Commercial Code, sec. 245 (1) of the Austrian Commercial Code (UGB), sec. 62 (2) of vyhláška č. 500/2002 Sb.(Slovenian regulation), art. 27, § 3, § 4, of the Decreto legislativo 9 aprile 1991 n. 127 (Italian regulation), art. 663f OR (Swiss code), and Accounting Act Sec. 29 (1), 2)., RT I 2002, 102, 600, passed 11/20/2002 were marked correspondingly in the list of shareholdings.

13.3 Employees

On average, the number of employees in the Group was as follows:

	2013 Employees	2012 Employees
Administration	2,246	1,866
Operations	5,299	4,983
	7,545	**6,849**
Domestic	4,218	4,247
Foreign	3,327	2,602
	7,545	**6,849**

The increased number of employees is largely attributable to company acquisitions in the Baltic States.

13.4 Information on management compensation

The Company reserves the right per sec. 286 (4) of German Commercial Code to not disclose total compensation received by management.

13.5 Audit fees

The following fees were paid for the services of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, Germany:

	2013 KEUR	2012 KEUR
Audit	799	768
Other auditing services	42	15
Tax advice	128	184
Other services	883	0
Total	**1,852**	**967**

14 Events after the reporting period

14.1 Acquisitions in 2014

The following significant acquisitions took place after the reporting date and before release of these financial statements:

Name of acquired company	Date of acquisition (effective date)	Revenue contribution* 2014	EBITDA contribution* 2014	Purchase price	Shareholding
		(KEUR)	(KEUR)	(KEUR)	
Labor Dr. Nae Silvia	01/01/2014	411	163	fixed: 462 plus max. variable component: 20	asset deal
INTERLAB GmbH central lab services-worldwide	02/01/2014	6,250	1,756	fixed: 11,500, variable: 2,000	100%
GUT	04/01/2014	1,037	133	fixed: 235 plus max. variable component: 40	asset deal
Pliambulatorio Dante Srl & Centro Diagnostico Riminese S.r.l.	04/02/2014	517	127	fixed: 400	100%

* The revenue and EBITDA contributions for 2014 reflect current corporate planning.

All acquisitions were aimed at strengthening the Group's presence in a particular region or area of specialization.

In addition, synlab Services GmbH, and therefore indirectly SYNLAB HOLDING, acquired the remaining 49% shareholding in the company Synlab ILK Referans saglik hizmetleri sanayi ve ticaret anonim sirketi as of February 20, 2014. Due to the controlling interest in the company existing prior to that date, the Group reported the acquired company's revenues in the amount of 3,177 thousand euros (previous year: 2,479 thousand euros), and its net income for the year in the amount of 263 thousand euros (previous year: 351 thousand euros) in the Group's income statement as in the years before. The purchase price for the acquired remaining shareholding consisted of a fixed portion of 327 thousand euros and a variable portion of 827 thousand euros.

Detailed information required by IFRS 3, i.e. items IFRS 3 B64e, f, h, i, j, and k, regarding business combinations taking place after the end of the reporting period, cannot be provided for the aforementioned business combinations at present because at the time the financial statements were released for publication the various sellers were unable to provide final financial statement figures.

14.2 Other events after the reporting period

Pursuant to an agreement concluded on January 31, 2014, SYNLAB HOLDING and several subsidiaries substantially expanded the existing SYNLAB GROUP financing agreement with respect to the credit facilities, the restrictions originally agreed for the SYNLAB GROUP and the covenants to be observed. As a result of this change, an amount of 55,284 thousand euros from the amortizing tranche A1 was transferred to a tranche A5 falling due at final maturity. This change in the existing agreement does not involve any exchange of debt instruments with substantially differing contractual terms, rather simply a modification of existing contractual terms. Accordingly, the modification does not require different treatment of the transaction costs incurred in January 2012 in connection with conclusion of the financing agreement.

In a second step, SYNLAB HOLDING and various subsidiaries concluded an agreement on March 28, 2014 resulting in the transfer of another portion of the to date uncommitted acquisition facility (30,000 thousand euros), as well as the remaining portion of the uncommitted revolving credit facility (10,000 thousand euros) to respective committed facilities. These facilities may now be utilized directly. In

14 Events after the reporting period (Continued)

this respect, the Company entered into business relationships with two new banks which joined the existing consortium under the provisions of the senior facilities agreement entered into in January 2014.

Augsburg, April 14, 2014

The Management, SYNLAB HOLDING GmbH

Dr. med. Bartl Wimmer *Managing Director*	Markus Stötter *Managing Director*

List of abbreviations

AT	Austria
BE	Belgium
CGU	Cash-generating unit
CH	Switzerland
CZ	Czech Republic
DE	Germany
EE	Estonia
FI	Finland
HU	Hungary
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretation Committee
IMCL	Institut für medizinische und chemische Labordiagnostik Gesellschaft m.b.H., Vienna, Austria
IT	Italy
LG	Laborgemeinschaft (Joint laboratory practice)
LT	Lithuania
MVZ Leverkusen	Medizinisches Versorgungszentrum synlab Leverkusen GmbH, Leverkusen, Germany
PRR	Per Reported Result
RO	Romania
ROW	Rest of World
SI	Slovenia
SIC	Standing Interpretations Committee
SLDI	synlab diagnostics services Italy s.r.l., Brescia, Italy
SK	Slovak Republic
SPE	Special Purpose Entity
SYNLAB HOLDING	SYNLAB HOLDING GmbH, Augsburg, Germany
TR	Turkey
UK	United Kingdom

Annex to the Notes to the Consolidated Financial Statements

synlab Holding GmbH, Augsburg, Germany
List of shareholdings as of December 31, 2013

Company	Country	Shareholding in %	Shareholders' equity in KEUR	Profit/loss in KEUR	Footnote
synlab Holding GmbH	DE	Parent	378,583	6,998	
Freiburg Medical Laboratory Middle East L.L.C.	AE	70.00%	1,262	869	
ANECLAB GmbH	AT	60.00%	75	1	
Institut für medizinische und chemische Labordiagnostik GmbH	AT	100.00%	(3)	2,019	
synlab Holding Austria GmbH	AT	100.00%	45,849	7,975	(4)
synlab Logistic Austria GmbH	AT	100.00%	956	929	
Synlab Umweltinstitut GmbH	AT	100.00%	(183)	77	
Laboratoire d'Analyses Medicales Dr. Jean Collard SPRL	BE	100.00%	5,326	4,860	
The foreign private integrative service company "Synlab-EML"	BY	100.00%	108	(128)	
AMS analyses médicales services SA	CH	100.00%	13,872	4,469	
Bureco AG	CH	100.00%	208	(48)	
Labsupply AG	CH	100.00%	(470)	(1)	
synlab Suisse SA	CH	100.00%	24,659	6,712	(6)
Aneclab s.r.o.	CZ	100.00%	123	51	
BH Vimperk services s.r.o.	CZ	100.00%	58	(3)	
RMA lab s.r.o	CZ	100.00%	(398)	(427)	
synlab czech s.r.o.	CZ	100.00%	(5,518)	7,754	(3)
synlab genetics s.r.o. (previously CHAMBON s.r.o.)	CZ	100.00%	889	885	
synprogen s.r.o.	CZ	100.00%	(1)	(18)	
Apparategemeinschaft i. Albrecht-Dürer-Haus GbR	DE	SPE	0	0	
Arbeitsgemeinschaft für Laboratoriumsmedizin Neuwied GbR	DE	SPE	(4)	0	
Ärztliche Laborgemeinschaft Troisdorf GbR	DE	SPE	0	0	
Ärztliche Laborgemeinschaft Bonn GbR	DE	SPE	0	0	
Ärztliche Laborgemeinschaft Hamburg Nordwest GbR	DE	SPE	0	0	
Ärztliche Laborgemeinschaft Hochsauerland Brilon GbR	DE	SPE	0	0	
Die Kassenärztliche Laborgemeinschaft Kassel GbR	DE	SPE	0	0	
Ärztliche Laborgemeinschaft Köln-Kalk GbR	DE	SPE	0	0	
Ärzliche Laborgemeinschaft Nordeifel Mechernich GbR	DE	SPE	0	0	
Ärztliche Laborgemeinschaft Region Eschweiler GbR	DE	SPE	0	0	
BZH Deutsches Beratungszentrum für Hygiene GmbH	DE	52.84%	659	204	
FL Holding 1 GmbH	DE	100.00%	244,891	(4,342)	(1)(2)
FL Holding 2 GmbH	DE	100.00%	94,491	(7,608)	(1)(2)
KRH Labor GmbH	DE	49.00%	(83)	(333)	
Vertragsärztliche Laborgemeinschaft Allgäu GbR	DE	SPE	0	0	
Laborgemeinschaft Bayern-Nord GbR	DE	SPE	0	0	
Laborgemeinschaft Bayern-Süd GbR	DE	SPE	0	0	
Laborgemeinschaft Bayrischer Ärzte GbR	DE	SPE	0	0	

Company	Country	Shareholding in %	Shareholders' equity in KEUR	Profit/loss in KEUR	Footnote
Laborgemeinschaft Berlin GbR	DE	SPE	0	0	
Laborgemeinschaft Brandenburg GbR	DE	SPE	0	0	
Laborgemeinschaft Bayerischer Heilpraktiker GbR	DE	SPE	0	0	
Laborgemeinschaft Idar-Oberstein GbR	DE	SPE	0	0	
Laborgemeinschaft Kurpfalz GbR	DE	SPE	0	0	
Laborgemeinschaft Mittelfranken GbR	DE	SPE	0	0	
Laborgemeinschaft Mittelhessen GbR	DE	SPE	0	0	
Laborgemeinschaft München-Innenstadt GbR	DE	SPE	0	0	
Laborgemeinschaft Oberpfälzer Ärzte GbR	DE	SPE	0	0	
Laborgemeinschaft Ostbayern-Bavaria GbR	DE	SPE	0	0	
Ärztliche Laborgemeinschaft Oberhausen GbR	DE	SPE	0	0	
Laborgemeinschaft Rhein-Nahe-Eck GbR	DE	SPE	0	0	
Laborgemeinschaft Stuttgart-Voralb GbR	DE	SPE	0	0	
Laborgemeinschaft Thueringia GbR	DE	SPE	0	0	
Laborgemeinschaft Trier GbR	DE	SPE	0	0	
Laborgemeinschaft Dr. Wimmer GbR	DE	SPE	0	0	
Laborgemeinschaft-Verbund Rhein-Mosel-Nahe GbR	DE	SPE	0	0	
MED Laborunion GmbH	DE	20.83%	1,278	593	
Medizinisches Versorgungszentrum synlab Bonn GmbH	DE	100.00%	(76)	214	(1)
Medizinisches Versorgungszentrum synlab Hämatologisches Labor Köln GmbH	DE	100.00%	25	(40)	(1)
MVZ links der Traun GmbH	DE	100.00%	25	(116)	(1)
Privamed—privatärztliche Laborgemeinschaft GbR	DE	SPE	0	0	
Privatärztliche Laborgemeinschaft Dinslaken GbR	DE	SPE	0	0	
Privatärztliche Laborgemeinschaft Kassel Die privatärztliche Laborgemeinschaft GbR	DE	SPE	0	0	
Privatärztliche Laborgemeinschaft Gießen Ärztliche Laborgemeinschaft Regionaler Ärzte Gießen GbR	DE	SPE	0	0	
Schubert Medizinprodukte GmbH & Co. KG	DE	33.00%	897	277	
Steinlach-Klinik GmbH	DE	100.00%	6,810	(8,860)	(1)(2)
Synlab MVZ Labor München Zentrum GbR	DE	85.50%	0	5,043	
synlab Labormedizinisches Versorgungszentrum Jade-Weser GmbH	DE	51.00%	(1,258)	(429)	
synlab Logistics GmbH	DE	100.00%	26	(1,616)	(1)
synlab Medizinisches Versorgungszentrum Augsburg GmbH	DE	100.00%	4,767	(1,621)	(1)
synlab Medizinisches Versorgungszentrum Berlin GmbH	DE	100.00%	3,082	(6,658)	(1)
synlab Medizinisches Versorgungszentrum Hamburg GmbH	DE	100.00%	25	0	
synlab Medizinisches Versorgungszentrum Heidelberg GmbH	DE	100.00%	1,044	(391)	(1)
synlab Medizinisches Versorgungszentrum Humangenetik Mannheim GmbH	DE	100.00%	158	(244)	(1)
synlab Medizinisches Versorgungszentrum Kassel GmbH	DE	100.00%	4,700	(2,547)	(1)
synlab Medizinisches Versorgungszentrum Leinfelden-Echterdingen GmbH	DE	100.00%	(4,721)	1,268	(1)
synlab Medizinisches Versorgungszentrum Leverkusen GmbH	DE	100.00%	14,545	(7,266)	(1)

Company	Country	Shareholding in %	Shareholders' equity in KEUR	Profit/loss in KEUR	Footnote
synlab Medizinisches Versorgungszentrum Pathologie Mannheim GmbH	DE	100.00%	25	(346)	(1)
synlab Medizinisches Versorgungszentrum Stuttgart GmbH (previously Labomed GmbH, Stuttgart)	DE	100.00%	(251)	(280)	
synlab Medizinisches Versorgungszentrum Trier GmbH	DE	100.00%	(1,062)	(666)	(1)
synlab Medizinisches Versorgungszentrum Weiden GmbH	DE	100.00%	(830)	8,256	(1)
synlab Services GmbH	DE	100.00%	(13,618)	(1,948)	(1)(2)
synlab Umweltinstitut GmbH	DE	100.00%	5,612	(697)	(1)(2)
synlab Verwaltungs- und Beteiligungs GmbH die Erste	DE	100.00%	579	531	(2)
Synlab.vet GmbH	DE	100.00%	162	412	(1)
TIS Transfusionsinstitut Synlab GmbH	DE	100.00%	26	(435)	(1)
Quattromed HTI Laborid OÜ	EE	100.00%	12,070	3,210	(7)
Viljandi Tervisekeskus OÜ	EE	100.00%	315	70	
Quattromed Finland OY	FI	100.00%	(1,478)	(1,293)	
synlab Holding Finland OY	FI	100.00%	(819)	(821)	
SYNLAB HRVATSKA—POLIKLINIKA ZA MEDICINSKO LABORATORIJSKU DIJAGNOSTIKU	HR	100.00%	87	9	
GENOID Kft.	HU	100.00%	1,119	469	
Laboratórium Kft.	HU	100.00%	3,449	1,178	
Spectromass Analitikai Labortórium Kft.	HU	100.00%	269	270	
Synlab Hungary Kft.	HU	100.00%	(362)	(149)	
synlab Umweltinstitut Ungarn Kft.	HU	100.00%	195	(33)	
Centro A. Fleming S.r.l.	IT	100.00%	93	16	
Centro Diagnostico Specialistico San Nicolò Como S.r.l.	IT	100.00%	66	(8)	
Citylab S.r.l.	IT	100.00%	49	(87)	
SL DIAGNOSTIC SERVICES ITALY S.r.l.	IT	100.00%	53,704	3,221	(5)
Synlab Emilia Romagna S.r.l. (previously: Laboratorio Analisi Chimico Cliniche A. Fleming S.r.l.)	IT	100.00%	7	(151)	
Synlab Italia S.r.l.	IT	100.00%	11,836	5,173	(5)
Synlab Lazio S.r.l.	IT	100.00%	124	(136)	
synlab Veneto S.r.l.	IT	100.00%	809	557	
UAB "SORPO"	LT	100.00%	236	26	
Adrialab d.o.o., Skopje	MK	98.00%	449	55	
Synlab Polska Sp. Z.o.o.	PL	100.00%	(872)	(308)	
LABORATOARELE SYNLAB S.r.l.	RO	100.00%	(929)	(177)	
SYNLAB WEST S.r.l.	RO	99.94%	(269)	(125)	
Adrialab d.o.o., Ljubljana	SI	100.00%	616	695	
synlab slovakia s.r.o.	SK	100.00%	2,275	1,211	
Referans M-B Sağlik Laboratuar Hizmetleri Sanayi ve Ticaret Ltd. Şti.	TR	SPE	83	6	
Synlab Ilk Referans Sağlik Hizmetleri Sanayi ve Ticaret A.Ş.	TR	51.00%	867	351	
Synlab Turk A.S.	TR	100.00%	159	(22)	
Synlab clinical trial Ltd.	UK	100.00%	(929)	(177)	
Synlab UK Limited	UK	100.00%	(1,536)	(1,131)	
UIS Bulgarien EOOD—in liquidation	BG	100.00%	—	—	(*)
Bakteriologisches Institut Olten BIO AG	CH	30.00%	—	—	(*)
Poliklinika Moravské Budějovice, s.r.o.	CZ	4.00%	—	—	(*)
Futurelab Romania S.R.L.	RO	100.00%	—	—	(*)

Company	Country	Shareholding in %	Shareholders' equity in KEUR	Profit/loss in KEUR	Footnote
Genetisches Institut Schmalenberger GbR—in liquidation	DE	50.00%	—	—	(*)
Labor Stülpnagelstraße GbR	DE	33.00%	—	—	(*)
Medizinisches Versorgungszentrum Immunolog. Diagn. GbR	DE	11.00%	—	—	(*)
Labor Immo Kft.—in liquidation	HU	100.00%	—	—	(*)
SC Lasimed S.R.L.	RO	51.00%	—	—	(*)

(1) Exempt pursuant to Sec. 264 (3) no. 1 German Commercial Code (HGB).

(2) Exempt pursuant to Sec. 291 HGB.

(3) Exempt pursuant to Sec. 62 (2) vyhláška č. 500/2002 Sb. (Czech decree).

(4) Exempt pursuant to Sec. 245 (1) UGB (Austrian Enterprise Code).

(5) Exempt pursuant to Art. 27, Sec. 3, and 4, Decreto legislativo 9 aprile 1991, n. 127 (Italian executive order).

(6) Exempt pursuant to Art. 663f OR (Swiss Law of Obligations).

(7) Exempt pursuant to Accounting Act Sec. 29 (1), 2)., RT I 2002, 102, 600, Passed 11/20/2012.

(*) No information available.

GROUP

LABCO
Quality Diagnostics

IFRS

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

FOR THE PERIOD ENDED MARCH 31, 2015

LABCO

Société Anonyme

60-62, rue d'Hauteville
75010 Paris

Statutory auditors' review report on the
"Interim condensed consolidated financial statements"

For the period January 1st, 2015 to March 31, 2015

Deloitte & Associés
67, rue de Luxembourg
59777 Euralille

Aplitec
4 - 14, rue Ferrus
75014 Paris

LABCO

Société Anonyme

60-62, rue d'Hauteville
75010 Paris

Statutory auditors' review report on the "Interim condensed consolidated financial statements"

For the period January 1, 2015 to March 31, 2015

This is a free translation into English of the statutory auditors' review report on the financial information for the period January, 1st, 2015 to March 31, 2015 issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Chairman of the Board of Directors,

As statutory auditors' of Labco SA and at your request, we have reviewed the accompanying interim condensed consolidated financial statements of Labco SA for the period January 1, 2015 to March 31, 2015.

These interim condensed consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Those procedures are substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently the assurance obtained that the interim condensed consolidated financial statements, taken as a whole, are free of material misstatement is moderate and less than that obtained by an audit.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34—IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 2 "significant accounting policies" to the interim condensed consolidated financial statements regarding the implementation of the new standard and interpretation IFRIC 21 applied from January 1, 2015.

Lille and Paris, May 26,2015

The statutory auditors

Deloitte & Associés

Gérard BADIN

Aplitec

Pierre LAOT

GENERAL INFORMATION

Labco Group primarily is involved in clinical diagnostics testing and screening services mainly in France, Spain, Portugal, Italy, Belgium, the United Kingdom and Switzerland and we also provide clinical laboratory testing services to customers in Eastern Europe, Latin America, the Middle East and North Africa. It employs approximately 6 000 people.

The parent company of Labco Group is Labco SA (the "Company"), which is a limited liability company incorporated and domiciled in France. The address of the Company's registered office is 60 - 62, rue de Hauteville, 75010, Paris, France.

The unaudited interim condensed consolidated financial statements of the Company as at and for the period ended March 31, 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. They were authorised for issue by the Board of Directors on May, 26 2015.

All the amounts in the present report are in thousands of Euros (K€) unless otherwise stated.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income

For the period ended 31 March 2015

CONSOLIDATED STATEMENT OF INCOME (€ 000)	Notes	Three months ended March 31, 2015	2014 restated IFRIC 21	2014
		(unaudited)	(unaudited)	(unaudited)
Revenue		**179 041**	150 405	150 405
Other income		**1 187**	613	613
Total revenue	*Note 6*	**180 227**	**151 019**	**151 019**
Cost of sales		**(41 548)**	(33 526)	(33 526)
Payroll related expenses		**(70 154)**	(61 926)	(61 926)
Share based payment (warrants)		**(900)**	0	0
Other operating expenses		**(29 005)**	(22 624)	(22 229)
Transactions costs for usual small size acquisitions		**(312)**	(432)	(432)
EBITDA		**38 308**	**32 509**	**32 904**
Depreciation and amortization expenses		***(6 487)***	*(5 134)*	*(5 134)*
Provisions, impairment losses and reversals on assets		***(111)***	*(145)*	*(145)*
Provisions, impairment losses and reversals on liabilities		***(113)***	*234*	*234*
Depreciation, impairment losses and amortization, provisions and reversals		**(6 711)**	(5 045)	(5 045)
Results from operating activities before non-recurring activities		**31 597**	**27 464**	**27 859**
Restructuring Expenses and Provisions for major litigations		***(6 936)***	*(911)*	*(911)*
Perimeter effect		***(12)***	*0*	*0*
Impairment and reversal of impairment on non-operational assets and liabilities		***5 853***	*265*	*265*
Gains/losses on sale of assets		***16***	*65*	*65*
Non recurring income and expenses	*Note 7*	**(1 079)**	(582)	(582)
Results from operating activities after non-recurring activities		**30 518**	**26 882**	**27 277**
Financial income		***363***	*309*	*309*
Financial costs		***(16 507)***	*(15 448)*	*(15 448)*
Net finance costs	*Note 8*	**(16 145)**	(15 139)	(15 139)
Income tax expenses	*Note 9*	**(8 076)**	(6 678)	(6 810)
Share of profit of associates		**0**	(1)	(1)
Net profit of the period		**6 297**	**5 065**	**5 328**
Profit attribuable to non-controlling interests		**105**	161	161
Profit attribuable to the owners of the company		**6 192**	4 904	5 167

Labco Group has applied IFRIC21—*Levies* as of January 1st, 2015 with impacts recognized retrospectively in accordance with IAS 8. As stated in the 2014 audited consolidated financial statements, such application does not have a significant impact and is limited to a timing impact between quarters in the recognition of certain levies. For a better comparability, and given the final impacts are limited to French levies called C3S, Labco decided to present only the impact on consolidated statement of income and consolidated statement of cash flows for the comparative period of March 31, 2014. Indeed the reduction in EBITDA is offset by an increase in other current liabilities, IFRIC 21 has no impact on cash flow from operating activities.

The accompanying notes are an integral part of the financial statements

Consolidated statement of comprehensive income

For the period ended 31 March 2015

€ 000	Three months ended March 31 2015	2014 Restated IFRIC 21	2014
Net Profit of the period	**6 297**	**5 065**	**5 328**
Actuarial gains or losses on pension obligations	**0**	0	0
Taxes on Actuarial gains or losses on pensions obligations	**0**	0	0
Items that will not be reclassified to profit or loss (a)	**0**	0	0
Net change in fair value of available for sale assets	**0**	0	0
Taxes on Net change in fair value of available for sale assets	**0**	0	0
Fair value adjustments on cash flow hedge derivatives instruments	**0**	16	16
Taxes on Fair value adjustments on cash flow hedge derivatives instruments	**0**	0	0
Net gain (net loss) on hedge of a net investment in foreign companies	**797**	0	0
Foreign exchange gains and losses	**(293)**	0	0
Other	**0**	0	0
Items that may be reclassified subsequently to profit or loss (b)	**505**	**16**	**16**
Revenues and expenses directly recognized in equity (a)+ (b)	**505**	**16**	**16**
Total consolidated comprehensive income	**6 802**	**5 081**	**5 344**
Equity holders of the parents	**6 697**	**4 920**	**5 183**
Non-controlling interests	**105**	**161**	**161**

The accompanying notes are an integral part of the financial statements

Consolidated statement of financial position

As at 31 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ 000)	Notes	31.03.2015 (unaudited)	31.12.2014 (audited)
ASSETS			
Goodwill	*Note 10*	**704 755**	702 415
Intangible assets		**27 848**	26 829
Property, Plant and Equipment		**94 452**	93 249
Investments in associates		**2 037**	2 037
Other non-current assets		**11 105**	11 131
Deferred tax assets		**11 000**	10 909
NON CURRENT ASSETS		**851 197**	**846 569**
Inventories		**11 407**	11 280
Trade Receivables	*Note 11*	**105 675**	91 355
Other current assets	*Note 11*	**26 924**	23 469
Cash and cash equivalents	*Note 12*	**83 890**	74 120
CURRENT ASSETS		**227 895**	**200 224**
Assets classified as held for sale and discontinued operations		**0**	0
TOTAL ASSETS		**1 079 093**	**1 046 794**

	Notes	31.03.2015	31.12.2014
EQUITY & LIABILITIES			
Share Capital		**70 601**	68 736
Additional paid-in capital		**93 954**	93 740
Reserves attributable to owners of the parent		**(19 666)**	(4 848)
Currency translation adjustements		**947**	443
Net income (Group share)		**6 192**	(14 999)
Equity attributable to owners of the parent		**152 029**	**143 072**
Non-controlling interests		**35**	(64)
TOTAL EQUITY		**152 064**	**143 008**
Provisions—non current	*Note 14*	**2 537**	2 442
Employee benefits liabilities		**15 566**	14 976
Borrowings and other financial liabilities—non current	*Note 15*	**724 076**	691 296
Other non-current liabilities	*Note 16*	**10 135**	11 093
Deferred tax liabilities		**6 126**	5 988
NON-CURRENT LIABILITIES		**758 440**	**725 795**
Provisions—current	*Note 14*	**3 399**	9 187
Current financial liabilities		**21 493**	33 222
Trade Liabilities	*Note 16*	**77 722**	74 341
Other current liabilities	*Note 16*	**65 975**	61 240
CURRENT LIABILITIES		**168 589**	**177 991**
Liabilties classified as held for sale and discontinued operations		**0**	0
TOTAL EQUITY AND LIABILITIES		**1 079 093**	**1 046 794**

The accompanying notes are an integral part of the financial statements

Consolidated statement of changes in equity
As at 31 March 2015

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings[1]	Currency translation reserve	Own shares	Total[1]	Non-controlling interest	Equity
Balance at 1 January 2015	**68 736**	**93 740**	**4 118**	**(0)**	**(23 320)**	**443**	**(646)**	**143 072**	**(64)**	**143 008**
Impact of applying IFRIC 21					259			**259**		**259**
Balance at 1 January 2015 with IFRIC 21 impact	**68 736**	**93 740**	**4 118**	**(0)**	**(23 061)**	**443**	**(646)**	**143 332**	**(64)**	**143 268**
Total comprehensive income for the period										
Net result of the period					6 192			**6 192**	105	**6 297**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax					0			**0**		**0**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax								**0**		**0**
Actuarial gains or losses on pension obligations					0			**0**		**0**
Net gain (net loss) on hedge of a net investment in foreign companies						797		**797**		**797**
Foreign exchange gains and losses						(293)		**(293)**		**(293)**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**0**	**505**	**0**	**505**	**0**	**505**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**6 192**	**505**	**0**	**6 697**	**105**	**6 802**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase[2]	1 865	214			(597)			**1 482**		**1 482**
Dividends								**0**		**0**
Share-based payment transactions			527					**527**		**527**
Treasury shares							(18)	**(18)**		**(18)**
Total contributions by and distributions to owners	**1 865**	**214**	**527**	**0**	**(597)**	**0**	**(18)**	**1 991**	**0**	**1 991**
Other variations								**0**		**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					9			**10**	**(6)**	**4**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**9**	**0**	**0**	**10**	**(6)**	**4**
Total transactions with owners	**1 865**	**214**	**527**	**0**	**(588)**	**0**	**(18)**	**2 000**	**(6)**	**1 994**
Balance at 31 March 2015	**70 601**	**93 954**	**4 645**	**(0)**	**(17 457)**	**947**	**(664)**	**152 029**	**35**	**152 064**

(1) Includes the impact of first time application of IFRIC 21 (See Note 2).

(2) Amounts net of the impact of the main following operations implemented during first quarter 2015:

- capital increases with the issuance of 1 864 633 new shares at par value for a subscription price of €1,00 or €2,50 by the exercise of BSA 2005-1-1, BSA 2005-1-2, BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2 by their beneficiaries and after applying the protection right against the dilutive effect of the capital increase performed at par on March 12, 2012.
- A distribution of part of the specific reserve for the warrants holders for an amount of 597 K€, given beneficiaries having exercised their warrants as described above are entitled to €0,32 per share.

The accompanying notes are an integral part of these consolidated financial statements.

As at 31 December 2014

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2014	**68 459**	**210 995**	**3 840**	**(0)**	**(104 553)**	**(179)**	**(646)**	**177 918**	**1 240**	**179 156**
Total comprehensive income for the period										
Net result of the period					(14 999)			**(14 999)**	445	**(14 554)**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax					2			**2**		**2**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax								**0**		**0**
Actuarial gains or losses on pension obligations					(2 717)			**(2 717)**		**(2 717)**
Net gain (net loss) on hedge of a net investment in foreign companies						689		**689**		**689**
Foreign exchange gains and losses						(67)		**(67)**		**(67)**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**(2 715)**	**622**	**0**	**(2 093)**	**0**	**(2 093)**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**(17 714)**	**622**	**0**	**(17 092)**	**445**	**(16 647)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase*	277	(25 045)			5 076			**(19 692)**		**(19 692)**
Dividends								**0**		**0**
Share-based payment transactions			277					**277**		**277**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**277**	**(25 045)**	**277**	**0**	**5 076**	**0**	**0**	**(19 414)**	**0**	**(19 414)**
Other variations		(92 210)			92 210			**0**		**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					1 660			**1 661**	(1 749)	**(87)**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**1 660**	**0**	**0**	**1 661**	**(1 749)**	**(87)**
Total transactions with owners	**277**	**(117 255)**	**277**	**0**	**98 946**	**0**	**0**	**(17 754)**	**(1 749)**	**(19 501)**
Balance at 31 December 2014	**68 736**	**93 740**	**4 118**	**(0)**	**(23 320)**	**443**	**(646)**	**143 072**	**(64)**	**143 008**

* Amounts net of the impact of the following operations implemented during 2014:

distribution of the share premium to the shareholders for an amount of 21 906 K€ and setup of a specific reserve for the warrants holders for an amount of 5 076 K€ taken on share premium capital increase with the issuance of 276 875 A shares at a value of eight euros (8 €).

The accompanying notes are an integral part of these consolidated financial statements.

As at 31 March 2014

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2014	**68 459**	**210 995**	**3 840**	**(0)**	**(104 553)**	**(179)**	**(646)**	**177 918**	**1 240**	**179 156**
Total comprehensive income for the period										
Net result of the period					5 167			**5 167**	161	**5 328**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax					16			**16**		**16**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax								**0**		**0**
Actuarial gains or losses on pension obligations								**0**		**0**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**16**	**0**	**0**	**16**	**0**	**16**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**5 183**	**0**	**0**	**5 184**	**161**	**5 344**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase*		(24 349)			2 443			**(21 906)**		**(21 906)**
Dividends								**0**		**0**
Share-based payment transactions								**0**		**0**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**0**	**(24 349)**	**0**	**0**	**2 443**	**0**	**0**	**(21 906)**	**0**	**(21 906)**
Other variations		(92 210)			92 210	179		**179**		**179**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					1 510			**1 510**	(1 636)	**(126)**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**1 510**	**0**	**0**	**1 510**	**(1 636)**	**(126)**
Total transactions with owners	**0**	**(116 559)**	**0**	**0**	**96 163**	**179**	**0**	**(20 217)**	**(1 636)**	**(21 853)**
Balance at 31 March 2014	**68 459**	**94 436**	**3 840**	**(0)**	**(3 207)**	**0**	**(646)**	**162 885**	**(235)**	**162 647**

* Distribution of the share premium to the shareholders for an amount of 21 906 K€ and setup of a specific reserve for the warrants holders for an amount of 2 442 K€.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the period ended 31 March 2015

CONSOLIDATED STATEMENT OF CASH FLOWS (€ 000)	Notes	Three months ended March 31, 2015	2014 restated IFRIC 21	2014
		(unaudited)	(unaudited)	(unaudited)
EBITDA		**38 308**	**32 509**	**32 904**
Other calculated revenues and expenses		**1 034**	64	64
Dividends received from associates		**0**	32	32
Cash from (used in) non recurring expenses net		**(8 177)**	(947)	(947)
Changes in inventories		**8**	(77)	(77)
Changes in trade and other receivables from operations		**(16 067)**	(4 087)	(4 087)
Changes in trade and other payables from operations		**2 226**	1 609	1 214
Changes in other receivables and payables		**326**	(1 398)	(1 398)
Income tax paid		**(2 393)**	(3 649)	(3 649)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**15 265**	**24 056**	**24 056**
Purchases of intangible, property, plant and equipment		**(8 014)**	(4 087)	(4 087)
Proceeds on disposals of intangible, property, plant and equipment		**53**	118	118
Purchases of investments, net of cash acquired and changes in debt related to acquisitions		**(3 445)**	(16 385)	(16 385)
Net decrease (increase) in other assets		**(100)**	(2 865)	(2 865)
Changes effect in consolidation scope		**18**	(42)	(42)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(11 488)**	**(23 261)**	**(23 261)**
Proceeds from share capital increase		**1 463**	(15 017)	(15 017)
Cash from (used in) net financial profit (loss)		**(26 491)**	(26 933)	(26 933)
New borrowings and other financial liabilities		**256 769**	1 436	1 436
Repayment of borrowings and other financial liabilities		**(224 390)**	(995)	(995)
Repayment of finance lease liabilities		**(1 585)**	(1 619)	(1 619)
Dividends paid		**(22)**	0	0
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**5 745**	**(43 129)**	**(43 129)**
TOTAL CASH FLOWS (A+B+C)		**9 522**	**(42 334)**	**(42 334)**
Cash and cash equivalent at the begining of the period		**74 041**	**167 430**	**167 430**
Change effect in foreign exchange rate		**190**	**22**	**22**
Cash and cash equivalent at the end of the period	*Note 12*	**83 752**	**125 117**	**125 117**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9 522**	**(42 334)**	**(42 334)**

Labco Group has applied IFRIC21—*Levies* as of January 1st, 2015 with impacts recognized retrospectively in accordance with IAS 8. As stated in the 2014 audited consolidated financial statements, such application does not have a significant impact and is limited to a timing impact between quarters in the recognition of certain levies. For a better comparability, and given the final impacts are limited to French levies called C3S, Labco decided to present only the impact on consolidated statement of income and consolidated statement of cash flows for the comparative period of March 31, 2014. Indeed the reduction in EBITDA is offset by an increase in other current liabilities, IFRIC 21 has no impact on cash flow from operating activities.

The accompanying notes are an integral part of these consolidated financial statements.

SELECTED EXPLANATORY NOTES

Note 1 Basis of preparation

The unaudited interim condensed consolidated financial statements of Labco are presented for the three-months period ended March 31, 2015 and have been prepared in accordance with IAS 34 Interim Financial Reporting.

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014.

Details specific to the preparation of the interim condensed consolidated financial statements

1.1 Corporate income tax

The income tax charge for the period is calculated based on the estimated effective tax rate for the full year, for each tax entity or sub-group.

1.2 Employee benefits and shared based payment

Post employment benefits provision in France have not been updated for the preparation of the consolidated interim financial statements but the projected service costs and interests estimated by actuarial expert during year-end 2014 and 2013 closing process have been expensed in first quarter 2015 and first quarter 2014 respectively.

For the compensation costs related to IFRS 2 shared based payment, a prorata basis of the net charge calculated for full-year 2014 and 2015 has been included depending on when the shared based payment scheme has been implemented.

1.3 Seasonality of operations

Revenue, recurring operating income and all operating indicators are subject to seasonal fluctuations due to the Summer time vacation periods and the related impact on activity in certain laboratories as well as to the impact of severe weather conditions, if any, during winter period. The extent of this seasonal impact varies according to the countries in which we operate. Furthermore, the SDN group is subject to seasonal effect as a consequence of the way Campania ASL is managing the budget for the year. Indeed since the SDN group's laboratories are accredited, most of their activities are subject to applicable price rules and to the budget allocated for the year by the Campania ASL. Once the annual budget has been used up, which generally occurs during the fourth quarter of the year, ASL no longer reimburses or reimburses only partially the diagnostic tests performed by SDN, irrespective of whether they involve nuclear medicine, radiology or clinical testing. Since each activity has its own separate budget, the date on which the annual budget is used up varies from one business to another. As a result, the SDN group's revenue is subject to seasonal variation (a larger proportion of revenue is generated in the first half of the year) as is its operating performance, particularly EBITDA. The Group has estimated that this seasonal variation leads the SDN group to generate between 65% and 75% of its revenue and between 75% and 85% of its EBITDA in the first 7 months of the financial year.

Consequently, the interim results for the 3 months ended March 31, 2015 are not necessarily representative of those that may be expected for full-year 2015.

1.4 Use of estimate and judgments

The preparation of the interim condensed consolidated financial statements, in conformity with IFRS, requires management to make judgments and estimates and use assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses. The significant areas of estimates, described in note 2.5 of the December 31, 2014 consolidated financial statements, concerned:

- Leased assets
- Subsidiaries and consolidation method
- Goodwill

Note 1 Basis of preparation (Continued)

- Revenue
- Non-financial assets
- Derivative financial instruments, including hedge accounting

The Group's management makes these estimates and assessments continuously on the basis of its past experience and various other factors considered to be reasonable.

Note 2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of the new Standards and Interpretations as of 1st January 2015 issued by the IASB/IFRIC and not already early implemented by Labco. The new IFRS effective from January 1, 2015, as described in Note 2.2.2 "New standards, amendments and interpretations not applicable as of January 1. 2014" to the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014, which were applicable to the first quarter of 2015, had no material impact on Labco Group interim condensed consolidated financial statements.

Labco Group has applied IFRIC21—*Levies* as of January 1st, 2015 with impacts recognized retrospectively in accordance with IAS 8. As stated in the 2014 audited consolidated financial statements, such application does not have a significant impact and is limited to a timing impact between quarters in the recognition of certain levies. For a better comparability, and given the final impacts are limited to French levies called C3S, Labco decided to present only the impact on consolidated statement of income and consolidated statement of cash flows for the comparative period of March 31, 2014. Indeed the reduction in EBITDA is offset by an increase in other current liabilities, IFRIC 21 has no impact on cash flow from operating activities.

The impact represents a gross amount (excluding deferred tax effect of 132 K€) of 395 K€ additional levies expenses recorded in other operating expenses for the period ended March 31, 2014. The impact on equity as at December 31, 2014 restated for IFRIC 21 first time implementation amounts to 259 K€.

Note 3 Changes in the scope of consolidation

Parent company : Labco SA

	31.03.2015			31.12.2014			31.03.2014		
Designaed entities	**% of control**	**Method of consolidation**	**% of interest**	**% of control**	**Method of consolidation**	**% of interest**	**% of control**	**Method of consolidation**	**% of interest**
					France				
Biologie Médicale (ex Selarl du Laonois/coquelet)	—	—	—	100,00%	MERGER	100,00%	99,96%	FC	97,28%
Mallia	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	98,74%
LBMR du Centre (Ternois)	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,76%
Alpigène	**32,35%**	**FC**	**54,98%**	32,35%	FC	54,98%	—	—	—
GIE SAMBRE AVENOIS	—	**LIQUIDATION**	—	98,19%	FC	98,33%	98,19%	FC	98,33%
					Spain				
GENETICA MOLECULAR LAB	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	30,00%	EM	30,00%
Labco Buildings	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%	—	—	—
Sabater Pharma	—	—	—	—	DISPOSAL	—	100,00%	FC	100,00%
					Portugal				
LPD, Lda	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Endoclab—Laboratorio De Endocrinologia E Patologia Clinica Doutor I. Salcedo, S.A.	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Laboratorio Analises Dr Graça Duarte Nunes, S.A.	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Laboratórios De Análises Clínicas Do Dr. João Ribeiro E Dra Maria Da Graça Cardoso, Lda.	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Miranalise—Laboratório De Análises Clínicas Mira D' Aire, Lda	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Novanalise—Laboratório De Análises Clínicas De Torres Novas, Lda.	—	—	—	100,00%	MERGER	100,00%	100,00%	FC	99,45%

Note 3 Changes in the scope of consolidation (Continued)

	31.03.2015			31.12.2014			31.03.2014		
Designaed entities	% of control	Method of consolidation	% of interest	% of control	Method of consolidation	% of interest	% of control	Method of consolidation	% of interest
Previlabor—Análises Clínicas, Saúde Ocupacional E Preventiva, Lda.	**—**	**—**	**—**	—	LIQUIDATION	—	100,00%	FC	99,45%
LAC—Laboratorio de Analises Clinicas	**—**	**—**	**—**	—	LIQUIDATION	—	100,00%	FC	99,45%
Rotarobal, Sgps, S.A.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Sgus Madeira—S.G.P.S., S.A.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
					Belgium				
GENERALIMMO	**100,00%**	**FC**	**98,89%**	100,00%	Set-up—FC	98,89%	—	—	—
Van Risseghem	**100,00%**	**FC**	**98,89%**	100,00%	FC	98,89%	—	—	—
CPG Laboratorium	**100,00%**	**Set-up-FC**	**98,90%**	—	—	—	—	—	—
					UK				
IPP Facilities	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%	—	—	—
IPP Analytics	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%	—	—	—
					Italy				
SDN S.p.A	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN Guantai	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN San Giorgio a Cremano	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN Vanvitelli	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN Gianturco	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
Consorzio (GIE)	**33,33%**	**EM**	**33,33%**	33,33%	EM	33,33%	25,00%	EM	25,00%
Consorzio Genetico (GIE)	**33,33%**	**EM**	**33,33%**	33,33%	EM	33,33%	50,00%	EM	50,00%
Visconteo	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%	—	—	—

EM: Equity Method / FC: Global integration / NC: Not consolidated.

Note 4 Significant events

4.1 Acquisitions, business set-up, disposals and mergers

4.1.1 Acquisitions and business set-up

Main acquisitions and business set-up during the reporting period are shown below by country.

Acquisition date	Country	Entities	
17.02.2015	France	Laboratoire Defasque	Commercial Goodwill
12.02.2015	Belgium	CPG Laboratoire	Commercial Goodwill
09.02.2015	Belgium	CPG Laboratorium	Set-up

Labco sets up a new company in Belgium called CPG Laboratorium which executed then the acquisition of the commercial goodwill of CPG Laboratoire, a routine laboratory in the Brussel area.

4.1.2 Mergers and legal reorganization

Labco group has performed the following merger during the first quarter period ended March 31, 2015:

Country	Mergers
Italy	Visconteo has been merged with CAM

On top of that, the Supply Chain Agreement in relation with the outsourcing contracts with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust signed in 2012 was amended on March 2015 and restructured into two separate contracts, one regarding site management and material (related to the provision of material, reagents, consumables and support functions) and the other relating to provision of staff (related to the provision of technical team) between iPP and Southwest Pathology Services LLP. This amendment puts the commercial organization in line with the one put in place for the outsourcing contracts signed in 2014 with Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust.

Note 4 Significant events (Continued)

4.2 Additional 8,5% Senior Secured Notes due 2018 issued for an aggregate nominal of 100 M€

Labco S.A. issued on February 11, 2015 €100 million in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 600M€ 8.5% Senior Secured Notes due 2018. The Additional Senior Secured Notes will mature on January 15, 2018. The gross proceeds of the issuance amounts to 103,75 M€, ie meaning a yield of 7.19% and were used to repay the outstanding amounts borrowed under Labco's revolving credit facility, pay the costs, fees and expenses in relation to the issuance transaction and for general corporate purposes. As a consequence Labco revolving credit facility amounting to 128,25 M€ has been reimbursed for an amount of 100 M€ with the proceed of the additional Notes issuance (RCF was drawn for an amount of 108 M€ as at additional Notes issuance date, ie February 11, 2015).

Fees directly linked to the debt issuance or linked to the strategic refinancing project amount to 3,1 M€ (excluding VAT) and following the preliminary analysis are capitalized as debt issuance costs. Capitalized debt issuance costs have also been netted with issuance premium amounting to 3,75 M€ and the net balance of capitalized debt issuance costs has to be amortized over the bond maturity using the effective interest rate method.

4.3 Capital evolution

The holders of most of the warrants Manager (all BSA 2005-1-1, BSA 2005-1-2, BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2 except 50 200 BSA (2005-1-2 and BSA 2007-1-2 exercised early April) have exercised their warrants during first quarter 2015.

Consequently capital increases have been registered corresponding to the issuance of 1 864 633 new shares at par value for a subscription price of €1,00 or €2,50 by the exercise of BSA 2005-1-1, BSA 2005-1-2, BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2 by their beneficiaries and after applying the protection right against the dilutive effect of the capital increase performed at par on March 12, 2012.

Following those operations (including the one performed subsequently early April), there is no remaining BSA Managers except the BSA 2008-1-1 and BSA 2010-1-1.

Furthermore, a distribution of part of the specific reserve for the warrants holders has been implemented for an amount of 597 K€, given beneficiaries having exercised their warrants as described above are entitled to €0,32 per share.

4.4 Strategic project

Labco announced its intention to go public by the end of June 2015 depending on market conditions and filed with the AMF (French Stock Exchange regulator) a document de base on April 7, 2015 available on Labco website. As a consequence, the Group, mainly Labco SA, has incurred in Q1 2015 non-recurring costs for an amount of 1,3 M€ related to external advisors, lawyers and auditors fees for the preparation of the IPO project. Most of those costs may qualify as equity issuance costs and would be capitalised and deducted from equity premium. As a consequence, those costs have temporarily been capitalised as deferred charges as at March 31, 2015 and will be recorded after analysis and the initial public offering in deduction of equity premium for the part directly related to the expected capital increase of 320 millions euros.

Note 5 Acquisitions of subsidiaries

No share deals have been performed during the reporting period. Labco made acquisitions of asset that generated an increase of goodwill amounting to 2,3 M€.

All small to medium size acquired companies earn revenues from medical analyses. Through these acquisitions the Group expects to reduce costs through economies of scale, and the goodwill thus represents mainly the fair value of the expected synergies resulting from the acquisition.

All amounts are provisional and subject to modification in the twelve months period following the acquisition date.

Note 6 Geographical information

The information by geographical segment presented below corresponds to the information used by the Group General management to allocate resources to the various segments and to assess each segment's performance. It is extracted from the Group's consolidated reporting system and prepared in accordance with the same accounting rules as in the consolidated financial statements and set out in the notes thereto. The policies applied to determine the operating segments presented are set out in Note 3.18. of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014.

SEGMENT REPORTING (€ 000)	Southern Europe	Northern Europe	Total Group
Total revenue	**68 114**	**112 114**	**180 227**
EBITDA	**15 946**	**22 362**	**38 308**
Results from operating activities after non-recurring activities	**12 620**	**17 898**	**30 518**
Net finance costs			**(16 145)**
Income tax expenses			**(8 076)**
Share of profit of associates			**0**
Net profit of the period			**6 297**
Including Depreciation, impairment losses and amortization, provisions and reversals	*(2 833)*	*(3 878)*	*(6 711)*
Capital expenditures	**3 416**	**4 598**	**8 014**

Capital expenditures correspond to gross non-current tangible and intangible asset purchases, including cash timing difference and excluding purchases of assets under finance lease.

The detail of revenue by country is as follows for the first quarters ended 31 March 2015 and 31 March 2014:

€ 000	Three months ended March 31, 2015	%	2014	%
		Unaudited		
Northern Europe	**112 114**	**62%**	**101 071**	**67%**
France	**89 634**	**50%**	88 582	59%
Belgium	**8 604**	**5%**	7 435	5%
United Kingdom	**13 285**	**7%**	4 604	3%
Switzerland	**591**	**0%**	450	0%
Southern Europe	**68 114**	**38%**	**49 948**	**33%**
Iberian Peninsula	**41 590**	**23%**	39 998	26%
Italy	**26 523**	**15%**	9 950	7%
Total revenue	**180 227**	**100%**	**151 019**	**100%**

Iberian Peninsula corresponds to the aggregate of Portugal and Spain.

The contribution of SDN group for the first quarter ended 31 March 2015 amounts to 15,8 M€.

Note 7 Non recurring income and expenses

€ 000	Three months ended March 31, 2015	2014
Restructuring expenses and provisions for major litigations	**(6 936)**	(911)
Perimeter effect	**(12)**	0
Impairment of goodwill	**0**	0
Impairment and reversal of impairment on other non-operational assets and liabilities	**5 853**	265
Gains/(losses) on sale of assets	**16**	65
Non-recurring income and expenses	**(1 079)**	**(582)**

Note 7 Non recurring income and expenses (Continued)

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities mainly include in the first three months 2015 following expenses or provisions:

- 5,6 M€ of non-recurring expenses incurred in relation with the repurchase of rights to priority dividends of certain French biologists executed early 2015 but already accrued as at December 31, 2014 when the commitment to repurchase was taken. The corresponding use of restructuring provision has been recorded in the line Impairment and reversal of impairment on other non-operational assets and liabilities. Refer to the Note 5.3 and 3.1.1 of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014, for a description of such operations and the accounting treatment as a non-recurring restructuring expense.
- 0,3 M€ of restructuring expense in Spain in relation with the first actions implemented in the context of the Barcelona concentration project. The corresponding use of restructuring provisions has been recorded in the line Impairment and reversal of impairment on other non-operational assets and liabilities.
- 0,8 M€ of non-recurring costs expensed in relation to strategic projects, mainly the preparation work for a refinancing operation.

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities mainly include in the first three months 2014 following expenses or provisions:

- 0,3 M€ of restructuring expense in Spain in relation with the remaining actions of the 2013 restructuring plan implemented in the context of contract renegotiation with a major client. The corresponding use of restructuring provisions has been recorded in the line Impairment and reversal of impairment on other non-operational assets and liabilities.
- 0,4 M€ of non-recurring costs expensed mainly in relation to strategic projects.

Note 8 Net finance costs

	Three months ended March 31,	
	2015	**2014**
Financial income	**363**	309
Interest Expenses on Financial liabilities measured at amortized costs	**(15 817)**	(14 817)
Other interest expenses	**(444)**	(395)
Derivatives for hedging	**0**	0
Derivatives at fair value through P&L	**(19)**	(74)
Subtotal Cost of net debt	**(15 918)**	**(14 977)**
Other financial expenses	**(227)**	(162)
Net Finance Costs	**(16 145)**	**(15 139)**

As a consequence of the issuance on February 11, 2015 of additional 8,5% Senior Secured Notes due 2018 for an aggregate nominal of 100 M€, the financial charges have increased proportionally.

The interest expenses correspond now mainly to the 500 M€ Senior Secured Bonds at an effective interest rate of 9%, the first additional 100 M€ Senior Secured Bonds at an effective interest rate of 8,6%, the second additional 100 M€ Senior Secured Bonds at an effective interest rate of 8.44% and the commitments fees and amortization of amended RCF debt issuance costs for the undrawn part of the Revolving Credit Facility as at March 31, 2015.

Note 9 Income tax expenses

€ 000	Three months ended March 31, 2015	2014 Restated IFRIC 21	2014
Current income tax expenses	**(7 280)**	**(5 687)**	**(5 687)**
CVAE Tax in France	**(910)**	(882)	(882)
Deferred tax expenses	**115**	**(108)**	**(240)**
Total income tax expenses	**(8 076)**	**(6 678)**	**(6 810)**

The deferred tax income of 115 K€ booked in first three months 2015 was mainly the result of deferred tax income on temporary differences.

The Group has operations in various tax jurisdictions which have different tax laws and rates. Consequently, the effective tax rate on consolidated income may vary from year to year, according to the source of earnings. The effective tax rate on consolidated income is also impacted by several factors described in the Note 12 *Income tax expenses* of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014.

The income tax expense in Italy has been computed as prescribed by IAS12 for interim period by taking into account the expected positive effect on the effective tax rate of the main SDN group entities joining the Italian existing tax group managed by Labco Italia. Indeed the SDN entities will request their accession to the tax group only during Summer according to Italian tax rules but with retroactive effect as at January 1st, 2015.

Note 10 Goodwill

The aggregate carrying amounts of goodwill allocated to each group of unit are as follows:

€ 000	Total	France	Italy	Iberian Peninsula	Belgium
Goodwill carrying amount at 31 December 2013 (audited)	**581 483**	**367 748**	**30 606**	**165 364**	**17 764**
Goodwill carrying amount at 31 December 2014 (audited)	**702 415**	**386 456**	**128 619**	**167 979**	**19 361**
Goodwill carrying amount at 31 March 2015 (unaudited)	**704 755**	**386 785**	**128 619**	**168 011**	**21 341**
Change in goodwill carrying amount 31.12.2014 - 31.03.2015	**2 340**	**329**	**0**	**32**	**1 980**

As described in Note 13 *Goodwill* of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014, the annual impairment analysis performed at year-end 2014 shows that there was no impairment to record. No indication of impairment has been identified during the first three months 2015. Therefore, no update of impairment analysis has been performed, it will be updated during annual process implemented at year-end.

Goodwill computed for the acquisitions performed during the first three months ended 31 March 2015 are provisional and subject to modification in the twelve months period following the acquisition date.

For acquisitions performed during 2014, at the end of the 1 year window period as at March 31, 2015, goodwill have been confirmed without significant changes.

Note 11 Trade receivables and other current assets

€ 000	31.03.2015 (unaudited)	31.12.2014 (audited)
Trade receivables	**105 675**	**91 355**
Other current assets	**26 924**	**23 469**
Prepaid expenses and accrued income	**7 092**	3 942
Receivables related to taxes	**16 368**	16 533
Other receivables	**3 465**	2 994
Current derivatives	**0**	0
Trade receivables and other current assets	**132 599**	**114 825**

31 March 2015

€ 000	Gross	Impairment	Net
Trade receivables	**109 071**	**(3 396)**	**105 675**
Other current assets	**27 586**	**(661)**	**26 924**
Prepaid expenses and accrued income	7 092	0	**7 092**
Receivables related to taxes	16 368	0	**16 368**
Other receivables	4 126	(661)	**3 465**
Current derivatives	0	0	**0**
Trade receivables and other current assets	**136 657**	**(4 058)**	**132 599**

Note 12 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

€ 000	31.03.2015 (unaudited)	31.12.2014 (audited)	31.03.2014 (unaudited)
Cash equivalents	**10 484**	15 286	69 431
Cash on hand and bank deposits	**73 406**	58 834	56 108
Cash and cash equivalents	**83 890**	**74 120**	**125 539**
Bank overdrafts	**(138)**	(79)	(422)
Cash and cash equivalents in the statement of cash flows	**83 752**	**74 041**	**125 117**

Note 13 Capital and reserves attributable to owners of the parent

Ordinary shares

As at March 31, 2015 the authorized share capital consisted of 70 600 820 shares. The shares have a par value of one euro (1 €), all shares being fully paid. The shares are denominated into five types, the holders of shares are entitled to the same rights to receive dividends, and are entitled to one vote per share at general meetings of shareholders of the Company. The share capital of Labco is divided into five types of shares, each held by a different category of shareholder:

- certain laboratory doctors from whom we acquired clinical laboratories (the "A Shareholders") holding approximately 16,65% of share capital ;
- our shareholders known as "founders" (the "B Shareholders") holding approximately 17,85% of share capital ;
- financial investors (the "C Shareholders") holding approximately 40,60% of share capital ;
- other shareholders (the "D Shareholders" and the "Ordinary Shareholders") such as our management, family members and estate planning entities of the laboratory doctors who are also our A Shareholders holding approximately 23,90% (D shares) and 1,09% (ordinary shares) of share capital.

Note 13 Capital and reserves attributable to owners of the parent (Continued)

Issuance of ordinary shares during the period

In Q1 2015, capital increases have been registered with the issuance of 1 864 633 new shares at par value for a subscription price of €1,00 or €2,50 by the exercise of BSA 2005-1-1, BSA 2005-1-2, BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2 by their beneficiaries and after applying the protection right against the dilutive effect of the capital increase performed at par on March 12, 2012. As a consequence, an increase of the share capital and additional paid in capital was recorded for 2 131 K€.

As a consequence of the issuance of new shares, a distribution of part of the specific reserve for the warrants holders was made for an amount of 597 K€, given beneficiaries having exercised their warrants as described above are entitled to €0,32 per share.

Reserve for own shares

At 31 December 2014, the Group held 646 K€ of the Company's shares, corresponding to 80 709 shares. (80 707 A shares and 2 D shares).

During Q1 2015, the Group repurchased at par value the 18 440 shares owned by a former manager having left the Group. As a consequence, as at March 31, 2015 the Group held 664 K€ of the Company's shares, corresponding to 99 149 shares (80 707 A shares and 18 442 D shares)

Equity Warrant schemes

Labco has issued warrants to financial investors and key management personnel of our Group. Refer to Note 22 *Capital and reserves attributable to owners of the parent* of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014 for details.

Warrants Issued to Financial Investors

No financial investors' warrants were exercised during first three months 2015.

An agreement has been signed on January 21, 2015 according to which Labco SA is committed irrevocably to acquire, at the date of settlement and delivery of the Company's shares issued or sold as part of an initial public offering of Labco SA, all the warrants BSA 10x (one of the category of warrants attached to the ABSA C1, ABSA C2 and BEABSA) from their holders at a total price of 6,6 M€, with a view to the immediate cancelation of the BSA10x upon their purchase.

Furthermore, holders of all of the BSA 12x (another category of warrants attached to the ABSA C1 and BEABSA) granting rights to subscribe 411 454 new shares at a €1,00 subscription price have irrevocably undertaken to Labco SA to exercise these 12x Warrants at the date of the first listing of the shares of the Company at the latest, subject to the non-retroactive condition of the first listing of the shares sold or issued in connection with the initial public offering of the Company.

Warrants Issued to Mezzanine Lenders

No mezzanine lenders' warrants were exercised during first three months 2015.

An agreement has been signed on January 21, 2015 according to which Labco SA is committed irrevocably to acquire, at the date of settlement and delivery of the Company's shares issued or sold as part of an initial public offering of Labco SA, all the warrants BSA Mezzanine C from their holders at a total price of 1,0 M€, with a view to the immediate cancelation of the BSA Mezzanine C upon their purchase.

By couriers addressed to Labco SA on March 26, 2015, the Mezzanine A Warrant holders confirmed to Labco SA that they irrevocably undertake not to exercise these Mezzanine A Warrants and will transfer them to the Company for cancelation at the date of settlement/delivery of the shares sold or issued in connection with the initial public offering of the Company, as long as this happens before July 31, 2015.

Warrants Issued to Management

All warrants BSA 2005-1-1, BSA 2005-1-2, BSA 2006-1-1, BSA 2007-1-1, BSA 2007-1-2 issued to management (except 50 200 BSA exercised subsequently early April) were exercised during first quarter

Note 13 Capital and reserves attributable to owners of the parent (Continued)

2015. As a consequence, after the subsequent exercise of 50 200 BSA, the only remaining warrants issued to Management are the 438 317 BSA 2008-1-1 and the 156 668 BSA 2010-1-1 with following conditions:

Class of Manager Warrants	Number of Manager Warrants granted but not yet exercised	Maximum Number of Shares that may be issued on exercise of Manager Warrants	Subscription price per share
2008-1-1 Warrants	438,317	688,784	For 11 shares subscribed: 7 shares at €8 per share and 4 shares at €1 per share That is, for an average price of approx.. €5,45 per share
2010-1-1 Warrants	156,668	246,193	For 11 shares subscribed: 7 shares at €14,84 per share and 4 shares at €1 per share That is, for an average price of approx.. €9,81 per share
Total	**594,985**	**934,977**	

Please refer to the Note 20 *Events after the reporting* period for a description of the evolution of the remaining warrants.

Note 14 Provisions

€ 000	Provisions for litigations	Provisions for restructuring	Other provisions	Total
At 1 January 2015	**4 231**	**7 339**	**59**	**11 629**
Provisions made during the period	124	0	0	**124**
Provisions utilized/reversed during the period	(16)	(5 850)	0	**(5 866)**
Translation adjustments	6	42	0	**49**
Other	0	0	0	**0**
At 31 March 2015	**4 346**	**1 531**	**59**	**5 936**
Non-current at the end of the period	2 537	0	0	**2 537**
Current at the end of the period	1 809	1 531	59	**3 399**

Provision for litigation

In the normal conduct of its business, the Group is involved in legal suits relating to different matters (personnel, taxes, suppliers) with uncertainties about the amount or timing of the outflows. According to management and as confirmed by legal counsels, the recorded provision is considered to be sufficient to cover probable losses.

The provision recorded by SDN covers the risk to pay a tax for the care of the doctors for which the tax base is currently disputed by some companies in the medical sector in front of the court. SDN has paid every year, for several years, the tax based on only the turnover generated by the doctors whereas an interpretation may result in considering that the tax base should include the full turnover of clinical diagnostic company.

The Group has recorded a non-recurring provision amounting to 650 K€ for covering the risk related to the Dillenburg litigation. Indeed the share purchase agreement for the disposal of the German entities to Sonic dated December 2, 2013 stipulates a liability warranty clause covering notably that Dillenburg litigation (refer to Note 27 *Litigations and contingent liabilities* of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014).

The Group had recorded a provision for risk amounting to 520 K€ as at December 31, 2011 covering the litigation related to the Fosty entity, former executive administrator of Labco SA at the time it was a private limited liability company (*société par actions simplifiée*). The Fosty entity was claiming, pursuant to the contract signed in 2008, damages in relation to the termination of its function decided by the Group end of 2011. Following the sentence issued by the Paris commercial court in November 2014 and the provisional execution, Labco used the provision and paid the claimed amount. However Labco SA has since appealed against the decision to the Paris Court of Appeal on January 5, 2015.

Provisions for restructuring

The provisions for restructuring correspond mainly to the restructuring in Spain decided of 2014 in the context of the Barcelona reorganization for which a provision of 1,1 M€ has been recorded as at December 31, 2014. The provision was partially used during first quarter 2015 for an amount of 0,3M€ and remaining provision amounts to 0,8 M€ as at March 31, 2015.

They also include the provision for restructuring recorded by iPP to cover the restructuring costs to be incurred during the first years of the implementation of the outsourcing contract. The iPP provision amounted to 0,6 M€ as at December 31, 2014.

The provision amounting to 5,6 M€ recorded during 3rd quarter 2014 as a consequence of the commitment to repurchase the rights to priority dividends of certain French biologists for 2 French SELs have been used early 2015 with the execution of the repurchase. (refer to Note 7 *Non recurring income and expenses*)

Other Provisions

The other provisions correspond mainly to the provision for negative share of investments in associates recorded under equity method.

As described in Note 27 *Litigations and Contingent Liabilities* of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014, Labco Group is involved in various litigations against the French Ordre des pharmaciens and Ordre des médecins. The Court of Justice of the European Union confirmed in appeal on December 10, 2014 that the Ordre des pharmaciens had restrained competition in the clinical laboratory services market and set up the fine imposed to the Ordre des pharmaciens to €4,75 million.

Aggrieved parties such as the Labco Group are entitled to seek damages before French courts on the basis of the European Commission's findings as confirmed by the Court. Consequently, the Company commenced proceedings in 2013 against the Ordre des pharmaciens seeking damages. Those proceedings are still underway before the Paris Administrative Court.

Note 15 Borrowings and other financial liabilities

€ 000	31.03.2015	31.12.2014
At amortized cost		
Non-current liabilities	**723 948**	691 159
Secured bank loans at effective interest rate	**9 184**	10 295
8,5% Senior Secured Bonds at effective interest rate	**695 846**	594 839
RCF syndicated loans at effective interest rate	**5 477**	72 247
Finance lease liabilities	**13 166**	13 361
Other financial loans	**275**	416
Current liabilities	**21 493**	33 222
Secured bank loans at effective interest rate	**3 304**	3 314
Accrued interests on Senior Secured Bonds	**12 561**	23 517
Accrued interests on RCF syndicated loans	**17**	86
Finance lease liabilities	**5 140**	6 006
Other financial loans	**136**	48
Bank overdraft	**138**	79
Recourse factoring	**197**	171
At fair value		
Non-current derivatives	**128**	137
Derivatives	**128**	137
Current derivatives	**0**	0
Derivatives	**0**	0
Total Non-Current	**724 076**	**691 296**
Total Current	**21 493**	**33 222**
Total	**745 569**	**724 518**

As of March 31, 2015, the Group borrowings comprises

- A € 700 million 8,5% Senior Secured Notes due 2018 net of debt issuance costs, with interests paid semi-annually in arrears
- Some bilateral bank borrowings for a total of 12,5 M€
- The Revolving Credit Facility (amended RCF) amounting now to 128,25 M€ has been drawn as at March 31, 2015 for an amount of 8 M€. Nevertheless the capitalized debt issuance costs are amortized over RCF maturity.

€ 000	Secured bank loans	8,5% Senior Secured Bond	Accrued interests on 8,5% bonds	RCF Syndicated Secured loan	Finance lease liabilities	Derivatives	Other financial loans	Bank overdrafts	Total
Amount at 31.12.2014	**13 610**	**594 839**	**23 517**	**72 333**	**19 367**	**137**	**636**	**79**	**724 518**
Increase	136	100 603	12 561	156 455	152	0	39	0	**269 946**
Decrease	(1 158)	403	(23 517)	(223 295)	(1 585)	(8)	(33)	0	**(249 193)**
Change in scope of consolidation	0	0	0	0	(4)	0	(1)	13	**8**
Net change	0	0	0	0	0	0	0	44	**44**
Translation ajustment	0	0	0	0	416	0	0	1	**417**
Other	(101)	0	0	0	(39)	0	(32)	0	**(172)**
Amount at 31.03.2015	**12 488**	**695 846**	**12 561**	**5 493**	**18 306**	**128**	**609**	**138**	**745 569**

8,5% Secured Senior Notes covenants

Depending on the terms of the bonds indentures, Labco has to respect certain covenants mainly related to reporting and information requirement.

Note 15 Borrowings and other financial liabilities (Continued)

Revolving Credit Facility (RCF) covenants

The RCF includes certain financial covenants as defined in the agreements.

- leverage ratio tested quarterly (calculated as the ratio of consolidated total net debt at each quarter end to consolidated adjusted EBITDA for the 12 months ending on that quarter end),
- super senior gross leverage ratio tested quarterly (calculated as the ratio of total super senior gross debt at each quarter end to adjusted EBITDA for the 12 months ending on that quarter end) which should achieve the following ratio for each period: < 1.75 ;
- minimum cash balance of €15 million, tested quarterly.

For details on the covenants, please refer to Note 23 *Borrowings and other financial liabilitie*s of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014.

As at 31 March 2015, Labco achieved the expected covenants ratio targets.

Note 16 Trade and other liabilities

€ 000	31.03.2015 (unaudited)	31.12.2014 (audited)
Trade liabilities	**77 722**	74 341
Other liabilities	**76 111**	72 333
Payables related to aquisitions of subsidiaries	**10 344**	11 479
Payables related to fixed assets suppliers	**1 510**	2 060
Accrued charges	**4 525**	2 246
Priority Dividends payable	**2 527**	2 754
Taxes and payroll and on-costs amounts payable	**56 052**	53 244
Other payables	**1 151**	550
Total	**153 832**	**146 674**
Non current	**10 135**	**11 093**
Current	**143 697**	**135 581**

Note 17 Capital commitments and contingencies

Operating lease and commercial commitments

The group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between two and five years with no renewal option included in the contracts.

Furthermore Labco leases almost all of the properties where its labs are located. The lease in France is mainly on a 3/6/9 year lease contracts and in Portugal and Spain, situation is such that Labco can exit leases at 6-12 months notice.

Operating lease expense related to property amounted to 7,3 M€ in first quarter 2015 (2014: 5,8 M€) and equipment lease expense of approximately 2,1 M€ in first quarter 2015 (2014: 1,8 M€).

Finance lease and commercial commitments

Reagents suppliers in certain instances provide the testing equipment free of charge to laboratories in exchange for exclusive purchasing commitments, including sometimes minimum volume commitments. Management believes minimum volume commitments for consumables are substantially below current volumes and therefore we do not consider these minimum purchase commitments to be material for us.

Some of these contracts have been qualified as capital lease over an average duration of 5 years because the contracts have tacit renewal clauses, but no purchase options. Renewals are at the option of the specific entity that holds the leases. For details, refer to the Note 30 of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014.

Note 17 Capital commitments and contingencies (Continued)

Off balance sheet commitments given and received

The Group's off-balance sheet commitments consist principally of guarantees given in the course of its investing and financing activities, especially securities given to secure the Notes and the RCF.

Indeed the obligations taken by Labco in the Senior Secured Notes indentures and by the borrowing entities, direct subsidiaries of Labco, according to the RCF agreement, have been guaranteed by commitments given by a certain number of Group entities, called Guarantors. Please refer to the Note 30 of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014 including the detailed full list of Guarantors and securities given.

As a consequence of refinancing operation of February 11, 2015, all obligations and guarantees given in the context of the Senior Secured Notes indentures have been extended to cover the additional 100M€ Senior Secured Bonds.

Furthermore in the context of the outsourcing contracts in the UK with certain NHS trusts, Labco SA has issued parent company guarantees to the benefit of the Trusts according to which it guarantees the performance of the operating obligations of its UK entities managing the contracts (iPP, iPP Analytics and iPP Facilities) under the outsourcing contract and for a period lasting over contract period plus two years in general.

Note 18 Earnings per share

Computation of weighted average number of actions for basic and diluted earnings per share :

€	2015	2014 Restated Ifric 21
Number of shares as at January 1st	**68 736 187**	68 459 322
Number of own shares as at January 1st	**80 709**	80 709
Weighted number of own shares issued (disposed) over the period	**1 658**	0
Weighted number of shares issued (disposed) during the period	**517 384**	0
Basic weighted average number of shares as at March 31	**69 171 205**	**68 378 613**
Dilutive Warrants and equity instruments	**8 669 493**	10 574 456
—Financial BSA	***7 407 788***	*7 562 108*
—Mezzanine BSA	***1 109 636***	*1 132 758*
—Management BSA	***152 069***	*1 879 590*
Diluted weighted average number of shares as at March 31	**77 840 697**	**78 953 069**

€ 000	2015	2014
Basic Net Profit attributable to the parent entity	**6 192**	4 904
Diluted Net Profit attributable to the parent entity	**6 192**	4 904

€	2015	2014
Basic earnings per share	**0,09**	0,07
Diluted earnings per share	**0,08**	0,06

Note 19 Related parties

The Group's relationships with its related parties did not change significantly in terms of amounts and/or scope compared to the information described in the Note 32 of the audited Consolidated Financial Statements of Labco for the year ended December 31, 2014

Note 20 Events after the reporting period

Capital and potential capital evolution

On April 2, 2015 the remaining 50 200 Manager Warrants BSA 2005-1-2 and BSA 2007-1-2 have been exercised and as a consequence 78 885 new shares have been issued at par value for a subscription price of €1,00 or €2,50.

As a consequence, following all those operations on existing Manager warrants, there is no remaining Manager warrants except the following Manager warrants, 438 317 BSA 2008-1-1 and 156 668 BSA 2010-1-1 (refer to Note 13 for details).

Disposal of assets and acquisitions

In April and May (until board of directors meeting on May 26, 2015), the Group made 4 acquisitions in France and in Italy.

Early April, two acquisitions have been performed, TMA and TMA Medica in Genoa in Italy for a total consideration of around 2 M€ in order to reinforce the Group's clinical imaging offer in this region.

On May 22, 2015, the Group implemented in France the acquisitions of Unibionor and Unibio laboratoire for a global enterprise value of approximately €45 million. Those companies own a group of laboratories that is one of the leading clinical testing players in the Lille region. The group operates 15 sites, including a technical platform, and treats around 1,700 patients per day. It has around 130 employees and generated revenue of €17,5 million in the financial year ended December 31, 2014. The acquisition will enable the Group to achieve broader and denser geographical coverage of the Group in France. It will lead to a structural reorganization in the region, since two of the Group's laboratories will be merged with the acquired companies, eventually forming a new structure with revenue of €35 million across 23 sites, including a central technical platform.

Note 21 Group entities

Parent company : Labco SA

French entities

Designated enities	31.03.2015			31.12.2014			31.03.2014		
	% of control	Method of consolidation	% of interest	% of control	Method of consolidation	% of interest	% of control	Method of consolidation	% of interest
Oxabio	**98,42%**	**FC**	**97,33%**	98,42%	FC	97,33%	98,42%	FC	97,33%
LGESTION	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
AUBERT (ex Auber H)	**99,66%**	**FC**	**99,40%**	99,66%	FC	99,40%	99,66%	FC	99,40%
BIOFRANCE	**99,32%**	**FC**	**99,31%**	99,32%	FC	99,31%	99,32%	FC	99,31%
NORDEN	**98,56%**	**FC**	**98,71%**	98,56%	FC	98,71%	98,56%	FC	98,71%
LABCO MIDI—VAULTIER (MOSSON)	**99,96%**	**FC**	**99,96%**	99,96%	FC	99,96%	99,96%	FC	99,96%
DELAPORTE	**99,99%**	**FC**	**99,99%**	99,99%	FC	99,99%	99,99%	FC	99,99%
Bioalliance (ex Eslab)	**99,79%**	**FC**	**99,74%**	99,79%	FC	99,74%	99,79%	FC	99,74%
Institut de Biologie Clinique (ex Schaffner)	**98,89%**	**FC**	**98,89%**	98,89%	FC	98,89%	98,89%	FC	98,89%
BARLA	**98,36%**	**FC**	**98,36%**	98,36%	FC	98,36%	98,36%	FC	98,36%
BIOPAJ	**99,99%**	**FC**	**97,62%**	99,99%	FC	97,62%	99,99%	FC	97,62%
Biopar (ex Bioval)	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
BIOSYNTHESE	**99,40%**	**FC**	**98,80%**	99,40%	FC	98,80%	99,40%	FC	98,80%
CARRON	**99,87%**	**FC**	**99,87%**	99,87%	FC	99,87%	99,87%	FC	99,87%
LABO DU BEFFROI	**99,92%**	**FC**	**99,68%**	99,92%	FC	99,68%	99,92%	FC	99,68%
Novabio Diagnostics (ex Tixier-Pierfitte-Avot)	**99,99%**	**FC**	**97,32%**	99,99%	FC	97,32%	99,99%	FC	97,32%
Centre Biologique de Calais	**99,87%**	**FC**	**99,73%**	99,87%	FC	99,73%	99,87%	FC	99,73%
LABO DU MARCHE	**99,99%**	**FC**	**99,39%**	99,99%	FC	99,39%	99,99%	FC	99,39%
Bio Arvor (Treguier Lemoine)	**98,85%**	**FC**	**99,05%**	98,85%	FC	99,05%	98,85%	FC	99,05%
AQUILAB	**98,89%**	**FC**	**99,09%**	98,89%	FC	99,09%	98,89%	FC	99,09%
VAL DE GARONNE	**49,37%**	**EM**	**49,47%**	49,37%	EM	49,47%	49,37%	EM	49,47%
Groupe Biologic (ex Jorion)	**99,99%**	**FC**	**99,99%**	99,99%	FC	99,99%	99,99%	FC	99,99%
BIO ADOUR	**99,99%**	**FC**	**99,30%**	99,99%	FC	99,30%	99,99%	FC	99,30%
Laboratoire Bioliance (Ex Erdre et Loire)	**97,30%**	**FC**	**94,98%**	97,30%	FC	94,98%	97,30%	FC	94,98%
Bio-Rhone (ex LABORATOIRE DE L'AVENUE)	**99,92%**	**FC**	**99,96%**	99,92%	FC	99,96%	99,92%	FC	99,96%
ANABIO	**99,94%**	**FC**	**98,77%**	99,94%	FC	98,77%	99,94%	FC	98,77%
Bioval Laboratoires (ex Greil)	**98,55%**	**FC**	**98,70%**	98,55%	FC	98,70%	98,55%	FC	98,70%
VAL D'ORNE	**99,82%**	**FC**	**99,82%**	99,82%	FC	99,82%	99,82%	FC	99,82%
GCB	**98,54%**	**FC**	**98,69%**	98,54%	FC	98,69%	98,54%	FC	98,69%
PLSG (ex Pépin)	**98,28%**	**FC**	**98,89%**	98,28%	FC	98,89%	98,28%	FC	98,89%
Bio-Alpes (ex Schemitick)	**99,48%**	**FC**	**99,68%**	99,48%	FC	99,68%	99,48%	FC	99,68%
Normabio	**96,91%**	**FC**	**97,31%**	96,91%	FC	97,31%	96,91%	FC	97,31%
Bio Fin	**98,30%**	**FC**	**98,70%**	98,30%	FC	98,70%	98,30%	FC	98,70%
LBM Labo Gascogne (Froment)	**98,84%**	**FC**	**98,84%**	98,84%	FC	98,84%	98,84%	FC	98,84%
PROBIO (ex référentiel biologie)	**99,99%**	**FC**	**99,30%**	99,99%	FC	99,30%	99,99%	FC	99,30%
Mazarin (ex Tranchand Turcon)	**98,68%**	**FC**	**98,88%**	98,68%	FC	98,88%	98,68%	FC	98,88%
Axilab (ex Medilabo)	**98,63%**	**FC**	**98,71%**	98,63%	FC	98,71%	98,63%	FC	98,71%
Verdun de Lore	**99,75%**	**FC**	**99,75%**	99,75%	FC	99,75%	99,75%	FC	99,75%
Celab- Saint Céré	**99,93%**	**FC**	**99,02%**	99,93%	FC	99,02%	99,93%	FC	99,02%
Sylab	**99,99%**	**FC**	**99,01%**	99,99%	FC	99,01%	99,99%	FC	99,01%
Biologie Médicale (ex Selarl du Laonois/ coquelet)	**—**	**—**	**—**	100,00%	MERGER	100,00%	99,96%	FC	97,28%
Biosix	**100,00%**	**FC**	**96,89%**	100,00%	FC	96,89%	100,00%	FC	96,89%
Isolab	**99,97%**	**FC**	**99,28%**	99,97%	FC	99,28%	99,97%	FC	99,28%
Mallia	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	98,74%
LBMR du Centre (Ternois)	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,76%
LBMR de Normandie	**49,99%**	**FC**	**99,76%**	49,99%	FC	99,76%	49,99%	FC	99,76%
Alpigène	**32,35%**	**FC**	**54,98%**	32,35%	FC	54,98%	—	—	—
SCM DE LA MARNE	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
SCM Vallée de la MEUSE	**49,28%**	**NC**	**49,28%**	49,28%	NC	49,28%	49,28%	NC	49,28%
SCM LAD	**99,47%**	**FC**	**99,55%**	99,47%	FC	99,55%	99,47%	FC	99,55%
SCM GROUPEMENT LABO	**65,90%**	**FC**	**66,04%**	65,90%	FC	66,04%	65,90%	FC	66,04%
SCM ST COME	**45,61%**	**EM**	**45,61%**	45,61%	EM	45,61%	45,61%	EM	45,61%
SCM LABO CENTRE	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
SCM LE CENTRE	**99,87%**	**NC**	**99,87%**	99,87%	NC	99,87%	99,87%	NC	99,87%
SCM AZURLAB	**28,39%**	**EM**	**28,39%**	28,39%	EM	28,39%	28,39%	EM	28,39%
SCM Biologis	**100,00%**	**FC**	**95,23%**	100,00%	FC	95,23%	100,00%	FC	95,23%
SCM GRAM	**39,48%**	**EM**	**39,56%**	39,48%	EM	39,56%	39,48%	EM	39,56%
SCM BIO 76	**0,01%**	**NC**	**0,01%**	0,01%	NC	0,01%	0,01%	NC	0,01%
SCM PIERRE BACHET	**9,91%**	**NC**	**9,91%**	9,91%	NC	9,91%	9,91%	NC	9,91%
GIE SAMBRE AVENOIS	**—**	**LIQUIDATION**	**—**	98,19%	FC	98,33%	98,19%	FC	98,33%
GIE LABCO 06	**99,44%**	**NC**	**99,44%**	99,44%	NC	99,44%	99,44%	NC	99,44%
GIE LABCO 07	**100,00%**	**NC**	**98,19%**	100,00%	NC	98,19%	100,00%	NC	98,19%
SAL	**57,71%**	**FC**	**57,68%**	57,71%	FC	57,68%	57,71%	FC	57,68%
ENVIRONNEMENT & SANTE	**54,72%**	**NC**	**54,72%**	54,72%	NC	54,72%	54,72%	NC	54,72%
LABO DES CHARENTES	**35,69%**	**EM**	**35,43%**	35,69%	EM	35,43%	35,69%	EM	35,43%

EM: Equity Method / FC: Global integration / NC: Not consolidated.

Note 21 Group entities (Continued)

Parent compaby : LABCO SA

Foreign entities

	31.03.2015			31.12.2014			31.03.2014		
Designated entities	% of control	Method of consolidation	% of interest	% of control	Method of consolidation	% of interest	% of control	Method of consolidation	% of interest
					Sweden				
LABCO DIAGNOSTICS SWEDEN AB	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
					Italy				
LABCO LOMBARDIA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
CAM	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
LABCO ITALIA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
ISTITUTO IL BALUARDO SPA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
SDN S.p.A	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN Guantai	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN San Giorgio a Cremano	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN Vanvitelli	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
SDN Gianturco	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
Visconteo	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%	—	—	—
CAM ECO SERVICE SRL	**41,00%**	**EM**	**41,00%**	41,00%	EM	41,00%	41,00%	EM	41,00%
Consorzio (GIE)	**33,33%**	**EM**	**33,33%**	33,33%	EM	33,33%	25,00%	EM	25,00%
BALUARDO SERVIZI SANITARI Srl	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
Consorzio genetico (GIE)	**33,33%**	**EM**	**33,33%**	33,33%	EM	33,33%	50,00%	EM	50,00%
					Germany				
LABCO GERMANY	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
					Spain				
LABCO ESPANA	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
General Lab—Holding	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
ANALISIS CLINICOS BIOCLINIC SL	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
TRIALS GENERAL LABORATORIES	**75,00%**	**FC**	**74,59%**	75,00%	FC	74,59%	75,00%	FC	74,59%
Lab Dos Analisis SL	**50,00%**	**EM**	**49,72%**	50,00%	EM	49,72%	50,00%	EM	49,72%
GENETICA MOLECULAR LAB	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	77,60%	EM	77,60%
Labco Madrid (Ex Sanilab)	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Sanilab Molecular	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	100,00%
Labco Baleares	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Raban Gibraltar	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Lallemand	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Avivar Analistas Asociados, S.L.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Centro De Patologia Celular Y Diagnostico Prenatal, S.A.	**84,70%**	**FC**	**84,70%**	84,70%	FC	84,70%	84,70%	FC	84,70%
Labco Pathology, SL (Ex Histocitomed)	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Egara Laboratoris SL	**45,00%**	**EM**	**44,75%**	45,00%	EM	44,75%	45,00%	EM	44,75%
Institut De Citologia I Histopatologia, S.L.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Labco Buildings	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%	—	—	—
Labco Castilla y Leon, SL (ex Labotario Canga Arqueros)	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Olot Análisis, S.L.	**75,00%**	**FC**	**74,59%**	75,00%	FC	74,59%	75,00%	FC	74,59%
Sabater Pharma, S.A.	**—**	**—**	**—**	—	DISPOSAL	—	100,00%	FC	99,45%
Labco Spain S.L.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Laboratorio Global	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
CIC Mexico	**70,00%**	**NC**	**69,61%**	70,00%	NC	69,61%	70,00%	Set-up—NC	69,61%
Labco Noûs (ex CIC Barcelona)	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
CIC Analises Brasil	**99,50%**	**FC**	**98,95%**	99,50%	FC	98,95%	99,50%	FC	98,95%
CIC Colombia	**70,00%**	**FC**	**69,61%**	70,00%	FC	69,61%	70,00%	FC	69,61%
					Belgium				
LABCO BELGIUM	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
ROMAN PAIS	**100,00%**	**FC**	**98,90%**	100,00%	FC	98,90%	100,00%	FC	98,90%
ELLIPSYS	**100,00%**	**FC**	**98,14%**	100,00%	FC	98,14%	100,00%	FC	98,14%
GENERALIMMO	**100,00%**	**FC**	**98,89%**	100,00%	Set-up—FC	98,89%	—	—	—
Labco Finance	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
Van Risseghem	**100,00%**	**FC**	**98,89%**	100,00%	FC	98,89%	—	—	—
CPG Laboratorium	**100,00%**	**Set-up—FC**	**98,14%**	—	—	—	—	—	—
Laboratoire MAB	**100,00%**	**FC**	**98,90%**	100,00%	FC	98,90%	100,00%	FC	98,90%
					UK				
IPP	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	51,00%	EM	51,00%
Labco UK	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	100,00%	FC	100,00%
IPS	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%	—	—	—
IPP Facilities	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%	—	—	—
IPP Analytics	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%	—	—	—

EM: Equity Method / FC: Global integration / NC: Not consolidated.

Note 21 Group entities (Continued)

Designated entities	31.03.2015 % of control	31.03.2015 Method of consolidation	31.03.2015 % of interest	31.12.2014 % of control	31.12.2014 Method de consolidation	31.12.2014 % of interest	31.03.2014 % of control	31.03.2014 Method of consolidation	31.03.2014 % of interest
					Portugal				
QUESTAO EM ABERTO	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
GENERAL LAB Portugal SA (ex SOCIEDADE DE PREPARACAO LABORATORIAL LDA)	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
GERMILAB	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Laboratorio Medico Dr. Santos Pinto y Dr. Fernando Teixeira	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Clínica De Diagnósticos Da Azambuja, Dr. Fernando Teixeira, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Clinova—Centro De Diagnóstio Laboratorial De Torres Novas, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
LPD, Lda	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Endoclab—Laboratório De Endocrinologia E Patologia Clínica Doutor I. Salcedo, S.A.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Flaviano Gusmão, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Gnóstica—Laboratório De Análises Clínicas, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
José Júlio De Castro Fernandes, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Laboratório Análises Drª Graça Duarte Nunes, S.A.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Laboratório De Análises Clínicas—Susana Pereira Rosas, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Laboratório De Análises Clínicas Da Covilha, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Laboratorios Consolidados do Porto, S.A. (ex L.J.M. Monteiro)	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Laboratórios De Análises Clínicas Do Dr. João Ribeiro E Dra Maria Da Graça Cardoso, Lda.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Miranalise—Laboratório De Análises Clínicas Mira D' Aire, Lda	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Novanalise—Laboratório De Análises Clínicas De Torres Novas, Lda.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Datapartners, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Previlabor—Análises Clínicas, Saúde Ocupacional E Preventiva, Lda.	**—**	**—**	**—**	—	LIQUIDATION	—	100,00%	FC	99,45%
LAC—Laboratorio de Analises Clinicas	**—**	**—**	**—**	—	LIQUIDATION	—	100,00%	FC	99,45%
Rotarobal, Sgps, S.A.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
Sampletest I—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Sampletest II—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Sgus Madeira—S.G.P.S., S.A.	**—**	**—**	**—**	100,00%	MERGER	100,00%	100,00%	FC	99,45%
GDPN	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Sscp—Serviços De Saúde Curativos Preventivos, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
Macedo Dias	**100,00%**	**FC**	**99,45%**	100,00%	FC	99,45%	100,00%	FC	99,45%
					Switzerland				
Test SA	**48,00%**	**FC**	**48,00%**	48,00%	FC	48,00%	48,00%	Set-up—FC	48,00%

EM: Equity Method / FC: Global integration / NC: Not consolidated.

GROUP

LABCO
Quality Diagnostics

IFRS

CONSOLIDATED FINANCIAL STATEMENTS

2014

FOR THE PERIOD ENDED DECEMBER 31, 2014

LABCO

Société Anonyme—A Limited liability Company under French law

60-62, rue d'Hauteville
75010 Paris

Statutory Auditors' Report on the consolidated financial statements

For the year ended 31 December 2014

Deloitte & Associés
67, rue de Luxembourg
59777 Euralille

APLITEC
4-14, rue Ferrus
75 014 Paris

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

LABCO

Société Anonyme—A Limited liability Company under French law

60-62, rue d'Hauteville
75010 Paris, France

Statutory Auditors' Report on the Consolidated Financial Statements

For the year ended 31 December 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of LABCO;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling testing techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Group as at 31 December 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Company Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note 3.1.1 to the consolidated financial statements outline the specific corporate structure and governance implemented by the group in the French laboratories on which the management has exercised its judgment to conclude on the control of those laboratories and consolidate them in accordance with the global integration method. Our audit of the scope of consolidation included the assessment of the factual and legal aspects on which management relied and the appropriateness of the information contained in notes 3.1.1, 5.2 and 33 in this regards.

Notes 3.9.2 and 3.10.2 to the consolidated financial statements outline the accounting rules and methods relating to the goodwill and indefinite useful life assets carrying amounts and retirement costs and other employee benefits. Our procedures consisted in verifying the appropriateness of the accounting methods applied, data and assumptions used, documentation provided and resulting valuations. We also satisfied ourselves that Notes 13 and 24 provide appropriate disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

III—Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Lille and Paris, March 24, 2015

The Statutory Auditors

French original signed by

Deloitte & Associés	APLITEC
Gérard BADIN	Pierre LAOT

Contents

Consolidated statement of income

For the year ended 31 December 2014

CONSOLIDATED STATEMENT OF INCOME (€000)	Notes	2014	2013
Revenue		**611 269**	544 167
Other income		**4 361**	3 144
Total revenue	*Note 7*	**615 630**	**547 311**
Cost of sales		**(140 050)**	(122 768)
Payroll related expenses	*Note 8*	**(256 763)**	(232 452)
Share based payment (warrants)		**(1 965)**	(336)
Other operating expenses	*Note 9*	**(102 130)**	(84 527)
Transactions costs for usual small size acquisitions		**(1 473)**	(972)
EBITDA	*Note 7*	**113 250**	**106 255**
Depreciation and amortization expenses		***(23 690)***	*(18 634)*
Provisions, impairment losses and reversals on assets		***(356)***	*(313)*
Provisions, impairment losses and reversals on liabilities		***(135)***	*(54)*
Depreciation, impairment losses and amortization, provisions and reversals		**(24 181)**	(19 001)
Results from operating activities before non-recurring activities		**89 069**	**87 254**
Restructuring Expenses and Provisions for major litigations		***(13 127)***	*(5 525)*
Perimeter effect		***(1 806)***	*356*
Impairment and reversal of impairment on non-operational assets and liabilities		***(6 424)***	*2 352*
Gains/losses on sale of assets		***510***	*3 091*
Non recurring income and expenses	*Note 10*	**(20 848)**	273
Results from operating activities after non-recurring activities		**68 221**	**87 527**
Financial income		***878***	*740*
Financial costs		***(65 384)***	*(59 872)*
Net finance costs	*Note 11*	**(64 506)**	(59 131)
Income tax expenses	*Note 12*	**(18 701)**	(21 130)
Share of profit of associates		**431**	(1 265)
Net profit of the period from continuing operations		**(14 554)**	**6 000**
Net Profit of the period from discontinued operations		**0**	6 842
Net profit of the period		**(14 554)**	**12 842**
Profit attribuable to non-controlling interests		**445**	99
Profit attribuable to the owners of the company		**(14 999)**	12 743
Net profit from continuing operations			
Attribuable to non controlling interest		***445***	*99*
Attribuable to the owners of the company		***(14 999)***	*5 901*
Basic earnings per share	*Note 31*	**−0,22**	**0,19**
Diluted earnings per share	*Note 31*	**−0,22**	**0,16**

Consolidated statement of comprehensive income

For the year ended 31 December 2014

€ 000	2014	2013
Net Profit of the period	**(14 554)**	**12 841**
Actuarial gains or losses on pension obligations	**(4 076)**	323
Taxes on Actuarial gains or losses on pensions obligations	**1 359**	(108)
Items that will not be reclassified to profit or loss (a)	**(2 717)**	**215**
Net change in fair value of available for sale assets	**0**	0
Taxes on Net change in fair value of available for sale assets	**0**	0
Fair value adjustments on cash flow hedge derivatives instruments	**2**	0
Taxes on Fair value adjustments on cash flow hedge derivatives instruments	**0**	0
Net gain (net loss) on hedge of a net investment in foreign companies	**689**	139
Foreign exchange gains and losses	**(67)**	0
Other		0
Items that may be reclassified subsequently to profit or loss (b)	**624**	**139**
Revenues and expenses directly recognized in equity (a)+ (b)	**(2 093)**	**354**
Total consolidated comprehensive income	**(16 647)**	**13 195**
Equity holders of the parents	**(17 092)**	**13 097**
Non-controlling interests	**445**	**99**

The accompanying notes are an integral part of the financial statements

Consolidated statement of financial position

As at 31 December 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ 000)	Notes	31.12.2014	31.12.2013
ASSETS			
Goodwill	*Note 13*	**702 415**	581 483
Intangible assets	*Note 14*	**26 829**	25 024
Property, Plant and Equipment	*Note 15*	**93 249**	67 219
Investments in associates	*Note 16*	**2 037**	1 970
Other non-current assets	*Note 17*	**11 131**	9 265
Deferred tax assets	*Note 18*	**10 909**	8 579
NON CURRENT ASSETS		**846 569**	**693 539**
Inventories	*Note 19*	**11 280**	8 230
Trade Receivables	*Note 20*	**91 355**	85 517
Other current assets	*Note 20*	**23 469**	12 946
Cash and cash equivalents	*Note 21*	**74 120**	167 801
CURRENT ASSETS		**200 224**	**274 494**
Assets classified as held for sale and discontinued operations		**0**	0
TOTAL ASSETS		**1 046 794**	**968 033**

	Notes	31.12.2014	31.12.2013
EQUITY & LIABILITIES			
Share Capital		**68 736**	68 459
Additional paid-in capital		**93 740**	210 995
Reserves attributable to owners of the parent		**(4 848)**	(114 101)
Currency translation adjustements		**443**	(179)
Net income (Group share)		**(14 999)**	12 743
Equity attributable to owners of the parent		**143 072**	**177 918**
Non-controlling interests		**(64)**	1 240
TOTAL EQUITY		**143 008**	**179 158**
Provisions—non current	*Note 26*	**2 442**	0
Employee benefits liabilities	*Note 24*	**14 976**	8 620
Borrowings and other financial liabilities—non current	*Note 23*	**691 296**	616 010
Other non-current liabilities	*Note 28*	**11 093**	1 481
Deferred tax liabilities	*Note 18*	**5 988**	5 046
NON-CURRENT LIABILITIES		**725 795**	**631 158**
Provisions—current	*Note 26*	**9 187**	2 889
Current financial liabilities	*Note 23*	**33 222**	33 666
Trade Liabilities	*Note 28*	**74 341**	60 878
Other current liabilities	*Note 28*	**61 240**	60 284
CURRENT LIABILITIES		**177 991**	**157 717**
Liabilties classified as held for sale and discontinued operations		**0**	0
TOTAL EQUITY AND LIABILITIES		**1 046 794**	**968 033**

The accompanying notes are an integral part of the financial statements

Consolidated statement of changes in equity

As at 31 December 2014

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2014	**68 459**	**210 995**	**3 840**	**(0)**	**(104 553)**	**(179)**	**(646)**	**177 918**	**1 240**	**179 156**
Total comprehensive income for the period										
Net result of the period					(14 999)			**(14 999)**	445	(14 554)
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax					2			**2**		2
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax								**0**		0
Actuarial gains or losses on pension obligations					(2 717)			**(2 717)**		(2 717)
Net gain (net loss) on hedge of a net investment in foreign companies						689		**689**		689
Foreign exchange gains and losses						(67)		**(67)**		(67)
Other changes								**0**		0
Total other comprehensive income	**0**	**0**	**0**	**0**	**(2 715)**	**622**	**0**	**(2 093)**	**0**	**(2 093)**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**(17 714)**	**622**	**0**	**(17 092)**	**445**	**(16 647)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase*	277	(25 045)			5 076			**(19 692)**		(19 692)
Dividends								**0**		0
Share-based payment transactions			277					**277**		277
Treasury shares								**0**		0
Total contributions by and distributions to owners	**277**	**(25 045)**	**277**	**0**	**5 076**	**0**	**0**	**(19 414)**	**0**	**(19 414)**
Other variations		(92 210)			92 210			**0**		0
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					1 660			**1 661**	(1 749)	(87)
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**1 660**	**0**	**0**	**1 661**	**(1 749)**	**(87)**
Total transactions with owners	**277**	**(117 255)**	**277**	**0**	**98 946**	**0**	**0**	**(17 754)**	**(1 749)**	**(19 501)**
Balance at 31 December 2014	**68 736**	**93 740**	**4 118**	**(0)**	**(23 320)**	**443**	**(646)**	**143 072**	**(64)**	**143 008**

* Amounts net of the impact of the following operations implemented during 2014:

- distribution of the share premium to the shareholders for an amount of 21 906 K€ and setup of a specific reserve for the warrants holders for an amount of 5 076 K€ taken on share premium.
- capital increase with the issuance of 276 875 A shares at a value of eight euros (8 €).

The accompanying notes are an integral part of these consolidated financial statements.

As at 31 December 2013

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2013	**68 459**	**210 995**	**3 504**	**(0)**	**(116 894)**	**(169)**	**(646)**	**165 250**	**1 168**	**166 417**
Total comprehensive income for the period										
Net result of the period					12 743			**12 743**	99	**12 842**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax					139			**139**		**139**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax								**0**		**0**
Actuarial gains or losses on pension obligations					215			**215**		**215**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**354**	**0**	**0**	**354**	**0**	**354**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**13 097**	**0**	**0**	**13 097**	**99**	**13 196**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase								**0**		**0**
Dividends								**0**	(123)	**(123)**
Share-based payment transactions			336					**336**		**336**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**0**	**0**	**336**	**0**	**0**	**0**	**0**	**337**	**(123)**	**214**
Other variations						(10)		**(10)**		**(10)**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					(756)			**(756)**	96	**(660)**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**(756)**	**0**	**0**	**(756)**	**96**	**(660)**
Total transactions with owners	**0**	**0**	**336**	**0**	**(756)**	**(10)**	**0**	**(430)**	**(27)**	**(456)**
Balance at 31 December 2013	**68 459**	**210 995**	**3 840**	**(0)**	**(104 553)**	**(179)**	**(646)**	**177 918**	**1 240**	**179 156**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2014

CONSOLIDATED STATEMENT OF CASH FLOWS (€ 000)	Notes	2014	2013
EBITDA		**113 250**	**106 255**
Other calculated revenues and expenses		**1 312**	1 093
Dividends received from associates		**379**	329
Cash from (used in) non recurring expenses net		**(14 325)**	(5 566)
Changes in inventories		**(2 635)**	124
Changes in trade and other receivables from operations		**4 189**	3 857
Changes in trade and other payables from operations		**14 250**	1 159
Changes in other receivables and payables		**(1 480)**	2 175
Income tax paid		**(29 281)**	(24 474)
Cash flows from (used in) operating activities of discontinued operations			8 009
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**85 658**	**92 961**
Purchases of intangible, property, plant and equipment		**(36 003)**	(18 918)
Proceeds on disposals of intangible, property, plant and equipment		**493**	209
Purchases of investments, net of cash acquired and changes in debt related to acquisitions		**(125 247)**	(20 189)
Net decrease (increase) in other assets		**(3 533)**	72 900
Changes effect in consolidation scope		**1 142**	177
Cash flows from (used in) investing activities of discontinued operations			(6 502)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(163 148)**	**27 677**
Proceeds from share capital increase		**(19 255)**	0
Cash from (used in) net financial profit (loss)		**(57 876)**	(51 960)
New borrowings and other financial liabilities		**429 826**	192 428
Repayment of borrowings and other financial liabilities		**(361 836)**	(142 195)
Repayment of finance lease liabilities		**(6 858)**	(5 960)
Dividends paid		**(43)**	(81)
Cash flows from (used in) financing activities of discontinued operations			(1 510)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(16 043)**	**(9 279)**
TOTAL CASH FLOWS (A+B+C)		**(93 533)**	**111 360**
Cash and cash equivalent at the begining of the period		**167 430**	**56 129**
Change effect in foreign exchange rate		**144**	**(59)**
Cash and cash equivalent at the end of the period	*Note 21*	**74 041**	**167 430**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(93 533)**	**111 360**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2014

Note 1 Reporting entity

The parent company of Labco Group is Labco SA (the "Company"), which is a limited liability company incorporated and registered in France. The address of the Company's registered office is 60 - 62, rue de Hauteville, 75010, Paris, France. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group is primarily involved in clinical diagnostics testing and imaging services mainly in France, Spain, Portugal, Italy, Belgium, the United Kingdom and Switzerland and also provides clinical laboratory testing services to customers in Latin America, the Middle East and North Africa.

Note 2 Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU) and IFRS as published by IASB effective as at December 31, 2014. As a reminder, the Group's consolidated financial statements have been prepared for the first time in 2010 in accordance with IFRSs, the opening IFRS balance sheet being prepared as of January 1, 2009.

The accounting policies retained are the same as those used in preparing the consolidated financial statements at 31 December 2013, except for the Standards and Interpretations adopted by the European Union applicable as from January 1,2014 which have no significant effect on the consolidated financial statements of the Group.

As indicated in the 2013 audited consolidated IFRS financial statements, Labco has elected to implement early adoption in 2013 of *IFRS 10—Consolidated Financial Statements*, *IFRS 11—Joint Arrangements* and *IFRS 12—Disclosures of Interests in Other Entities*, as well as the resulting revised *IAS 27* and *IAS 28.* The impacts on the Group of those Standards and Amendments were limited.

The consolidated financial statements were authorized for issue by the Board of Directors on March 23, 2015.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2014

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1. 2014 and have been adopted by the European Union. The following amendments and interpretations are mandatorily applicable as of January 1. 2014:

- IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. This standard introduces a single consolidation framework for all types of investee entities, and gives a new definition of control. According to IFRS 10, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. The retrospective application of the standard on the Group's consolidation scope has no effect on the Group's comparative information reported in financial statements as at December 31, 2013.

- IFRS 11 *Joint Arrangements*

IFRS 11, *Joint Arrangements* replaces IAS 31 *Interests in joint venture* and especially abolishes the proportionate integration method. Labco was in a joint arrangement through its subsidiary iPP, the joint venture with Sodexo, in the United Kingdom. The retrospective application of the standard has no effect on the Group's comparative information presentation because the jointly controlled entity iPP was already under IAS 31 recorded under equity method. Indeed the option, proposed by IAS 31, of using equity method for jointly controlled entity was chosen by Labco in 2011.

Note 2 Basis of preparation (Continued)

- IFRS 12, *Disclosures of interest in other entities*

IFRS 12, *Disclosures of interest in other entities*, integrates and makes consistent the disclosure requirements for interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities and presents those requirements in a single IFRS.

These standards were already early implemented by Labco for the annual consolidated financial statements as at 31 December 2013 with a limited impact on Group financial statements.

- Amendments to IAS 32—*Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 36—*Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*

These amendments have no significant impact on the Group consolidated financial statements.

2.2.2. Standards, amendments and interpretations not mandatorily applicable as of January 1, 2014

The Group has elected not to early adopt the following standards or amendments whose application is not mandatory as of January 1, 2014.

- IFRIC 21—*Levies*

IFRIC 21—*Levies* was published in May 2013 and adopted by the European Union in June 2014. This interpretation aims to clarify the trigger event for the provisioning for all taxes other than income taxes. This interpretation will modify existing practices for annual taxes whose payment is triggered, for an entity, by being in operations on a specified date or by achieving a certain level of activity. Its impact should be recognized retrospectively in accordance with IAS 8.

The Group has decided not to early apply IFRIC 21, as this interpretation was not expected to impact significantly the Group's financial statements. Furthermore, such application should have only a timing impact between quarters in the recognition of certain levies.

Had the Group decided to apply IFRIC 21 from January 1, 2014, the impacts for the Group, mainly in France, would have been the following:

- a reduction in first-quarter EBITDA of around €0,7 million;
- a reduction in first-half EBITDA of around €0,5 million;
- a reduction in nine-month EBITDA of around €0,2 million;
- no impact on full-year EBITDA.

Given that the above reductions in EBITDA would have been offset by an increase in other current liabilities, IFRIC 21 would have had no impact on cash flow from operating activities.

2.2.3. New standards, amendments and interpretations not applicable as of January 1. 2014

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these consolidated financial statements.

- IFRS 9—*Financial Instruments: Classification and Measurement*
- IFRS 15—*Revenue from contract with customers*

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

2.2.4. Summary of options used on the first time adoption of IFRS

As a first time adopter in 2010, the opening IFRS balance sheet has been prepared as of January 1, 2009 (i.e. date of transition to IFRS) using IFRSs as adopted by the European Union effective

Note 2 Basis of preparation (Continued)

December 31, 2010. In accordance with IFRS 1, the Group has elected to use the following main exemptions for the preparation of its first IFRS financial statements:

- business combinations that occurred before the date of transition to IFRS are not retrospectively restated in accordance with IFRS 3—*Business Combinations;*
- the long term employee benefits have been fully recorded;
- for the share based payment transactions, only the 2008 scheme has been restated according to IFRS 2, and
- financial instruments held have all been classified as financial assets available for sale at the date of transition, with the exception of liabilities and receivables and trade receivables.

2.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value
- certain long term financial assets are measured at fair value

2.4. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

2.5. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- **Note 3.1.1**—Subsidiaries and consolidation method
- **Note 3.2.2**—Derivative financial instruments, including hedge accounting
- **Note 3.7**—Leased assets
- **Note 3.9.2**—Non-financial assets
- **Note 3.12**—Revenue

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 3.6.1** and **Note 6**—Goodwill and acquisition of subsidiaries

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

Note 3 Significant accounting policies (Continued)

3.1. Basis of consolidation

3.1.1. Subsidiaries and consolidation method

Subsidiaries are entities controlled by the Group. Control is the power to direct the relevant activities in order to use it to affect its exposure or rights to variable returns from its involvement. In assessing control, the Group takes into consideration, if any, potential and substantive voting rights, for which the Group has the practical ability to exercise them. Potential and substantive rights are only considered for the subsidiary Test SA in Switzerland, owned at 48% by the Group which benefits from call options at determined price over the remaining 52%.

Regulations governing the ownership and certification of laboratories in certain jurisdictions require us to hold each clinical laboratory or a limited number of the clinical laboratories through a separate subsidiary. Certain countries also regulate the corporate form through which laboratories may be held, such as "SELs" (société d'exercice liberal) in France.

In France, we are subject to regulatory constraints on the ownership of share capital and voting rights of SELs operating clinical laboratories by persons other than laboratory doctors and laboratory companies. As a consequence for the French entities (refer to note 7 *Segment information* for the contribution of the French subsidiaries), as described hereafter, the control exercised over French subsidiaries is based on specific governance mechanisms and contractual agreements, qualified by the Group as de facto control.

To comply with such regulatory constraints, we have put in place a specific corporate structure pursuant to which and subject to a few exceptions, we directly and indirectly hold shares representing approximately up to 99.9% of the share capital of our historical SELs while some of the laboratory doctors practicing in said SEL hold the remaining shares. Nonetheless, the articles of association of all the Group's SEL grant 50.01% of voting rights in all the shareholders' general meetings to laboratory doctors who are shareholders in the SEL in which they practice, qualified as "associés professionnels internes" (les "API"). The new French law on medical biology adopted on May 30, 2013 made it mandatory that more than 50% of the share capital (in addition to more than 50% of voting rights) of a clinical laboratory operating as a SEL be held by the laboratory doctors practicing in this SEL. The law also contemplated that existing SELs which are operating under a different ownership structure as of the date of enactment of the law will be grandfathered in (anteriority clause) and will continue to operate under their existing structure and have the majority of their share capital held by laboratory companies.

As a consequence, the Group hold, directly and indirectly through Istituto il Baluardo S.p.A., one of its Italian subsidiaries, approximately 99,9% of the share capital of the SEL which benefit from the grandfathering clause implemented by the law of May 30, 2013. Given this structure could not be used for the majority of the acquisitions performed in France since the enactment of that law, an alternative structure has been implemented and concerned only 2 entities as at December 31, 2014. That alternative structure is based on the issuance of preferred shares which grant the Group substantially all of the economic rights but complying the fact that laboratory doctors practicing in said SEL held more than 50% of the share capital.

Applying equally to the historical structure or the alternative structure, even though we cannot have the majority of the voting rights in our SEL (nor the majority of share capital for new entities), we have put in place mechanisms that grant us substantially all of the economic rights in such SELs and allow us to control the relevant activities, in accordance with the French regulatory framework, and fully consolidate our French network. As we acquire SEL, we change their articles of association to implement one of the two legal structures described above but also to adopt specific provisions, in particular with respect to governance. In addition, the majority of the API, generally the one having sold their shares in the SEL but continuing to practice in them, have agreed a number of contractual commitments vis-à-vis Labco Group, mainly in their integration agreement into Labco Group or in the share purchase agreement for the shares they hold in the SEL where they continue to practice. The agreed commitments are for example loyal and good faith adherence to the Group legal organization, including the membership of the SEL to the GIE Labco Gestion and the use of its central administrative support services (bookkeeping shared services, finance, legal affairs, purchasing, Information Technology, human resources, scientific information and quality management), the firm and definitive acceptance of the constraints related to Group banking and high yield bonds financing, the commitment to participate fully in the Group's development and

Note 3 Significant accounting policies (Continued)

restructuring, the prior agreement of their remuneration definition and the reinstatement of a proportionality between voting rights and share capital, in case of regulation amendments.

That contractual framework committing the API is such that the decisions impacting relevant activities proposed by the Group, are intended to be adopted with the favorable vote of the API and enable the Group to exercise exclusive control and to conclude that French SEL should be fully consolidated.

During summer 2014, in order to adapt the corporate governance provisions to the development of the network's laboratories and to harmonize the corporate governance provisions of all the French laboratories benefiting from the anteriority clause, the Group has started to deploy in France a new corporate governance, contractual and organizational, structure for its SEL. A significant percentage of the Group's SEL, representing approximately 63% of the total French contribution to turnover for the year-end December 31, 2014, had adopted these new corporate governance arrangements.

That new framework of arrangements (articles of association, shareholder's agreement, private practice agreement model, internal reules and charter of management board members) re-emphasizes the contractual commitments existing historically and strengthen the control over the strategic and financial operations, which are deemed to be the relevant activities in the SEL, while enabling to comply strictly with the French regulations requiring that the majority (50,01%) of the voting rights of a SEL be held by the laboratory doctors (API) practicing in this SEL. Indeed, the shareholder's agreements signed with the laboratory doctors re-emphasize the commitments they accept, in continuity with the commitments stipulated historically in the integration agreements into Labco Group and in the share purchase agreement, and define new commitments among which obligations to sell their shares in the SEL. As a consequence, laboratory doctors from whom the Group acquires SEL or clinical laboratories who decide to stay in the Group, continue to run it on a day-to-day basis but are contractually bound to comply with the Group's policies and standards in terms of reporting, and in particular with respect to financial and accounting information, financing and centralized cash management, budgeting and, insofar as compatible with the French regulatory framework, management of the SEL. Moreover that new framework set up Strategic Committee, as stipulated in the shareholders' agreements, governing bodies which enable the Group to exercise an exclusive control in the business management. Those strategic committees take strategic and financial decisions by a simple majority vote and are composed equally of API who are members of the SEL management boards (which are generally composed of three members) and of the representatives of the Group (in equivalent number). Given the contractual commitments made by the API parties to the agreements, the decisions proposed by the Group, are intended to be adopted with a favorable vote from the API who are members of the Strategic Committees.

The compliance of that new framework of governance with the principles of IFRS 10 *Consolidated financial statements* was analysed and it enables to conclude that the French SEL shall continue to be fully consolidated.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests ("minority interests") represent the part of net income or loss, and of net equity not held by the Group. They are presented in the consolidated Income Statement, the Consolidated Statement of Comprehensive Income and in equity in the Consolidated Statement of Financial Position, separately from equity attributable to the owners of the Company. In the case of medical biology companies, whether controlled de jure or de facto, minority interests of other shareholders, i.e. laboratory doctors, must be assessed based on the financial rights attached to their shares rather than voting rights. These shares of stock are entitled to a priority dividend, calculated on a formula defined in each company's by-laws so long as their holders are professionally active in the company. However their rights to any surplus on liquidation (net assets) are strictly limited, which gives this portion a non-significant accounting value. Most by-laws of consolidated French companies call for two classes of shares. Class A shares are held by laboratory doctors associated in the SEL (Sociétés d'exercice liberal). In certain SEL they are awarded a priority dividend according to a formula worked out in the by-laws of each company and representing a profit sharing arrangement. They have this right as long as they are professionally active in the company. They are not actually minority interests but rather a mechanism of compensation for the services such professionals render to the Group. Consequently dividends thereon are recognized as compensation expense in profit or loss in the period in which services giving rise to profit sharing are rendered. Over the last 2 years, a number of SEL having a Priority Dividend mechanism have evolved towards variable remuneration schemes according to which computation and payment mechanisms are determined based on multicriteria achievements.

Labco board of directors authorized during 2014 the repurchase of A shares in certain SEL granting rights to priority dividends for certain French biologists. Based on the substance analysis under IFRS as described above, such operation is recorded as a non-recurring restructuring expense corresponding to the repurchase of variable remuneration rights. Indeed the concerned biologists will earn after that operation a classical variable remuneration significantly lower than the former priority dividend.

3.1.2. Investments in associates (equity accounted investees)

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

3.1.3. Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Jointly controlled entities are consolidated using the equity method in accordance with IFRS 11 and revised IAS 28 as they were previously recorded since 2011 according to the option provided by IAS 31, Interests in Joint Ventures.

3.1.4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any internal income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Internal losses are eliminated in the same way as internal gains, but only to the extent that there is no evidence of impairment.

3.1.5. Business combinations

For acquisitions on or after 1 January 2009, the Group applies IFRS 3 revised (2008) and measures goodwill as the difference between (a) the sum of (i) the fair value of the consideration transferred, (ii) the recognized amount of any non-controlling interest in the acquiree, (iii) the acquisition date fair value of any previously held interest in the acquiree, and (b) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. It also includes the fair value of any contingent consideration. When this difference is negative (negative goodwill), a bargain purchase gain is recognized immediately in profit or loss.

For business combinations that occurred since 2009, the Group measured any non-controlling interest in majority of cases at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Note 3 Significant accounting policies (Continued)

If a business combination is achieved in stages, re-measurement of any previously held equity interest in the acquiree at its acquisition-date is performed at fair value with any resulting gain or loss recognized in the statement of earnings.

A contingent liability of the acquiree assumed in a business combination is recognized only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

If consideration transferred include a contingent consideration (earn-out for example), it is recorded at fair value at acquisition date. For a contingent consideration recorded as financial instrument in the scope of IAS 39, subsequent fair value variations are recognized in statement of income. If a contingent consideration is classified as equity, it will not be remeasured.

Acquisitions and disposal of non-controlling interests

Acquisitions and/or disposal of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore no goodwill is recognized or derecognized as a result of such transactions.

3.2. Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets comprise available-for-sale financial assets, loans and receivables carried at amortized cost including trade and other receivables, and financial assets measured at fair value through income, including derivative financial instruments. Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities.

3.2.1. Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity and debt securities, trade and other receivables, loans and borrowing at amortized cost and trade and other payables.

The Group initially recognizes trade and other receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Available-for-sale financial assets

The Group's investments in equity securities (generally the non-consolidated investments) and certain debt securities are classified as available-for-sale financial assets. These items are measured at fair value on initial recognition, which generally correspond to the acquisition cost plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans and receivables at amortized cost

Loans and receivables, including trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables primarily include loans and advances to associates or non-consolidated companies, and guarantee deposits, are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

Note 3 Significant accounting policies (Continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial liabilities including trade and other liabilities

Financial liabilities, such as loans and borrowings carried at amortized cost, trade and other payables are recognized initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. On initial recognition, any issue or redemption premiums and discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities comprise:

- Financial liabilities with a settlement or maturity date within 12 months of the statement of financial position date
- Financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date

3.2.2. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures, for certain contracts the formal documentation of hedging relationship at inception has been prepared enabling hedge accounting according to IAS 39, whereas other instruments used in economic hedges have not been formally documented as hedging relationship therefore not qualifying for hedge accounting.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss as financial income or expenses.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other

Note 3 Significant accounting policies (Continued)

cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

3.3. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, bank current accounts, and other bank deposits and short term investments considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts that are repayable on demand and form an integral part of Group's cash management are recorded under "Short term borrowings" but included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.4. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (Treasury shares)

Own equity instruments which are repurchased (treasury shares) are presented as a deduction from equity. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancelation of the Group own equity, but the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3.5. Property, plant and equipment

3.5.1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives or provide benefits in a different pattern, they are accounted for as separate items (major components) of property, plant and equipment, thus necessitating the use of different depreciation rates and methods.

An item of property, plant and equipment is derecognized on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within results from non-recurring activities in profit or loss. When revaluated assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3.5.2. Depreciation

Depreciation is based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. The residual value is estimated to be nil at the end of the useful life, except for real estate in certain cases.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- buildings . . . . . 15 - 30 years
- leasehold improvements & fixtures . . . . . 3 - 10 years
- Laboratory & Office equipment . . . . . 3 - 10 years
- fixtures and fittings . . . . . 2 - 10 years
- Other . . . . . 2 - 10 years

3.6. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.Intangible assets

3.6.1. Goodwill

Goodwill that arises upon the acquisition of subsidiaries, either through share deals or asset deals, is included in intangible assets. For the measurement of goodwill at initial recognition, see *Note 6—Acquisitions of subsidiaries*

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

3.6.2. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Other intangible assets consist primarily of software and licenses.

3.6.3. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3.6.4. Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Licenses . . . . . 1 - 5 years
- Software . . . . . 1 - 5 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.7. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the finance lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

The Group regularly reviews its contracts and arrangements to determine whether an arrangement is, or contains a lease. The analysis is based on the substance of the arrangement at inception date. If the Group believes the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, then the arrangement contains a lease and IAS 17 is applicable to the lease element. At inception, payments required by the arrangement are split into lease payments and payments related to other elements of such arrangement based on their relative fair values.

The Group uses equipment for its medical analyses. The contracts in use for this activity stipulate that the equipment is put at disposal for free if the laboratory buys exclusively from the supplier chemical reagents for a certain indicative volume during the term of the contract. As stated before, despite the fact that these agreements are not in the legal form of a lease, the arrangements qualify as lease contracts and Labco applied the requirements of IAS 17 to the lease element whereby the payments required by the arrangement are split into lease payments and payments relating to the other elements of the arrangement based on their relative fair values. For these contracts that are classified as finance leases, the related assets have been recognized in the statement of financial position of the Group.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position. Operating lease payments are recognized as an expense in the consolidated statement of income.

3.8. Inventories

Inventories consist of raw materials ("reagents") and consumables and are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average unit costs, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9. Impairment

3.9.1. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant (more than 30%) or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.9.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, but other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same date time during the year-end closing process, and additionally whenever there is an indication that such assets may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, all the other risks specific to the assets being considered in the estimated future cash flows from the assets. Depending on the timely availability each year of long term business plans, future cash flows are either estimated based on the long term 5 year business plans approved by senior management or estimated based on the budget prepared for the following year and which are afterward extrapolated over the next 4 years consistently with the latest 5 years business plan, plus in any case the estimate of the terminal value using a perpetual growth rate.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

For the purposes of goodwill impairment testing, the lowest level at which goodwill is monitored for internal reporting purposes corresponds to the following geographical areas: France, Iberia, Italy, Belgium, Switzerland and United Kingdom. Goodwill acquired in a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets (Labco SA, Labco Belgium, Labco Finance) could not be allocated on a reasonable and consistent basis to each cash-generating units. As such, they are included in the group of cash-generating units' impairment test (global test). Local holdings are included in their respective country.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units or group of units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired. Such impairment loss can be reversed if the recoverable amount subsequently increases.

3.10. Employee benefits

3.10.1. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10.2. Long term employee benefits, including retirement agreements

Depending on the laws and practices in force in the countries where Labco operates, Group companies have legal obligations in terms of pensions, early retirement payments and retirement bonuses. Such obligations are generally defined State contribution plans, which costs are expensed based on the amount of contribution payable in the period.

The Group is also concerned by other post-employment or post-retirement employee benefits which correspond to the legal retirement indemnity mainly applicable in France and Italy.

Commitments at retirement date and other similar advantages essentially correspond to the retirement compensations due to employees when they retire. Their assessment is made on the basis of an actuarial calculation using the projected unit credit method and taking into account the rate of staff turnover and mortality rates which are determined based on official age tables and estimated future salary increase. Discount rates are determined by the reference to the yield at the measurement date on high-quality corporate bonds.

In compliance with IAS 19 revised, actuarial gains and losses are recognized directly in other comprehensive income in equity and are not amortized in the Income Statement.

3.10.3. Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.10.4. Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an expense, with a corresponding increase in equity, over the period required for the employees unconditionally becoming entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. The expenses include also if any the social charges to be paid on the shares granted.

3.11. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions giving rise to a cash outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and risks that are specific to the liability and not included in expected cash flows. The unwinding of the discount is recognized as finance cost.

3.12. Revenue

The Group earns revenues from a wide range of analysis and diagnostic testing services which are invoiced to insurance companies, hospitals, individuals, pharmacies, and National Heath entities. Those services include notably the clinical biological testing, including routine and specialty tests (esoteric), anatomical pathology, histological or cytological testings and the diagnostic imaging using medical and molecular imaging technologies.

Revenue from medical analyses and diagnostics in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue in connection with rendered services is recognized at the time the service is provided. Revenue is based on the net amount billed or billable if it can be estimated reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The process of estimating the ultimate collection of receivables associated with our clinical testing business involves significant assumptions and judgments. Billings for services reimbursed by third-party payers, including social security systems, are recorded as revenue net of allowances for differences between amounts billed and the estimated receipts from such payers. Adjustments to the allowances, based on actual receipts from the third-party payers, are recorded upon settlement as an adjustment to net revenue.

Government payers

Payments for clinical laboratory testing services made by the government are based on fee schedules set by governmental authorities. Collection of such receivables is normally a function of providing the complete and correct billing information within the various filing deadlines. Collection varies from country to country.

Private insurers

Reimbursements from private insurers are based on negotiated fee-for-service schedules and on capitated payment rates.

Substantially all of the accounts receivable due from private insurers represent amounts billed under negotiated fee-for-service arrangements. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, historical collection experience and other factors.

Client payers

Client payers include physicians, hospitals, employers and other commercial laboratories. Credit risk and ability to pay are more of a consideration for these payers than healthcare insurers and government payers. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, as well as specific account reviews, historical collection experience and other factors.

Patient receivables (individuals)

Patients are billed based on established patient fee schedules, subject to any limitations on fees negotiated with healthcare insurers or physicians on behalf of their patients. Collection of receivables due from patients is subject to credit risk and ability of the patients to pay. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, historical collection experience and other factors.

Other income in revenue mainly corresponds to interests earned on operating receivables as well as income generated by activities not directly related to clinical diagnostics and imaging services.

3.13. Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability (effective interest rate method).

3.14. Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on hedging instruments that are recognized in profit or loss, and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise of cost of net debt and other financial expenses. Cost of net debt includes interest expense on borrowings and financial leases, as well as expenses related to derivatives. Other financial expenses mainly include unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Labco Group does not own any qualifying asset.

Note 3 Significant accounting policies (Continued)

3.15. Income tax

Income tax (income or expense) comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends; are recognized at the same time that the liability to pay the related dividend is recognized;

For French entities of the Group, the former Business Tax has been modified by a law enacted December 30, 2009. The Business Tax now consists of two components:

- “Cotisation Foncière des Entreprises (CFE)”,which is a tax on rental value of lands
- “Cotisation sur la Valeur Ajoutée des Entreprises (CVAE)”, which is a tax determined on added value as defined based on statutory accounts

In accordance with the definition of income tax in IAS 12 and the definition of added value stipulated by article 1586 sexies of French Tax code, and by homogeneity with the treatment in other countries of taxes based on net aggregate of income and charges, Labco considers that the CVAE tax should be recorded as an income tax given its definition.

3.16. Results from operating activities, and net non-recurring expenses

Results from operating activities correspond to the operating performance of the various activities performed by Labco Group. Results from operating activities before non-recurring activities is an indicator used by the Group to present “a level of operational performance that can be used as part of an approach to forecast recurring performance”.

In order to facilitate understanding of recurring operating performance, non-recurring expenses and income lines have been defined and include non recurring, unusual, items that are clearly not related to recurring activities and of certain significance. Those non recurring expenses and income consist of:

- Impairment and reversal of impairment on non-operational assets and liabilities
- Gains / losses on sale of assets
- Restructuring expenses and provisions for major litigations
- Perimeter effect including transaction costs for significant and unusual acquisitions (cancelled or realized as for realized acquisitions, costs are expensed according to IFRS 3 revised guidance implemented starting 2009 by Labco), as well as earn out variations of fair value subsequent to the 1 year window period.

Note 3 Significant accounting policies (Continued)

3.17. Earnings per share

The Group has not issued shares in a public market. Therefore the Group is not required to but has decided to present voluntarily basic and diluted earnings per share (EPS) data for its ordinary shares in accordance with IAS 33. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and, for the effects of all dilutive potential ordinary shares, which comprise warrants and free shares granted to employees.

3.18. Segment information

The Group has not issued shares in a public market. Therefore the Group is not required to but has decided to disclose segment information in accordance with IFRS 8.

In accordance with IFRS 8, the reportable segments are components of the Group that engage in business activities and whose operating results based on the internal reporting are regularly reviewed by the chief operating decision-maker.

The Group is organized for management purposes by country and by geographical segments leading to define as reportable segments the geographical areas Northern Europe (France, UK, Belgium, Switzerland) and Southern Europe (Iberia comprising of Spain and Portugal, Italy). Segment information is reported on the same basis as used internally by the Chief Executive Officer and Executive Management Committee to determine allocation of resources to segments and assess their performance.

Segment performance is evaluated mainly based on total revenue and EBITDA and is measured consistently with the statement of income in the published consolidated financial statements. The Group's financing (including finance costs and finance income) and income taxes are centrally managed on a Group basis and are not allocated to operating segments. The use of shared resources, mainly provided by the Group holdings, is taken into account in segment result by allocating costs among the segments pro-rata the total revenue of each segment.

3.19. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

EBITDA is a non-Gaap measure but corresponds to an aggregate that is commonly used by stakeholders for analyzing the Group's performance. EBITDA has been defined by the Group based on Results from operating activities before non-recurring activities restated for net depreciation, amortization and impairment, provisions and reversal. EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies.

3.20. Share based payment transactions and transaction costs for usual small size acquisition

Labco presents in its operating result certain cost items on a specific line in order to help management and financial investors to better understand the Group' economic performance because it identifies separately elements which are non operational and inherently difficult to predict due to their irregular nature, even if the costs are for a certain period not very significant.

3.21. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS 13 defines fair value for financial reporting purpose as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability as well as classification according to IFRS 13.

Note 3 Significant accounting policies (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1: inputs are quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date
- Level 2: inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly (like prices for similar items or identical assets in market not active)
- Level 3 unobservable inputs for the assets and liabilities notably Labco's own data

3.21.1. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount that would be received to sell a property in an orderly transaction between market participants at the measurement date. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted recent market prices for similar items when available and current replacement cost when appropriate.

3.21.2. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The net carrying value is considered as a reasonable estimate of their fair value considering the short payment and settlement periods applied by Labco Group. This fair value is determined for disclosure purposes.

3.21.3. Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness on an ad-hoc basis by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values also reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

3.21.4. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3.21.5. Share-based payment transactions

The fair value of employee share options is generally measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of similar quoted entities), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 4 Financial risk management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

4.1. Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Note 4 Financial risk management (Continued)

4.2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures.

4.3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Detailed quantitative information on credit risk are provided in *Note 20 Trade and other receivables*.

4.3.1. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentrations of credit risks due to the large numbers of customers and individually immateriality of amounts due. The Group performs ongoing credit evaluations of its receivables and establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

4.3.2. Investments and cash and cash equivalents

The Group's exposure to credit risk arises from default of the counterparty. The Group limits its exposure to credit risk by investing mainly in liquid securities with counterparties that have a high credit rating. Management actively monitors its investments and does not expect any counterparty to fail to meet its obligations.

4.4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This planning considers the maturity of both its financial assets, and its projected cash flow from operations.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group maintains a line of credit (Revolving Credit Facility) under which drawings could be made for financing acquisitions or for general financing purposes. Refer to the *Note 23 Borrowings and other financial liabilities* for a description of the main characteristics of our Revolving Credit Facility.

Detailed quantitative information on liquidity risk are provided in *Note 29 Financial instruments*.

4.5. Market risk—interest rate risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's exposure to the risk of changes in market interest rates relates primarily to the debt drawn on the revolving credit facility (RCF). Major part of our Group long term debt is at fixed rate, enabling to limit the impacts of market risks.

Detailed quantitative information on interest rate risk are provided in *Note 29 Financial instruments*.

Note 4 Financial risk management (Continued)

4.6. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity or impair operational independence of laboratory managers in countries where regulations emphasize medical independence of laboratory managers.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- compliance with regulatory and other legal requirements
- review regular accreditation procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- training and professional development
- Ethical and business standards.

4.7. Capital management

The Board of Directors's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Neither Labco SA nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 5 Significant events

5.1. Acquisitions, business set-up, disposals and mergers

5.1.1. Acquisitions and business set-up

Refer to *Note 6—Acquisition of subsidiaries* for detailed information on acquisitions performed in 2013.

Note 5 Significant events (Continued)

Main acquisitions during the reporting period are shown below by country.

Acquisition date	Country	Entities	
25.09.2014 . . .	France	Alpigène	
30.07.2014 . . .	Italy	SDN S.p.A	
30.07.2014 . . .	Italy	SDN Guantai	
30.07.2014 . . .	Italy	SDN San Giorgio a Cremano	
30.07.2014 . . .	Italy	SDN Vanvitelli	
30.07.2014 . . .	Italy	SDN Gianturco	
01.07.2014 . . .	Belgium	Van Risseghem	
01.07.2014 . . .	France	Bourelly	Commercial Goodwill
24.06.2014 . . .	Belgium	GeneralImmo	Set-up
20.06.2014 . . .	Italy	Visconteo	
05.06.2014 . . .	Spain	Labco Buildings	Set-up
28.05.2014 . . .	UK	IPP Analytics	Set-up
28.05.2014 . . .	UK	IPP Facilities	Set-up
30.04.2014 . . .	Spain	CIG-GM	Commercial Goodwill
31.03.2014 . . .	France	LABM Lesaulnier	Commercial Goodwill
31.03.2014 . . .	France	SCP Horstmann	Commercial Goodwill
27.03.2014 . . .	France	LBMR Centre	
27.03.2014 . . .	France	LBMR Normandie	
28.02.2014 . . .	Spain	Sanilab Molecular (60% minority interests)	Controlling ownership purchase
17.02.2014 . . .	Spain	Clinic Baleares	Commercial Goodwill
03.02.2014 . . .	Spain	Genetica Molecular Lab (22,4% minority interests)	Remaining minority interest purchase
01.01.2014 . . .	Mexico	CIC Mexico	Set-up

On July 30th, 2014, the Group has executed a strategic acquisition in Italy for an amount of 115 M€ with the acquisition of the SDN group, which is the leading Italian provider of medical imaging and laboratory diagnostic services. The SDN group offers integrated diagnostic services covering clinical laboratory diagnostic (both routine and specialty) and the full range of medical imaging: radiology, MRI but also the most sophisticated technologies of scanners by positron emission tomography (PET), combining molecular imaging and nuclear medicine. The SDN group, located in Naples and operating 5 sites with 255 employees, generated a 2013 turnover of 47 M€ and shows an accretive profitability compared to the one of the Group.

The Group has acquired on September 25th, 2014, through its subsidiary Bio-Rhônes subscribing a capital increase, 32,35% of the capital of Alpigène, a laboratory specialized in genetic accredited for both prenatal and postnatal testing. In compliance with the French regulation, the doctor specialised in genetics, who founded the laboratory remains the owner of the majority of the capital and manages the laboratory. However the Group is entitled to 55% of the economic benefits, whereas the group Carso, which historically supported the laboratory's growth, remains shareholder with 30% economic benefits. Given the governance schemes implemented, which are in line with the «new governance 2014» currently in progress within Labco Group, Labco will have the power to direct the relevant activities and therefore consolidated globally Alpigène in compliance with IFRS 10.

iPP Analytics and iPP Facilities, created in May 2014, have started on October 1st 2014 the activity related to the contract with Basildon and Thurrock University Hospital NHS Foundation Trust and the Southend University Hospital NHS Foundation Trust.

Through this contract, iPP Analytics and iPP Facilities deliver the full range of laboratory services whilst the clinical interpretation and clinical advice functions continue to be provided by the Trusts' medical staff who remain employed by the NHS. iPP Analytics has been set up in order to integrate NHS staff following the transfert of employees from public to private sector (under *TUPE* regulations). The partnership and related contract will last for 10 years, with a possible extension of 5 years. Those partnerships, similarly to the Taunton & Somerset contract, would allow other Trusts in the region to join the collaboration. As at December 31, 2014 iPPA and iPPF contributed to the Group turnover for an amount of 8,0 M€.

5.1.2. Disposals

As described in the audited Consolidated Financial Statements of Labco for the year ended December 31, 2013, Labco group disposed its German cash generating unit to Sonic Healthcare on December 2nd, 2013 for an enterprise value of €76 million and generating a minor consolidated loss on sale. As a consequence, former German Cash Generating Unit is treated as discontinued operations under IFRS 5 and the comparative information for the period ended December 31, 2013 is restated for consolidated statement of income and statement of cash flow.

- Profit and loss items for the comparative period ended 31 December 2013 for Germany are reclassified after elimination of intercompany operations in a specific line: Net profit of the period from discontinued operations.
- Cash flow items for the comparative period ended 31 December 2013 for Germany are reclassified after elimination of intercompany operations in specific lines Cash flows from (used in) activities of discontinued operations for each aggregates Operating, Investing and Financing.
- For consistency all information in the disclosures related to comparative information of December 31, 2013 have been presented by restating German entities related information

Moreover on July 31st, 2014, the Group has disposed the entity Sabater Pharma in Spain, which was providing diagnostic services to the pharmaceutical industry for a price estimated to 1,2 M€. The Sabater Pharma entity generated a turnover amounting to 1,6 M€ for the twelve months ending December 31, 2013.

Note 5 Significant events (Continued)

5.1.3. Mergers and legal reorganisation

Labco Group has continued in 2014 like in 2013 to implement numerous mergers between French SELs, in order to reinforce, in compliance with French regulation, synergies actions by concentrating laboratories. Moreover similar mergers have also been performed in Spain and Portugal.

Country	Mergers
Portugal	Endoclab has been merged with J. Marinheira Monteiro, Miguel Pereira & Maria do Sameiro Sequeira, S.A
Portugal	Laboratorio de Analises Clinicas Dr. Joao Ribeiro e Dra. Maria da Graça Cardoso has been merged with J. Marinheira Monteiro, Miguel Pereira & Maria do Sameiro Sequeira, S.A
Portugal	Laboratorio de Analises Clinicas Dra. Maria da Graça Duarte Nunes, S.A has been merged with J. Marinheira Monteiro, Miguel Pereira & Maria do Sameiro Sequeira, S.A
Portugal	SGUS Madeira, SGPS, S.A has been merged with Laboratorio Medico Dr. David Santos Pinto e Dr. Fernando Teixeira, S.A
Portugal	LPD—Laboratorio Português de Analises Clinicas, S.U has been merged with Laboratorio Medico Dr. David Santos Pinto e Dr. Fernando Teixeira, S.A
Portugal	Rotarobal, SGPS, S.A has been merged with Laboratorio Medico Dr. David Santos Pinto e Dr. Fernando Teixeira, S.A
Portugal	Novanalise—Laboratorio de Analises Clinicas de Torres Novas, S.A has been merged with Laboratorio Medico Dr. David Santos Pinto e Dr. Fernando Teixeira, S.A
Portugal	Miralinese—Laboratorio de Analises Clinicas de Mira de Aire, S.A has been merged with Laboratorio Medico Dr. David Santos Pinto e Dr. Fernando Teixeira, S.A
France	Baud David has been merged with Bio-Rhône (ex Laboratoire de l'Avenue)
France	Laboratoire Chiche has been merged with LBM Labo Gascogne
France	Mallia has been merged with Mazarin
France	La Biologie Médicale has been merged with Novabio
France	LBMR Centre (Ternois) has been merged with BioAlliance

Moreover, a legal chart reorganization has been implemented leading to a joint ownership of the holding Labco Diagnostic Espana, which owns all our activities in Iberia, by Labco SA and our Belgian laboratory Roman Pais. As part of this reorganization, the Group initiated the liquidation process of the financial holding located in Sweden and owned by Labco Diagnostic Espana.

5.2. Implementation of a new framework of governance in the French SEL

During summer 2014, in order to adapt the corporate governance provisions to the development of the network's laboratories and to harmonize the corporate governance provisions of all the French laboratories benefiting from the anteriority clause, the Group has started to deploy in France a new corporate governance, contractual and organizational, structure for its SEL. A significant percentage of the Group's SEL, representing approximately 63% of the total French contribution to turnover for the year-end December 31, 2014, had adopted these new corporate governance arrangements.

That new framework of arrangements (articles of association, shareholder's agreement, private practice agreement model, internal rules and charter of management board members) re-emphasizes the contractual commitments existing historically and strengthen the control over the strategic and financial operations, which are deemed to be the relevant activities in the SEL, while enabling to comply strictly with the French regulations requiring that the majority (50,01%) of the voting rights of a SEL be held by the laboratory doctors (API) practicing in this SEL.

Note 5 Significant events (Continued)

Indeed, the shareholder's agreements signed with the laboratory doctors re-emphasize the commitments they accept, in continuity with the commitments stipulated historically in the integration agreements into Labco Group and in the share purchase agreement, and define new commitments among which obligations to sell their shares in the SEL. As a consequence, laboratory doctors from whom the Group acquires SEL or clinical laboratories who decide to stay in the Group, continue to run it on a day-to-day basis but are contractually bound to comply with the Group's policies and standards in terms of reporting, and in particular with respect to financial and accounting information, financing and centralized cash management, budgeting and, insofar as compatible with the French regulatory framework, management of the SEL.

Moreover that new framework set up Strategic Committee, as stipulated in the shareholders' agreements, governing bodies which enable the Group to exercise an exclusive control in the business management. Those strategic committees take strategic and financial decisions by a simple majority vote and are composed equally of API who are members of the SEL management boards (which are generally composed of three members) and of the representatives of the Group (in equivalent number). Given the contractual commitments made by the API parties to the agreements, the decisions proposed by the Group, are intended to be adopted with a favorable vote from the API who are members of the Strategic Committees.

5.3. Non-recurring restructuring plans

Follow up of "Deep Dive" efficiency program in France

In 2012, Group management performed a full and detailed review of French operations in order to restructure the French network by identifying productivity improvements through accelerated concentration and in-depth reorganization. This "Deep Dive" program into the French network resulted in a staff optimization plan including its associated implementation cost (severance packages).

As a consequence, non-recurring restructuring expenses were incurred in 2012 for 0,7 M€ and in 2013 for 0,8 M€. The provision of 0,1 M€ recorded as at December 31, 2013 for the residual measures has been reversed in 2014.

Program of rights to priority dividends repurchase for certain French laboratory doctors

Labco board of directors authorized in 2014 the repurchase of preference shares granting rights to priority dividends (called A shares) in certain SEL. As a consequence, since July 2014, share purchase agreements for those preference shares have been signed with the laboratory doctors practicing in 4 SEL for a total amount of 8,8 M€. Those preference shares repurchase operations are accompanied also by a renegotiation of the compensation schemes of each concerned laboratory doctor, essentially of the variable part which consequently decreased given the concerned laboratory doctors will no longer receive a priority dividends but a classical and significantly lower than the previous priority dividend variable compensation.

Restructuring in Spain

In the context of contract renegotiation with a major client, Labco management decided in Q1 2013 to significantly restructure the operations of the laboratories managing the contract in coordination with the client service need and incidentally the overheads. A formal restructuring plan has been implemented in Q1 2013 leading to record a non-recurring provision of 0,8 M€, partly used in 2013 for 0,5 M€ and the remainder has been fully used in 2014 with non-recurring expenses recorded for an amount of 0,4 M€.

Furthermore the Group acquired on October 2nd, 2014 a building located in Barcelona to bring together the activities of 5 production plants, a storage facility and administrative offices at a single location. That consolidation on a unique site will lead to deeply reorganize the operations in the Barcelona area and will enable to optimize the productivity and to reduce the structure costs.

Those restructuring measures include dismissal of employees, transforming certain laboratories into collection centers, as well as early cancelation of equipment and real estate leasing agreements.

As a consequence, a provision for restructuring amounting to 1 144 K€ and assets depreciation for 281 K€ have been recorded as at December 31, 2014.

Note 5 Significant events (Continued)

5.4. Strategic projects

End of August 2014, Labco Group, following the request from the board of directors and with the full support of its shareholders, confirmed during the shareholders' meeting of October 2nd 2014, initiated the review of strategic options for an initial public offering (IPO) project in order to fuel the growth strategy. Taking into account end 2014 stock markets evolution, the IPO project has been postponed to 2015 and the opportunity to make the initial public offering will be analysed depending on the market conditions changes.

As a consequence, the Group, mainly Labco SA, has incurred non-recurring costs for an amount of 5,3 M€ related mainly to external advisors, lawyers or auditors fees for works to be used internally for various strategic options and for the preparation of the IPO project. Those costs are recorded in non-recurring expenses as at December 31, 2014.

Note 6 Acquisitions of subsidiaries

Business combination

Main acquisitions during the 2013 reporting period are shown below by country. At the end of the 1 year window period, most goodwill have been confirmed with no significant changes.

Country	Entities	Goodwill
France	Baud David	6 290
France	Mallia	4 404
France	Jollivet Bernard	3 020
France	Notteghem	2 443
France	Chiche	1 851
France	Chatelier Peronneau	900
France	Vial & Le Dunff	866
Spain	Laboratorio Global	325
UK	iPP 49% d'intérêts minoritaires	(806)

Main acquisitions during the reporting period are shown below by country:

Acquisition date	Country	Entities	Goodwill
30.07.2014	Italy	SDN S.p.A	96 075
27.03.2014	France	LBMR Centre	8 898
27.03.2014	France	LBMR Normandie	5 255
20.06.2014	Italy	Visconteo	1 936
31.03.2014	France	LABM Lesaulnier	1 746
01.07.2014	Belgium	Van Risseghem	1 597
31.03.2014	France	SCP Horstmann (Les Abraysiennes)	1 441
17.02.2014	Spain	Clinic Baleares	1 378
01.07.2014	France	Bourelly	935
30.04.2014	Spain	CIG-GM	874
28.02.2014	Spain	Sanilab Molecular	578
25.09.2014	France	Alpigène	308

All small to medium size acquired companies earn revenues from medical analyses. Through these acquisitions the Group expects to reduce costs through economies of scale, and the goodwill thus represents mainly the fair value of the expected synergies resulting from the acquisition. Through the strategic acquisition of SDN group, the Group is extending its reach into fully integrated diagnostics and nuclear medicine. Furthermore thanks to that acquisition, Labco is becoming one of the leaders of medical diagnostic in Italy. The goodwill generated by SDN group acquisition allocated to Cash Generating Unit Italy represents mainly the fair value of a leadership position, technical leadership and know-how of employees and expansion of activities for Labco Group.

All amounts are provisional and subject to modification in the twelve months period following the acquisition date.

Note 6 Acquisitions of subsidiaries (Continued)

The cumulative effect of usual small size acquisitions on the Group's assets and liabilities on acquisition date corresponding to identifiable assets acquired and liabilities assumed for share deals acquisitions performed in 2014 as well as cumulative consideration transferred is presented below:

Acquisition price	**19 634**
In thousand of euros	**TOTAL**
Property, Plant and Equipment	**1 605**
Intangible assets	**2**
Investment in equity accounted investees	**0**
Other non-current assets	**245**
Deferred tax assets	**43**
Inventory	**166**
Trade Receivables	**1 388**
Other current assets	**782**
Cash and cash equivalents	**3 494**
TOTAL ASSETS	**7 725**
Provisions	**120**
Employee benefits liabilities	**254**
Deferred tax liabilities	**0**
Financial liabilities	**3 903**
Trade Liabilities	**1 202**
Other current liabilities	**1 185**
TOTAL LIABILITIES	**6 665**
Contingent liabilities	**0**
Total net identifiable assets	**1 060**
Goodwill	**18 573**

In addition to Goodwill generated by share deals, Labco also made acquisitions of asset that generated an increase of goodwill amounting to 6,4 M€.

The effect of the strategic acquisition of SDN group on the Group's assets and liabilities on acquisition date corresponding to identifiable assets acquired and liabilities assumed as well as consideration transferred is presented below. The purchase price of SDN group amounts to 115 M€ including a deferred payment of 10 M€ to be paid in 2 years time under certain condition. Had SDN group been consolidated from January 1, 2014 the consolidated statement of income would have included additional revenue of 33,9 M€ and EBITDA of 18,1 M€. The contribution of SDN group since the acquisition date amounts to 14,1 M€ of total revenue and 3,8 M€ of EBITDA.

Note 6 Acquisitions of subsidiaries (Continued)

SDN Group:

In thousand of euros	TOTAL
Acquisition price	**115 000**
Property, Plant and Equipment	**12 246**
Intangible assets	**45**
Investment in equity accounted investees	**0**
Other non-current assets	**1 438**
Deferred tax assets	**(380)**
Inventory	**426**
Trade Receivables	**13 846**
Other current assets	**8 219**
Cash and cash equivalents	**7 379**
TOTAL ASSETS	**43 218**
Provisions	**2 490**
Employee benefits liabilities	**795**
Deferred tax liabilities	**0**
Financial liabilities	**1 416**
Trade Liabilities	**5 630**
Other current liabilities	**13 962**
TOTAL LIABILITIES	**24 292**
Contingent liabilities	**0**
Total net identifiable assets	**18 926**
Goodwill	**96 074**

Note 7 Segment information

The information by geographical segment presented below corresponds to the information used by the Group General management to allocate resources to the various segments and to assess each segment's performance. It is extracted from the Group's consolidated reporting system and prepared in accordance with the same accounting rules as in the consolidated financial statements and set out in the notes thereto. The policies applied to determine the operating segments presented are set out in Note 3.18.

SEGMENT REPORTING (€ 000)	Southern Europe	Northern Europe	Total Group
Total revenue	**214 308**	**401 322**	**615 630**
EBITDA	**34 000**	**79 249**	**113 250**
Results from operating activities after non-recurring activities	**19 133**	**49 088**	**68 221**
Net finance costs			(64 506)
Income tax expenses			(18 701)
Share of profit of associates			431
Net profit of the period			**(14 554)**
Including Depreciation, impairment losses and amortization, provisions and reversals	*(9 268)*	*(14 913)*	*(24 181)*
Capital expenditures	**18 618**	**17 385**	**36 003**

Capital expenditures correspond to gross non-current tangible and intangible asset purchases, including cash timing difference and excluding purchases of assets under finance lease.

Note 7 Segment information (Continued)

Detailed revenue by country breaks down as follows:

€ 000	2014	%	2013	%
Northern Europe	**401 322**	**65%**	**357 873**	**65%**
France	**342 330**	**56%**	325 350	59%
Belgium	**29 999**	**5%**	27 161	5%
United Kingdom	**27 002**	**4%**	4 429	1%
Switzerland	**1 990**	**0%**	933	0%
Southern Europe	**214 308**	**35%**	**189 438**	**35%**
Iberian Peninsula	**158 697**	**26%**	151 190	28%
Italy	**55 611**	**9%**	38 248	7%
Total revenue	**615 630**	**100%**	**547 311**	**100%**

Iberian Peninsula (Iberia) corresponds to the aggregate of Portugal and Spain.

Note 8 Payroll related expenses

€ 000	2014	2013
Subcontracting and temporary staff	**(12 686)**	**(9 698)**
Salaries and wages	**(180 680)**	**(163 632)**
Social security contributions	**(52 137)**	**(49 862)**
Other personnel related costs	**(11 261)**	**(9 261)**
Total payroll related expenses	**(256 763)**	**(232 452)**

Number of persons	2014	2013
Executives	**620**	490
Liberal agreement	**357**	345
Employees	**5 234**	4 277
Total Number of persons	**6 211**	**5 112**

Other personnel related costs include amongst other profit sharing, pensions expenses, travel expenses, fees for training of personnel, food allowances.

Salaries and wages expenses include also the variable remuneration paid to biologists under various legal forms, either compensation paid as salary or fees or, mainly for French biologists, the priority dividends paid on the current year result.

As explained in the basis of preparation section, the priority dividends to be paid to certain laboratory doctors after year-end are recognized as employee benefits expense and liability in the current year.

Information about the share based payment transactions is included in *note 25—Share based payment schemes.*

Note 9 Other operating expenses

€ 000	2014	2013
Operating lease & rental expenses	**(34 226)**	(29 359)
Taxes	**(4 128)**	(2 720)
Repairs & maintenance & insurance expenses	**(17 085)**	(14 316)
Consulting & advisory fees	**(12 824)**	(10 888)
Utilities	**(20 485)**	(18 487)
Other expenses	**(13 382)**	(8 757)
Total other operating expenses	**(102 130)**	**(84 527)**

Other operating expenses include amongst other service charges relating to security and cleaning, marketing related expenses, storage costs as well as write off related to receivables.

Note 9 Other operating expenses (Continued)

According to revised IFRS 3 the transactions costs related to acquired entities are recorded in the consolidated statement of income, as well as with transaction costs for abandoned deals. Given the non operational, irregular or non-recurring nature of these costs, they have been presented on a separate line of consolidated statement of income, and depending on the amount of costs incurred by transaction project, they are qualified as transaction costs for usual small size acquisitions recorded as other operating expenses, or they are qualified as transaction costs for significant and unusual transactions (for example the strategic acquisition of SDN group in July 2014) recorded as non recurring operating expenses in the line Perimeter effect

The Group incurred acquisition-related costs of 1 473 K€ in 2014 (2013: 972 K€) for usual small size acquisition relating to external legal fees, due diligence costs and stamp taxes.

Note 10 Non recurring income and expenses

€ 000	2014	2013
Restructuring expenses and provisions for major litigations	**(13 127)**	(5 525)
Perimeter effect	**(1 806)**	356
Impairment of goodwill	**0**	0
Impairment and reversal of impairment on other non-operational assets and liabilities	**(6 424)**	2 352
Gains/(losses) on sale of assets	**510**	3 091
Non-recurring income and expenses	**(20 848)**	**273**

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities mainly include in 2014 following expenses or provisions:

- 8,8 M€ of non-recurring expenses incurred in relation with the repurchase of, or the commitment to repurchase, rights to priority dividends of certain French biologists for 4 French SELs. (refer to Note *Significant Events*)
- 0,4 M€ of restructuring expense in Spain in relation with the remaining actions of the 2013 restructuring plan implemented in the context of contract renegotiation with a major client. The corresponding use of restructuring provisions has been recorded in the line Impairment and reversal of impairment on other non-operational assets and liabilities.
- 5,3 M€ of non-recurring costs expensed mainly in relation to strategic projects, and especially the preparation of the IPO project.
- 0,6 M€ of non-recurring expenses related to a significant litigation with an IT service provider as a consequence of our laboratory Roman Pais in Belgium being condemned in appeal after 10 years of proceedings.
- 0,7 M€ of non-recurring provisions to cover the risk related to Dillenburg litigation. Indeed the share purchase agreement signed with Sonic on December 2nd 2013 stipulates a liability warranty covering notably the Dillenburg litigation. (refer to Note 27 *Litigations and contingent liabilities*).
- 1,7 M€ of non-recurring expenses related to an amicable settlement with the CPAM (Primary Sickness Insurance Funds). Indeed, a French laboratory issued erroneous invoices during several years as a consequence of an input mistake for the price of a new testing in its IT system. It voluntarily informed the CPAM of that error and an amicable settlement has been signed in order to reimburse the wrongly over-invoicing.
- 1,1 M€ of restructuring provisions in Spain in the context of the Barcelona concentration project (refer to the Note *Significant Events*).

Perimeter effect in 2014 corresponds to the transactions costs for major acquisitions projects amounting to 2,0 M€, mainly related to the strategic acquisition of SDN group in Italy implemented on July 30, 2014 as well as changes in fair value of earn-outs after the evaluation period of one year for proceeds of 152 K€. Gains on sale of assets mainly include the consolidated gain on Sabater Pharma disposal.

Note 10 Non recurring income and expenses (Continued)

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities mainly include in 2013 following expenses or provisions:

- 0,7 M€ of restructuring expenses in relation with the remaining actions of the 2011 restructuring schemes implemented in Iberia with the corresponding use of restructuring provisions.
- 0,8 M€ of restructuring expenses in relation with the French "Deep dive" efficiency program actions performed in 2013
- 0,8 M€ of restructuring provision set up in Spain in Q1 2013 for the new restructuring plan implemented in the context of contract renegotiation with a major client and provision used for 0,5 M€ during the last nine months 2013
- 1,8 M€ of non-recurring costs expensed mainly in relation to strategic projects including indirect advisors costs for the refinancing operation.
- 0,8 M€ of income related to the badwill generated by the iPP acquisition.

Furthermore the iPP step up acquisition leads also to record a non-recurring gain on sale of assets amounting to 3,4 M€ corresponding to the historical 51% Labco's share in iPP recorded previously under equity method as well as its remeasurement at fair value at acquisition date.

Perimeter effect corresponds to earn out variations of fair value subsequent to the 1 year window period for an income of 356 K€.

Note 11 Net finance costs

€ 000	2014	2013
Financial income	**878**	740
Interest Expenses on Financial liabilities measured at amortized costs	**(62 771)**	(57 746)
Other interest expenses	**(1 666)**	(1 422)
Derivatives for hedging	**(108)**	0
Derivatives at fair value through P&L	**14**	16
Subtotal Cost of net debt	**(63 653)**	**(58 411)**
Other financial expenses	**(853)**	(720)
Net Finance Costs	**(64 506)**	**(59 131)**

Other financial expenses correspond mainly to the unwinding of the discount on provisions and other financial charges like foreign exchanges gains and losses.

As a consequence of the issuance on February 13, 2013 of additional 8,5% Senior Secured Notes due 2018 for an aggregate nominal of 100 M€, the financial charges have increased proportionally.

The interest expenses correspond now mainly to the 500 M€ Senior Secured Bonds at an effective interest rate of 9%, the additional 100 M€ Senior Secured Bonds at an effective interest rate of 8.6%, and the commitments fees and amortization of RCF debt issuance costs for the undrawn part of the Revolving Credit Facility as at December 31, 2014.

Moreover, the cost of net debt include also some one-off costs related to the amendments of the revolving credit facility agreement dated January 2011 (RCF), implemented end of 2014, which substantially modified the terms and conditions. Indeed, the debt issuance costs related to the previous RCF capitalized and not yet amortized have been recorded as non-recurring financial expenses amounting to 3,1 M€ whereas the debt issuance costs related to the amended agreement have been capitalized and will be amortized over the amended maturity. Please refer to the note 23 *Borrowings and other financial liabilities* for the description of the substantial modifications negotiated especially in terms of duration, interest rate (margin decreased by 75 points) and covenants.

Note 12 Income tax expenses

€ 000	2014	2013
Current income tax expenses	**(16 205)**	**(18 091)**
CVAE Tax in France	(3 107)	(3 050)
Deferred tax expenses	**611**	**10**
Total income tax expenses	**(18 701)**	**(21 131)**

Tax proof

The Group has operations in various tax jurisdictions which have different tax laws and rates. Consequently, the effective tax rate on consolidated income may vary from year to year, according to the source of earnings.

€ 000	2014	2013
Net profit of the period from Continued Operations	(14 554)	6 000
Share of profit of associates	431	(1 265)
Income tax recorded	(18 701)	(21 130)
including CVAE tax in France	*(3 107)*	*(3 050)*
Recorded income tax before CVAE tax	**(15 594)**	**(18 080)**
Consolidated earnings before tax and before impairment	3 715	28 395
Consolidated earnings before tax and impairment (inc. CVAE)	**608**	**25 346**
Tax rate	33,33%	33,33%
Theoretical income tax expense (1)	**−203**	**−8 448**
Recorded income tax expense (2)	**−15 594**	**−18 080**
Difference (2) – (1)	**−15 391**	**−9 633**
Permanent differences between book to tax result	144	661
Unrecognized deferred tax assets	(10 595)	(10 733)
Tax adjustment on prior period	547	331
Other Taxes (IRAP+distribution tax + withholding tax – Deferred tax exemption on prior year dividends received)	(496)	(696)
Cancellation in consolidation of Italian goodwill amortization locally deductible& of depreciation of commercial goodwill	430	1 385
Non-deductible expenses recorded in consolidation	(5 257)	(1 563)
Previlabor liquidation in 2014 Consolidated gain on purchase of iPP and sale of Germany in 2013	187	1 683
DTA recognition	538	280
Write off of Deferred Tax Assets	0	0
Cancellation of hedging financial instruments & net investment hedge	(266)	(11)
*Other (including tax rates difference impact)	(623)	(969)
Total explained	**(15 391)**	**(9 632)**

Unrecognized deferred tax assets correspond mainly to the losses incurred and the non tax deductible interests.

The Group has incurred losses for which no deferred tax asset has been recognized because to date, no expected future tax benefits, which according to financial projections based on current financing structure and conditions, can be used to offset future taxable income in a timeframe of 5 years.

The non-deductible expenses correspond mainly to the effect of the restatements of priority dividends paid to French biologists that have been classified as remuneration expenses under IFRS and as non-recurring expenses for the priority dividends rights repurchased. In fact those priority dividends are not an expense recorded in statutory books, and as a consequence it will not generate any tax benefits.

Note 12 Income tax expenses (Continued)

Tax losses and tax credits not recognised as deferred tax assets amounted to 113 M€ as of December 31, 2014, tax losses mainly originated in Iberia.

€ 000	
Total tax losses carried forward at 1 January 2014	**111 026**
Losses generated during the year	**7 182**
Perimeter Variations	**300**
Losses utilised or time barred during the year	**(4 720)**
Total tax losses carried forward at 31 December 2014	**113 788**
—Expiring in less than five years	**1 900**
—Expiring in more than 15 years (or indefinite tax loss carry-forwards)	**111 888**
Total tax losses carried forward at 31 December 2014	**113 788**

Note 13 Goodwill

€ 000	Goodwill
Gross amount	
Balance at 1 January 2013	**751 619**
Additions	**0**
Disposals	**(97 174)**
Perimeter variations	**22 038**
Other	**0**
Balance at 31 December 2013	**676 483**
Balance at 1 January 2014	**676 483**
Additions	**0**
Disposals	**0**
Perimeter variations	**120 932**
Other	**0**
Balance at 31 December 2014	**797 415**
impairment	
Balance at 1 January 2013	**(131 000)**
Impairment charge	**0**
Perimeter variations	**36 000**
Other	**0**
Balance at 31 December 2013	**(95 000)**
Balance at 1 January 2014	**(95 000)**
Impairment charge	**0**
Perimeter variations	**0**
Other	**0**
Balance at 31 December 2014	**(95 000)**
Carrying amount	
At 1 January 2013	**620 619**
At 31 December 2013	**581 483**
At 1 January 2014	**581 483**
At 31 December 2014	**702 415**

Note 13 Goodwill (Continued)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units defined at the level of a country, except for Iberia (including Spain and Portugal), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each group of unit and key assumptions of the impairment testing model are as follows:

€ 000	Total	France	Italy	Iberia	Germany	Belgium
Goodwill carrying amount at 31 December 2013	581 483	367 747	30 606	165 364	0	17 764
Goodwill carrying amount at 31 December 2014	**702 415**	**386 455**	**128 617**	**167 979**	**0**	**19 360**
Change in goodwill carrying amount 31.12.2014 - 31.12.2013	**120 932**	**18 709**	**98 011**	**2 615**	**(0)**	**1 597**
Perpetual Growth Rate 2013	0.5% - 2.0%	0,5%	2,0%	0,5%	NA	2,0%
Discount rate 2013	8,5%	8,5%	8,5%	8,5%	NA	8,5%
Perpetual Growth Rate 2014	**0.5% - 2.0%**	**0,5%**	**2,0%**	**0,5%**	**NA**	**2,0%**
Discount rate 2014	**8,0%**	**8,0%**	**8,0%**	**8,0%**	**NA**	**8,0%**

The recoverable amount of each cash-generating unit was based on its value in use which was determined by discounting the future cash flows generated from the continuing use of the unit. The main assumptions on which the value in use of a cash generating unit is based are the discount rate and trends in volumes, prices and direct costs (inflation) over the period. The calculation of the value in use was based on the following key components:

- The Group's 5 years business plans updated during Autumn 2014 in the context of strategic projects, rationalized with 2015 budget and with the year 2019 extrapolated using perpetual growth rate assumptions. Trends in volumes, prices and direct costs are based on past trends and on the future market outlook which include a certain level of uncertainties, especially in the current context of economic difficult environment in certain European countries.
- The cash flows projections for the years 2014 to 2019 include also:
  - Taxes impact by applying an average theoretical rate per country;
  - Working capital variance;
  - Capital expenditures corresponding in general to 2,5% of forecasted annual turnover.
- The terminal value is then calculated by discounting the forecast flows of the last year (2019) using a perpetual growth rate between 0,5% and 2% depending on the cash generating unit. This percentage is management's best estimate of the expected market evolution based on an organic growth rate such as inflation.
- The discount rate is based on the Group's weighted average cost of capital (WACC) including a leveraged beta, cost of debt and cost of equity (including market risk premium and size premium); Discount rates used are post-tax discount rates applied to post tax cash flows. Applying those rates result in value in use similar to those computed using pre-tax discount rates applied to pre-tax cash flows. (as requested by IAS 36).

Result of annual impairment testing

After having performed the annual impairment testing on goodwill, it appeared that no impairment had to be recorded.

With regards to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumption would cause the carrying value of the unit to exceed materially its recoverable amount.

Note 13 Goodwill (Continued)

By applying the sensitivity test to the discount rate and growth rate assumptions, it appears that an increase or a decrease of 100 basis point would not significantly change the conclusions of the impairment tests.

Note 14 Intangible assets

€ 000	Software and patents	Others	Total
Cost or deemed cost			
Balance at 1 January 2013	**24 616**	**3 954**	**28 570**
Additions	3 785	843	**4 627**
Disposals	(720)	(19)	**(740)**
Perimeter variations	9 249	5	**9 254**
Translation ajustment	(240)	0	**(240)**
Other	90	4	**94**
Balance at 31 December 2013	**36 779**	**4 786**	**41 565**
Balance at 1 January 2014	**36 779**	**4 786**	**41 565**
Additions	3 214	2 084	**5 298**
Disposals	(241)	(51)	**(291)**
Perimeter variations	314	15	**330**
Translation ajustment	874	0	**874**
Other	571	(571)	**(0)**
Balance at 31 December 2014	**41 511**	**6 264**	**47 775**
Amortization and impairment losses			
Balance at 1 January 2013	**(15 350)**	**(614)**	**(15 964)**
Amortisation for the year	(2 557)	(33)	**(2 589)**
Reversal	664	(1)	**663**
Perimeter variations	1 591	(74)	**1 516**
Translation ajustment	1	0	**1**
Other	(12)	(155)	**(166)**
Balance at 31 December 2013	**(15 662)**	**(877)**	**(16 539)**
Balance at 1 January 2014	**(15 662)**	**(877)**	**(16 539)**
Amortisation for the year	(4 084)	(374)	**(4 458)**
Reversal	213	51	**264**
Perimeter variations	(281)	(2)	**(284)**
Translation ajustment	(82)	0	**(82)**
Other	(38)	191	**153**
At December 31, 2014	**(19 934)**	**(1 012)**	**(20 946)**
Carrying amount			
At 1 January 2013	**9 266**	**3 339**	**12 605**
At 31 December 2013	**21 117**	**3 910**	**25 027**
At 1 January 2014	**21 117**	**3 910**	**25 027**
At 31 December 2014	**21 578**	**5 252**	**26 829**

The line "Perimeter variations" in 2013 corresponds mainly to the effect of the full consolidation of iPP and the Taunton & Sommerset intangible contract recorded as a consequence of the measurement at fair value of assets acquired.

Impairment testing on Software and Patents and other intangible assets

As of December 31, 2014, the Group has assessed that there were no impairment indicators relating to software, patents and other intangible assets.

Note 15 Property, plant and equipment

€ 000	Land and buildings	Technical equipment & Furniture	IT equipment and vehicles	Other tangible assets	Total
Cost or deemed cost					
Balance at 1 January 2013	**26 992**	**120 349**	**22 215**	**38 057**	**207 614**
Additions	778	13 180	2 696	6 232	**22 886**
Disposals	(381)	(8 357)	(1 077)	(894)	**(10 709)**
Perimeter variations	4 141	(7 323)	(1 766)	1 013	**(3 935)**
Translation ajustment	122	(5)	(6)	1	**112**
Other	23	(934)	(99)	(724)	**(1 735)**
Balance at 31 December 2013	**31 675**	**116 910**	**21 963**	**43 685**	**214 233**
Balance at 1 January 2014	**31 675**	**116 910**	**21 963**	**43 685**	**214 233**
Additions	14 205	9 102	2 679	8 709	**34 694**
Disposals	(2 820)	(5 180)	(1 134)	(977)	**(10 111)**
Perimeter variations	8 793	14 599	2 067	1 625	**27 084**
Translation ajustment	248	214	15	22	**497**
Other	(4 243)	(1 972)	(132)	1 182	**(5 165)**
Balance at 31 December 2014	**47 857**	**133 673**	**25 457**	**54 245**	**261 232**
Depreciation and impairment losses					
Balance at 1 January 2013	**(17 270)**	**(89 049)**	**(17 539)**	**(23 905)**	**(147 761)**
Depreciation for the year	(1 708)	(11 153)	(2 479)	(2 350)	**(17 689)**
Reversal	388	7 235	1 021	787	**9 431**
Perimeter variations	1 243	5 131	1 012	(528)	**6 858**
Translation ajustment	(4)	(2)	3	0	**(3)**
Other	(21)	1 763	309	101	**2 153**
Balance at 31 December 2013	**(17 372)**	**(86 075)**	**(17 673)**	**(25 895)**	**(147 015)**
Balance at 1 January 2014	**(17 372)**	**(86 075)**	**(17 673)**	**(25 895)**	**(147 015)**
Depreciation for the year	(1 941)	(12 018)	(2 442)	(3 090)	**(19 491)**
Reversal	2 505	4 638	1 069	937	**9 149**
Perimeter variations	(6 158)	(4 337)	(1 665)	(1 064)	**(13 224)**
Translation ajustment	(14)	(65)	(4)	0	**(83)**
Other	924	2 380	286	(909)	**2 680**
At 31 December 2014	**(22 056)**	**(95 478)**	**(20 429)**	**(30 021)**	**(167 984)**
Carrying amount					
At 1 January 2013	**9 723**	**31 301**	**4 677**	**14 152**	**59 853**
At 31 December 2013	**14 303**	**30 835**	**4 290**	**17 790**	**67 218**
At 1 January 2014	**14 303**	**30 835**	**4 290**	**17 790**	**67 218**
At 31 December 2014	**25 801**	**38 196**	**5 028**	**24 225**	**93 249**

Property, plant and equipment at 31/12/2014 break down by country as follows:

€ 000	France	Italy	Iberia	Germany	Switzerland	UK	Belgium	Total
Carrying amount								
At 1 January 2013	**27 266**	**6 979**	**16 826**	**5 142**	**0**	**134**	**3 505**	**59 853**
At 31 December 2013	**32 998**	**6 171**	**15 968**	**0**	**264**	**8 128**	**3 689**	**67 218**
At 1 January 2014	**32 998**	**6 171**	**15 968**	**0**	**264**	**8 128**	**3 689**	**67 218**
At 31 December 2014	**36 369**	**17 684**	**26 158**	**0**	**231**	**8 027**	**4 779**	**93 249**

Note 15 Property, plant and equipment (Continued)

Leased plant and machinery

Included in the Property, Plant and equipment schedule are the finance lease plant and machinery:

€ 000	31.12.2014	31.12.2013
Leasing—Buildings & improvements (gross)	**4 015**	6 347
Leasing—Buildings & improvements—(dep)	**(293)**	(239)
Net-book value	**3 722**	**6 108**
Leasing—furniture, industrial fixtures, equipment and tooling (gross)	**45 816**	39 946
Leasing—furniture, industrial fixtures, equipment and tooling (amt)	**(29 627)**	(24 460)
Net-book value	**16 189**	**15 486**
Leasing—motor vehicles (gross)	**852**	706
Leasing—Motor vehicles (dep)	**(519)**	(447)
Net-book value	**332**	**259**
Leasing—IT equipment (gross)	**77**	72
Leasing—IT equipment (dep)	**(28)**	(12)
Net-book value	**49**	**60**
Net lease property under finance leases	**20 292**	**21 914**

The leased plant and machinery mainly relate to the automats included in technical equipment used for medical analyses. The contracts in use for this activity stipulate that, if the laboratory buys exclusively from the supplier chemical reagents for a certain indicative volume during the term of the contract, the supplier, in return, puts an automat at the disposal of the Group for free during the contractual period (referred to as "pay per test" equipment").

These "put at disposal" schemes, although not under the legal form of a leasing agreement, correspond, in substance, to a lease agreement whereby the global price paid for the reagent includes the cost of the consumable and the rent/lease of the machine. As a consequence under IFRS, such agreements are analysed in accordance with IAS 17 on leases with respect to the transfer of majority of risks and rewards.

A number of such contracts have been classified as finance leases. For these contracts, the relating finance lease assets and liabilities have been recognized on the balance sheet at the lower of the fair value of the asset and the present value of the minimum lease payment at inception of the contract. The assets are depreciated over the average lease term (60 months).

Note 16 Investments in associates

The Group's share of profit in its associates (equity accounted investees) for the year was 431 K€ (2013: (1 265) K€).

Following the acquisition of the controlling ownership in 2013 of the UK joint venture iPP and the Spanish laboratory Genetica Molecular Laboratorio SL, the remaining investments in associates of Labco Group are mainly a 49% interest in a French biology laboratory (Val de Garonne), a 36% interest in an entity, Labo des Charentes, owned by Isolab and a Spanish biology laboratory (Lab Dos Analisis).

Otherwise the Group owned interests between 10% and 50% in local Economic Interest Group (so called Société Civile de Moyens [SCM] in France and Consorzio in Italy), which corresponds to entity in which support functions are pooled and working for the Labco group labs but also other external entities. For those entities, the Group has significant influence but no control of the entities.

In 2014 the Group receives dividends from its investments in equity accounted investees for an amount of 379 K€ (2013: 329 K€).

Note 16 Investments in associates (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

€ 000 Companies	31.12.2014 Equity	% interest	Gross value including goodwill	Provisions for losses
VAL DE GARONNE	2 443	**49%**	1 348	0
SCM AZURLAB	(6)	**28%**	(2)	0
SCM GRAM	(8)	**40%**	(3)	0
SCI ST COME	(122)	**48%**	0	58
CAM ECO SERVICE	165	**41%**	68	0
CONSORZIO	85	**33%**	28	0
CONSORZIO GENETICO	210	**33%**	70	0
LAB DOS ANALISIS	383	**50%**	188	0
LABO DES CHARENTES	952	**36%**	340	
Total	**4 101**		**2 037**	**58**

Summarized financial information for the main investments in associates is as follows (100% of amounts) :

€ 000	31.12.2014	31.12.2013
Current assets	**6 289**	5 879
Non current assets	**780**	814
TOTAL ASSETS	**7 069**	**6 693**
Shareholders' equity (Group share)	**4 109**	4 026
Financial debt	**69**	69
Other liabilities and provisions	**2 891**	2 598
TOTAL LIABILITIES	**7 069**	**6 693**

Income statement	31.12.2014	31.12.2013
Revenue	**17 430**	17 063
Results from operating activities	**1 146**	1 183
Net profit for the period	**754**	**786**

Note 17 Other non-current assets

€ 000	31.12.2014	31.12.2013
Available-for-sale financial assets (non consolidated investments)	**1 126**	836
Other available-for-sale financial assets	**2 524**	2 093
Deposits and guarantees	**5 415**	5 364
Derivatives used for hedging	**0**	0
Non-current receivables	**2 065**	972
Other non current assets	**11 131**	**9 265**

Non-current assets correspond mainly to deposits and guarantees provided to lessors for the renting of buildings and other premises, as well as non-current other receivables.

For entities in which the Group has an ownership below 20% or no significant influence, they are not consolidated and the investments in those entities have been classified as available for sale financial assets pursuant to IAS 39 and, as such, recognized at fair value or historical value when fair value could not be reliably estimated. Available-for-sale financial assets (non consolidated investments) and other available-for-sale assets are categorized within level 3. Unrealized gains and losses are taken directly to other comprehensive income, except for impairment losses that are recognized in the Income Statement. No unrealized gain or loss was recognized in 2014 and 2013.

Note 17 Other non-current assets (Continued)

The principal equity investments in unconsolidated companies held by the Group are as follows:

€ 000	31.12.2014	% ownership	31.12.2013	% ownership
Nancy Haut SCI	**13**	**3,16%**	13	3,16%
Clinique Jules Vernes	**27**	**2,28%**	27	2,28%
Clinique Saint Charles	**33**	**0,06%**	33	0,06%
Clinique Pasteur	**83**	**4,10%**	83	4,10%
SCI Pasteur	**76**	**2,18%**	76	2,18%
SCI Ambroise Paré	**27**	**6,25%**	27	6,25%
Fondazione SDN	**250**	**100,00%**		
Societa Biomedica Bioingegneristica Campana	**4**	**7,20%**		
Campania Bioscience SCARL	**20**	**1,30%**		
Inst. Medic. Alt Camp	**0**	**25,00%**	0	25,00%
C.M. Tarragona	**0**	**2,73%**	0	2,73%
Clinica de Sampedro, Lda	**100**	**29,73%**	100	29,73%
MMC- Madeira Medical Center, SA	**73**	**12,95%**		
Centro Medico Delfos	**87**	**1,54%**	87	1,54%
Instituto Médico e Radiológico—IMRPT, S.A.	**119**	**10,00%**	119	10,00%
Clinévora, Clínica Médica de Évora, Lda.	**72**	**37,00%**	72	37,00%
Laboratorios Martinez Reig	**40**	**100,00%**	44	100,00%
CIC Peru	**0**	**70,00%**	33	70,00%
Hematologia y genetica	**29**	**49,00%**	29	49,00%
Labco Coporate Assistance	**10**	**100,00%**	10	100,00%
Labco Services France	**10**	**100,00%**	10	100,00%
Other unconsolidated equity investments	**54**		73	
Total unconsolidated equity investments	**1 126**		836	

The entities Labco Corporate Assistance and Labco Services France owned at 100% by Labco SA are not consolidated as at December 2014 because they have no activity since their creation at year-end 2012. Those entities join in 2013 the Labco SA tax integration but remain with no activity until Labco management decides otherwise. The entity Laboratorios Martinez Reig was acquired in 2012 and Hematologia y genetic has been acquired in 2013 and for both entities financial information are not available timely but they have a limited activity. CIC Peru set up in 2013 and CIC Mexico set up in 2014 are also not consolidated because they have a very limited activity and no financial information is available timely. Following the acquisition of the SDN group, we own a scientific non-profit trust, Fondazione SDN, which perform research related to improvements of nuclear medicine technologies and is involved in European program benefiting from European funds.

Note 18 Deferred tax assets and liabilities

€ 000	Notes	31.12.2014	31.12.2013
Deferred tax assets on temporary differences book to tax		**2 631**	944
Deferred tax liabilities on temporary differences book to tax		**(5 985)**	(4 957)
Tax Losses carried forward	(a)	**4 807**	5 193
Temporary differences relating to provisions (mainly retirement indemnities)		**3 681**	2 137
Temporary differences relating to fixed asset (mainly finance leases)		**(259)**	165
Deferred tax on derivatives		**46**	51
Net deferred tax		**4 920**	**3 533**
—Deferred tax assets		**10 909**	8 579
—Deferred tax liabilities		**(5 988)**	(5 046)
Net deferred tax		**4 920**	**3 533**

(a) Capitalized tax losses carried-forward represent mainly French entities for 2,1 M€, Iberian entities for 2,0 M€ and UK entities for 0,7 M€. The activation of deferred tax assets on tax losses carried forward is completed based on Labco's management estimate of the probability to use these losses within the next 5 years based on our forecasts taking into account the current financing structure and conditions.

Note 19 Inventories

€ 000	31.12.2014	31.12.2013
Raw materials	**2 538**	1 346
Reagents (net)	**8 742**	6 884
Total Inventories	**11 280**	**8 230**

There were no significant write-offs regarding inventories during 2013 and 2014. The inventories increase is mainly due to the recent start in Q4 2014 of the activity related to the Basildon & Southend outsourcing contract.

Note 20 Trade receivables and other current assets

€ 000	31.12.2014	31.12.2013
Trade receivables	**91 355**	**85 517**
Other current assets	**23 469**	**12 946**
Prepaid expenses and accrued income	**3 942**	3 377
Receivables related to taxes	**16 533**	7 438
Other receivables	**2 994**	2 130
Current derivatives	**0**	0
Trade receivables and other current assets	**114 825**	**98 463**

The increase in Trade receivables is explained by the effect of the acquisitions, especially the acquisition of the SDN group in July 2014.

€ 000	Gross	Impairment	Net
Trade receivables	**94 743**	**(3 387)**	**91 355**
Other current assets	**24 058**	**(589)**	**23 469**
Prepaid expenses and accrued income	3 942	0	**3 942**
Receivables related to taxes	16 533	0	**16 533**
Other receivables	3 583	(589)	**2 994**
Current derivatives	0	0	**0**
Trade receivables and other current assets	**118 801**	**(3 976)**	**114 825**

Note 20 Trade receivables and other current assets (Continued)

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed below.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

€ 000	31.12.2014	31.12.2013
Available-for-sale financial assets	**1 126**	836
Other available-for-sale financial assets	**2 524**	2 093
Cash and cash equivalents	**74 120**	167 801
Loans and receivables	**114 825**	98 463
Total	**192 595**	**269 193**

Impairment losses

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

€ 000	2014	2013
Balance at 1 January	**(3 304)**	**(3 612)**
Increase	**(2 230)**	(1 465)
Reversal	**1 776**	1 353
Perimeter variations	**2**	(161)
Other	**(221)**	581
Balance at 31 December	**(3 976)**	**(3 304)**

In 2013, the line "Other" include the effect of the German entities disposal

The Group has no significant concentrations of credit risk due to the large number of customers and individually non-significance of amounts due. The Group performs ongoing credit evaluations of its receivables.

The actual write off relating to trade receivables as at 31 December 2014 amounts to 4,1 M€ and relates mainly to the French laboratories and several non-significant clients especially in Iberia and Belgium. As at 31 December 2013 it amounted to 2,3 M€. The increase is explained by the write off of bad debts in France for a total amount of 2,9 M€ in 2014 compared to 0,6 M€ in 2013 and with a reversal of receivable depreciation for 1,5 M€. Those one-off receivables write offs in France as at December 31, 2014 are coming out mainly from the in-depth analysis performed at year-end 2014 using the operating IT system of the SEL which resulted in identifying aged receivables barred for an amount of 1,7 M€ as well as unjustified discrepancies between amounts invoiced and paid by private hospitals in 2 SEL for 0,6 M€.

Based on historical default rates, the Group believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables. At 31 December 2014, as for 2013, the Group does not have any collective impairment on its loans and receivables or its investments, impairment allowances are analyzed on a case by case basis depending on the country and the customers' credit analysis.

Note 21 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts and cash equivalent. Cash and cash equivalents

Note 21 Cash and cash equivalents (Continued)

at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

€ 000	31.12.2014	31.12.2013
Cash equivalents	**15 286**	115 787
Cash on hand and bank deposits	**58 834**	52 014
Cash and cash equivalents	**74 120**	**167 801**
Bank overdrafts	**(79)**	(372)
Cash and cash equivalents in the statement of cash flows	**74 041**	**167 430**

Cash equivalents correspond, according to the categorization by hierarchy of fair values as stated by IFRS 7, to financial instrument of level 1. The amended Revolving Credit Facility ("RCF amended") covenants impose to keep a minimum cash balance of 15 M€ at each quarter end.

Note 22 Capital and reserves attributable to owners of the parent

Ordinary shares

As at December 31, 2014 the authorised share capital comprised 68 736 187 shares. The shares have a par value of one euro (1 €), all shares being fully paid. The shares are denominated into five types, the holders of shares are entitled to the same rights to receive dividend, and are entitled to one vote per share at general meetings of shareholders of the Company. The share capital of Labco is divided into five types of shares, each held by a different category of shareholder:

- certain laboratory doctors from whom we acquired clinical laboratories (the "A Shareholders");
- our shareholders known as "founders" (the "B Shareholders");
- financial investors (the "C Shareholders"); and
- other shareholders (the "D Shareholders" and the "Ordinary Shareholders") such as our management, family members and estate planning entities of the laboratory doctors who are also our A Shareholders.

Certain laboratory doctors of our Group are A Shareholders, holding together with some of their affiliates who are also A Shareholders, approximately 17.1% of the Company's share capital. These laboratory doctors became shareholders of the Company by reinvesting a part of the purchase price we paid to acquire their laboratories.

The B Shareholders, representing the "founding" shareholders of our Group, are Eric Souêtre, Stéphane Chassaing, Luis Vieira and the shareholders from whom we acquired "General Lab S.A." in 2007. Together, they hold approximately 16,7% of the Company's share capital.

The C Shareholders are financial investors who together hold approximately 41,7% of the Company's share capital. To date, the investment vehicles managed by "3i" are, together, our largest shareholder, the latter having invested €115 million and holding approximately 17,6% of our share capital. "3i" is an international investor focused on private equity, infrastructure and debt management. Other financial investors include notably Viking Limited, a private equity firm that invested in Labco in 2004, CM-CIC Investissements, TCR Capital and Ixen Investissement.

The D Shareholders and the Ordinary Shareholders, comprised of our management and the family members and estate planning entities of the laboratory doctors who are also our shareholders, hold the remaining approximately 24,5% of the Issuer's share capital (i.e., approximately 23,4% of D shares and 1,1% of ordinary shares).

The remaining part of the share capital, ie approximately 0,1%, is held by the Company as Treasury shares.

In number of shares	2014	2013
On issue at 1 January	**68 459 322**	**68 459 322**
Issued for cash	**276 865**	
Exercise of share options		
On issue at 31 December	**68 736 187**	**68 459 322**

Issuance of ordinary shares during the period

On June 30, 2014, the board of directors recorded an increase in the share capital and additional paid in capital of 2 215 K€ by the issuance of 276 865 A shares at a subscription price of €8,00 per share.

In total, the share capital amounts to €68 736 187 as at December 31, 2014.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and of net investment hedge.

Stock option plan reserve

The stock option reserve comprises the employee expenses relating to the share-based payment plans of the Group.

Actuarial gains and losses reserve

The actuarial gains and losses reserve comprises the cumulative net change in actuarial gains and losses (due to discount rate and main actuarial assumptions) computed for the long term employee benefits valuation.

Reserve for own shares

The reserve for own shares comprises the costs of the Company's shares held by the Group. As of December 31, 2013, the Group held 646 K€ of the Company's shares, corresponding to 80 709 shares. As of December 31, 2014, the Group held 646 K€ of the Company's shares, corresponding to 80 709 shares (80 707 A shares and 2 D shares).

Dividends

No dividends were declared and paid to the shareholders of Labco SA during 2013 and 2014.

Moreover a shareholder's general meeting held on March 17, 2014 has decided (i) a distribution of the share premium to the shareholders for an amount of €21 906 983,06, i.e., €0,32 per shares, and (ii) a setup of a specific reserve for the warrants holders for an amount of €2 442 589,49, which will be distributed when they exercise the rights attached to their warrants, if the conditions for exercising are met. The specific reserve for the warrants holders has been increased to an amount of €5 076 494,86 by the shareholder's general meeting held on June 19, 2014.

As at December 31, 2014 the share premium distribution was nearly fully paid for an amount of 21,5 M€.

Equity Warrant schemes

Labco has issued warrants to financial investors and key management personnel of our Group.

Note 22 Capital and reserves attributable to owners of the parent (Continued)

Warrants Issued to Financial Investors

During the year ended December 31, 2008, the Company issued three warrant schemes entitling the holders, upon exercise of the warrants to subscribe for other financial instruments or shares of the Company at a fixed price of €1 per share.

The number of warrants that can be exercised depends on the ability of the Group to meet certain financial and operational targets. The exact terms of the exchange at the exercise dates were determined when the Company entered into the issuance agreements. Subject to the fulfillment of their conditions, the warrants are exercisable at any time during a period of 15 years after their date of subscription.

A total of 4 223 394 "ABSA C1" were issued, i.e., 4 223 394 Class C shares to which a total of 16 893 576 warrants of four different kinds were attached, providing subscription rights for a maximum of 4 113 531 new Class C shares at a price of €1 per share. A total of 80 878 shares were issued in 2009 by the exercise of 80 878 warrants attached to the "ABSA C1", pursuant to their terms and conditions.

A total of 4 223 394 "ABSA C2" were issued, i.e., 4 223 394 Class C shares to which a total of 8 446 788 warrants of two different kinds were attached, giving subscription rights for a maximum of 2 323 852 new Class C shares at a price of €1 per share. A total of 27 049 shares were issued in 2010 by the exercise of 27 049 warrants attached to the "ABSA C2", pursuant to their terms and conditions.

A total of 1 967 083 "BEABSA" were issued, i.e., 1 967 083 options giving subscription rights for a maximum of 2 097 145 "ABSA C3", i.e., 2 097 145 Class C shares to which a total of 4 541 820 warrants of two different kinds could be attached, giving subscription rights for a maximum of 1 176 860 new Class C shares at a price of €1 per share. A total of 2 020 660 "ABSA C3" were issued in 2009 by exercise of the 1 967 083 "BEABSA", pursuant to their terms and conditions.

A total of 54 367 C shares were issued in 2012 by the exercise of 54 367 financial investors warrants.

On January 18, 2013, general meetings of holders of certain securities issued by Labco and an extraordinary general meeting of Labco's shareholders decided to amend the terms and conditions of the ABSA C1, ABSA C2 and BEABSA in order to modify their conditions of exercise.

No financial investors' warrants were exercised during 2014.

In subsequent period, an agreement has been signed on January 21, 2015 according to which Labco SA is committed irrevocably to acquire, at the date of settlement and delivery of the Company's shares issued or sold as part of an initial public offering of Labco SA, all the warrants BSA 10x (one of the category of warrants attached to the ABSA C1, ABSA C2 and BEABSA) from their holders at a total price of 6,6 M€.

Warrants Issued to Mezzanine Lenders

Three additional warrant schemes were issued by the Company in July 2008. These warrants entitle the holders upon exercise of the instrument to buy one share of the Company at either a fixed price of €1 (mezzanine B and C) or €14,206582 (mezzanine A) per share. The warrants were granted at a price of €0,0001 per warrant. A total of 494 241 Senior Mezzanine warrants, split in 313 243 Senior Mezzanine A, 38 752 Senior Mezzanine B and 142 246 Senior Mezzanine C, were issued. A total of 6 018 shares were issued in 2010 by exercise of 6 018 Senior Mezzanine B warrants, pursuant to their terms and conditions.

A total of 1 464 175 Junior Mezzanine warrants, consisting of 927 975 Junior Mezzanine A, 114 800 Junior Mezzanine B and 421 400 Junior Mezzanine C, were issued. A total of 17 829 shares were issued in 2010 by exercise of 17 829 Junior Mezzanine B warrants, pursuant to their terms and conditions.

A total of 1 460 443 Junior additional Mezzanine warrants, consisting of 925 609 Junior Additional Mezzanine A, 114 508 Junior Additional Mezzanine B and 420 326 Junior Additional Mezzanine C, were issued. A total 17 784 shares were issued in 2010 by exercise of 17 784 Junior Additional Mezzanine B warrants, pursuant to their terms and conditions.

On January 18, 2013, Labco entered into a settlement agreement with the Mezzanine lenders and the C Shareholders regarding the exercise conditions of certain Mezzanine warrants.

No mezzanine lenders' warrants were exercised in 2014.

Note 22 Capital and reserves attributable to owners of the parent (Continued)

In subsequent period, an agreement has been signed on January 21, 2015 according to which Labco SA is committed irrevocably to acquire, at the date of settlement and delivery of the Company's shares issued or sold as part of an initial public offering of Labco SA, all the warrants BSA Mezzanine C from their holders at a total price of 1,0 M€.

Ordinary and Extraordinary Shareholder's General Meeting of October 2, 2014

The ordinary and extraordinary shareholder's general meeting held on October 2, 2014 has authorized the Board of Directors to grant, during a 2 month period and only once, free shares of the Company to officers and employees, with no preferential subscription right, and up to 1% of the share capital and subject to performance conditions. (refer to note 25 *Share based payment schemes*)

The Company is currently considering an initial public offering and in connection with such project, the above shareholder's general meeting has also delegated to the Board of Directors, for a 15 month period, the authority to decide a share capital increase of the Company, without preferential subscription right for the shareholders, through the public offering, on one or more times, of ordinary shares up to a maximum total nominal amount of €50,000,000.

Moreover, as part of this project, the ordinary and extraordinary shareholder's general meeting has also, subject to the non-retroactive condition precedent of settlement and delivery of the Company's shares issued or sold as part of its initial public offering, (i) appointed nine directors, including seven independent directors, (ii) authorized a share redemption program of its own shares by the Company, (iii) granted to the Board of Directors a number of delegations of authority to increase the share capital of the Company and to issue shares or securities giving access to the share capital of the Company, with or without preferential subscription right for the shareholders, (iv) authorized the Board of Directors to grant free shares or options to subscribe for or purchase shares of the Company to officers and employees, (v) to amend the by-laws of the Company, and (vi) to amend the terms and conditions relating to the exercise of the BSA 2008 and BSA 2010 share warrants.

Note 23 Borrowings and other financial liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans, borrowings, which are measured at amortized cost, and other financial liabilities. For more information

Note 23 Borrowings and other financial liabilities (Continued)

about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 29 *Financial Instruments*.

€ 000	31.12.2014	31.12.2013
At amortized cost		
Non-current liabilities	**691 159**	615 966
Secured bank loans at effective interest rate	**10 295**	10 718
8,5% Senior Secured Bonds at effective interest rate	**594 839**	593 120
RCF syndicated loans at effective interest rate	**72 247**	(4 483)
Finance lease liabilities	**13 361**	16 266
Other financial loans	**416**	344
Current liabilities	**33 222**	33 666
Secured bank loans at effective interest rate	**3 314**	3 197
Accrued interests on Senior Secured Bonds	**23 517**	23 517
Accrued interests on RCF syndicated loans	**86**	0
Finance lease liabilities	**6 006**	6 131
Other financial loans	**48**	24
Bank overdraft	**79**	372
Recourse factoring	**171**	425
At fair value		
Non-current derivatives	**137**	45
Derivatives	**137**	45
Current derivatives	**0**	0
Derivatives	**0**	0
Total Non-Current	**691 296**	**616 010**
Total Current	**33 222**	**33 666**
Total	**724 518**	**649 676**

Labco performed a refinancing operation early 2011 with an additional issuance early 2013 that significantly modified the sources of fundings for Labco Group.

On January 14, 2011, Labco SAS issued High Yield Senior Secured Notes (also, the "Bond") due 2018 for 500M€ with international investors in London and with Deutsche Bank as Trustee. The main terms and conditions of the Notes are:

- Fixed interest rate amounting to 8.5%, with interests paid semi-annually in arrears.
- Maturity of the Notes is January 15, 2018
- The Notes are guaranteed on a senior secured basis by certain subsidiaries, mainly through first ranking liens over the capital stock of certain subsidiaries and certain present and future intercompany loan receivables
- Under the Notes indentures, Labco will have to respect certain covenants mainly related to reporting and information requirement.
- The Notes have been listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange.

The Notes proceeds have been primarily used to repay the December 31, 2010 existing bank debt facilities as well as fees related to this operation. Fees directly linked to the debt issuance or linked to the strategic refinancing project amounted to approximately 16 M€ (excluding VAT) and following their analysis have been either expensed or capitalized as debt issuance costs to be amortized over the Notes maturity using the effective interest rate method.

At the same time end of January 2011, Labco SAS entered into a 135 M€ revolving credit facility under a syndicated Revolving Credit Facility Agreement (the "RCF") with Credit Suisse, Deutsche Bank, Natixis and UBS as lead banks, and Natixis as agent. The main terms and conditions of the RCF were described in the Note 23 *Borrowings and other financial liabilities* of the Labco Group consolidated audited financial statements for the year ended December 31, 2013.

Fees directly linked to the debt issuance amounted to approximately 8.8 M€ (excluding VAT) in 2011 and have been capitalized as debt issuance costs to be amortized over the RCF maturity using the effective interest rate method.

On December 18, 2014, Labco SA negotiated and signed an amendment of the revolving credit facility (RCF) agreement dated January 2011 which substantially modified certain conditions, especially in terms of duration, interest rates (decreased by 75 basis points) and covenants.

The main terms and conditions of the RCF are:

- The amount of the facility is fixed at 128.25 M€ until maturity of the RCF on December 24, 2017, or February 15, 2019 in case of refinancing of the high yield bonds of Labco.
- Floating interest rate defined as Euribor + a margin of 3.75% per annum (margin that may be reduced to 3.25% or 2.75% per annum by reference to a total net debt to adjusted EBITDA test, ie leverage covenant);
- The commitment fees amount to 40% of the margin
- Borrowings under the RCF will mandatory be used to finance part or all of purchase price and related costs of certain permitted acquisitions (as defined in the agreement), refinance existing indebtedness of entities acquired, finance restructuring costs in relation with acquisition, finance capital expenditure and fund working capital and other general corporate purposes of the Group, provided that the aggregate outstanding amounts of utilization under capital expenditure or working capital funding may not at any time exceed 50 M€;
- The RCF is guaranteed on a joint and several basis by certain subsidiaries qualified as Guarantors, mainly through first ranking liens over the capital stock of certain subsidiaries and certain present and future intercompany loan receivables. The RCF requires that the EBITDA of the Guarantors represent not less than 70% of consolidated EBITDA of the Group;
- The Revolving Credit Facility Agreement also requires Labco, each Borrower and each Guarantor (together, the "Obligors") to observe certain customary affirmative and restrictive covenants, subject to certain exceptions, including:
  - covenants relating to financial information and accounting policies;
  - covenants relating to obtaining required authorizations; compliance with laws; compliance with environmental laws; information about environmental claims; payment of taxes; *pari passu* ranking of unsecured payment obligations; insurance; granting of access; intellectual property; compliance with financial assistance laws; guarantor coverage (as described above); publicity; limitations on disposals and reorganizations; additional restrictions on distribution of dividends;
  - no other financial indebtedness ranking senior to, or *pari passu* with, the RCF (other than, subject to lenders' consent, additional revolving credit facilities);
  - restriction on incurring additional indebtedness subject to customary exceptions including up to (i) 35 M€ at any time for all members of the Group and (ii) a "capital lease" basket of 30 M€ which may be increased to a maximum of 50 M€ depending of turnover evolution, and (iii) 15 M€ at any time for any other members of the Group than the borrowers and the guarantors ; and
  - restriction on incurring recourse factoring or similar arrangements in excess of 5.0 M€ in aggregate at any time.

The Revolving Credit Facility Agreement also requires Labco to ensure compliance with some financial covenants detailed below.

As a consequence, the initial 2011 debt issuance costs capitalized and not yet amortized have been recorded as non-recurring financial expenses for an amount of 3,1 M€ whereas the debt issuance costs for

Note 23 Borrowings and other financial liabilities (Continued)

the new amended revolving credit facility amounting to 2,8 M€ have been capitalized and will be amortized over the maturity of the amended RCF using the effective interest rate method.

An Intercreditor Deed Agreement has also been signed between, among others, the Obligors, Deutsche Bank AG, London Branch as Security Agent, Natixis as senior Agent, Deutsche Bank AG, London Branch as Senior Secured Notes Trustee, the Lenders (as Revolving Credit Facility Lenders), the Arranger (as Senior Arrangers), the Hedge Counterparties (each as defined in the Intercreditor Deed), and the Intra-Group Lenders (as defined in the Intercreditor Deed) to define securities and guarantees provided by certain subsidiaries in the context of Bond and RCF issuance.

Moreover, Labco S.A. issued on February 13, 2013 100 M€ in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 500 M€ 8.5% Senior Secured Notes due 2018. The Additional Senior Secured Notes will mature on January 15, 2018. The gross proceeds of the issuance amounts to 103 M€, ie meaning a yield of 7.75% and were used to repay the outstanding amounts borrowed under Labco's revolving credit facility, pay the costs, fees and expenses in relation to the issuance transaction and for general corporate purposes.

Fees directly linked to the debt issuance or linked to the strategic refinancing project amounted to 3,7 M€ (excluding VAT) and following the analysis were either expensed for around 0,3 M€ or capitalized as debt issuance costs for 3,4 M€. Capitalized debt issuance costs have also been netted with issuance premium amounting to 3,0 M€ and the net balance of capitalized debt issuance costs has to be amortized over the bond maturity using the effective interest rate method.

In addition, in subsequent period, Labco SA issued on February 11, 2015 100 M€ in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 600 M€ 8.5% Senior Secured Notes due 2018. Please refer to 34 *Events after the reporting period.*

As a consequence, the revolving credit line (amended RCF) amounting to 128,25 M€ and drawn for 108 M€ at that date, has been partially reimbursed up to 100 M€ but not canceled.

As of December 31, 2014, the Group borrowings comprises

- A €600 million, in principal, 8,5% Senior Secured Notes due 2018 net of debt issuance costs, with interests paid semi-annually in arrears
- Some bilateral bank borrowings for a total of 13,6 M€
- The Revolving Credit Facility (amended RCF) amounting 128,25 M€ has been drawn as at December 31, 2014 for an amount of 75 M€. Nevertheless the capitalized debt issuance costs are amortized over RCF maturity.

€ 000	Secured bank loans	8,5% Senior Secured Bond	Accrued interests on 8,5% bonds	RCF Syndicated Secured loan	Finance lease liabilities	Derivatives	Other financial loans	Bank overdrafts	Total
Amount at 31.12.2013	**13 915**	**593 120**	**23 517**	**(4 483)**	**22 397**	**45**	**794**	**372**	**649 676**
Increase	408	0	23 517	429 295	4 839	106	218	0	**458 382**
Decrease	(4 266)	1 719	(23 517)	(352 479)	(6 858)	(14)	(560)	0	**(385 975)**
Change in scope of consolidation	3 553	0	0	0	1 310	0	185	152	**5 199**
Net change	0	0	0	0	0	0	0	(444)	**(444)**
Translation ajustment	0	0	0	0	33	0	(0)	0	**33**
Other	1	0	0	0	(2 354)	0	0	0	**(2 353)**
Amount at 31.12.2014	**13 610**	**594 839**	**23 517**	**72 333**	**19 367**	**137**	**636**	**79**	**724 518**

8.5% Secured Senior Notes covenants

Under the Notes indentures, Labco has to respect certain covenants mainly related to reporting and information requirement.

Revolving Credit Facility (RCF) covenants

The RCF includes certain financial covenants as defined in the agreements.

- leverage ratio tested quarterly (calculated as the ratio of consolidated total net debt at each quarter end to consolidated adjusted EBITDA for the 12 months ending on that quarter end),

Note 23 Borrowings and other financial liabilities (Continued)

- super senior gross leverage ratio tested quarterly (calculated as the ratio of total super senior gross debt at each quarter end to adjusted EBITDA for the 12 months ending on that quarter end) which should achieve the following ratio for any period: < 1.75 ;
- minimum cash balance of €15 million, tested quarterly.

"Leverage Ratios" in clause 26.2(a) of the Revolving Credit Facility Agreement is as follows:

Relevant Period	Ratio
Until 31 December 2015	5.50:1
From 1st January 2016 to 31 December 2016	5.25:1
After 1st January 2017	5.00:1

As of December 31, 2014, Labco achieved the expected covenants ratio targets.

Furthermore, Labco should also comply with an incurrence ratio when it is willing to draw on the RCF. The incurrence ratio is calculated as the ratio of pro forma the acquisitions consolidated total net debt to consolidated adjusted EBITDA for the immediate preceding period pro forma the effect of acquisitions.

"Incurrence Ratios" in clause 27.14(c) of the Revolving Credit Facility Agreement is as follows:

Relevant Period	Ratio
Until 30 September 2015	5.50:1
From 1st October 2015 to 31 March 2016	5.25:1
From 1st April 2016 to 31 December 2016	5.00:1
After 1st January 2017	4.75:1

Furthermore, in case of an IPO of Labco SA, the agreement stipulates the further implementation of substantial modifications of interest rates and covenants.

Finance lease liabilities

The Group has finance leases mainly for the technical equipment (refer to note 15 *Property, plant and equipment*).

Note 24 Employee benefit liabilities

All of employees of the Group are covered by state pension and collective plans managed by third parties if required under local legislation. Those plans are defined contribution plans.

In addition to these legal pension schemes, a provision is set up for post-employment benefits in France and Italy amounting to 14,0 M€ as of December 31, 2014 (11,0 M€ and 3,0 M€ respectively). In Italy, there is a legal obligation (so called TFR) to pay 7,4% of the employee's annual remuneration for every working year at the departure date.

In France the principal assumptions used for the purposes of the actuarial valuations are as follows:

Principal assumptions	2014	2013
Voluntary departure	**100%**	100%
Discount rate	**1,75%**	3,15%
Social charge rate	**52%**	52%
Employer contribution rate	**50%**	50%
Age at retirement	**67 years**	67 years
Salary increase	**1,5%**	1,5%
Employee turnover rate	**low**	low

The collective agreement for the clinical diagnostic laboratories has been modified in 2014 with the withdrawal of the haircut of 30% on indemnities to be paid to non-executive staff as a consequence of the alignment of conditions for non-executive staff on the one for executives.

Note 24 Employee benefit liabilities (Continued)

The movements in the provision for post employment benefits in France and in Italy can be summarized as follows:

€ 000	French Post Employment benefit	Italian Post Employment benefit	Total
Balance at 1 January 2014	**6 623**	**1 997**	**8 620**
Current service cost	(266)	65	**(201)**
Interest cost on benefit obligation	201		**201**
Net actuarial loss recognised in OCI	4 076		**4 076**
Impact from business combination	331	972	**1 303**
Balance at 31 December 2014	**10 965**	**3 034**	**13 999**

The French post employment benefit and the portion of TFR before January 1st, 2007 accounted for as post employment benefit are not financed through external fundings.

The cumulative net actuarial gains and losses recognized in OCI is detailed in the table Other comprehensive Income and amount to (4 123) K€ (2013: 323 K€).

Note 25 Share based payment schemes

__Warrants Issued to Management__

On March 24, 2005, the Company established two manager share warrant schemes (denominated “BSA 2005-1-1” and “BSA 2005-1-2”) that entitle key management personnel to subscribe for new shares of the Company, subject to the fulfillment of the conditions detailed in the corresponding issuance agreements. On June 7, 2006 (“BSA 2006-1-1”), March 13, 2007 (“BSA 2007-1-1”), December 30, 2007 (“BSA 2007-1-2”), March 5, 2008 (“BSA 2008-1-1”) and September 20, 2010 (“BSA 2010-1-1”), additional manager share warrant schemes were implemented in favor of key management personnel of the Group.

Each share warrant gives the beneficiary the right to subscribe for one share of the Company at an exercise price determined on the allocation date, on predetermined graded vesting dates. The exercise conditions mainly depended on certain financial targets and, in some cases, include an employment condition. The meeting of the Strategic Committee of the Company held on April 23, 2008 established that the exercise conditions of the three categories of share warrants issued on June 7, 2006, March 13, 2007 and December 30, 2007 (BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2) were fulfilled, pursuant to their terms and conditions, so as to allow the holders to exercise such share warrants at any time.

The general meeting of shareholders held on December 30, 2008 modified the terms and conditions of the two categories of share warrants issued on March 24, 2005 (BSA 2005-1-1 and BSA 2005-1-2) to remove all constraints in order to allow the holders to exercise such share warrants at any time. As a result of these decisions and the modifications to the schemes, the beneficiaries can exercise the share warrants granted by these five schemes at any time, within a period of ten years following the date of subscription. According to IFRS 1, the Group did not apply IFRS 2 to 2005, 2006 and 2007 share-based payment arrangements since they had vested at the date of transition.

For the BSA 2008-1-1 scheme, the share warrants vest in 2009, 2010 and 2011. For the BSA 2010-1-1 scheme, the share warrants can be exercised only upon the sale or initial public offering of the Company.

The Ordinary and Extraordinary Shareholder’s General Meeting of October 2, 2014 decided, subject to the non-retroactive condition precedent of settlement and delivery of the Company’s shares issued or sold as part of an initial public offering, to amend the terms and conditions relating to the exercise of the BSA 2008 and BSA 2010 share warrants by enabling their holders to exercise their BSA without any condition and at any time between June 1st 2015 and December 31, 2017.

No warrants issued to management were exercised in 2014.

The 2008 BSA and 2010 BSA schemes are now fully vested, there is no IFRS 2 expense in 2014 related to those two schemes.

A performance share plan was implemented in the UK in April 2014, benefiting iPP’s two main managers through a “UK Employee Shareholders Scheme”. Under that plan, 7% of iPP’s shares were

Note 25 Share based payment schemes (Continued)

awarded to those managers. The economic rights to those shares are subject to a 5-year vesting period (20% per year). Those managers have been granted a put option that can be exercised when all the economic rights to the shares have vested. The Company has a call option that can be exercised one year after the end of the vesting period and at any time in the event of a change in control of the Company or iPP. The valuation of the shares is based on a price formula specified in the contract relating to that option. That plan has therefore been analysed as a share based payment scheme cash settled, the estimated charge corresponding to the share award plan is subject to regular measurement in the Group's financial statements.

The ordinary and extraordinary shareholder's general meeting held on October 2, 2014 has authorized the Board of Directors to grant, during a 2 month period and only once, free shares of the Company to officers and employees, with no preferential subscription right, and up to 1% of the share capital and subject to performance conditions. The Board of Directors has used that delegation and established in November 2014 a free shares award schemes (hereafter "Free shares 2014") which grant to the beneficiaries up to 687 361 free shares, subject to the achievement of the conditions detailed in the issuance agreement. Those conditions include cumulatively a performance condition and conditional to an active employment period of 2 years. IFRS 2 has been applied to the scheme Free shares 2014 which qualifies as share based payment equity settled. The shares are definitively granted after a vesting period of 2 years with an obligation to keep the shares for an additional 2 years period. The fair value of the services rendered in exchange of the free shares is based on the fair value of the free shares granted, estimated with the assistance of an external valuation advisor, by using the business plan and applying assumptions consistent with the one used especially for the impairment tests. An illiquidity discount and a staff turnover rate has been used in order to determine the fair value of the granted free shares and the full amount of shares has been granted given the performance condition was achieved as at December 31, 2014. The total fair value of the "Free shares 2014" has been estimated to 4,2 M€.

The total amount of Fair Value reserves related to the stock options and performance stocks plans amounts to 4,1 M€ as at December 31, 2014 (3,8 M€ as at December 31, 2013).

Terms and conditions of the share option programs

The terms and conditions relating to the grants of share warrants are as follows; all share warrants are to be settled by physical delivery of shares:

Plan	Number of instruments	Exercise period	Exercise price	Option price	Average fair value at grant date
BSA 2005-1-1	907 067	At any time between 30 December 2008 and 23 June 2015	1	0,1	0,21
BSA 2005-1-2	108 782	At any time between 30 December 2008 and 23 June 2015	1	0,1	0,21
BSA 2006-1-1	6 796	At any time between 23 April 2008 and 7 June 2016	1	0,1	1,08
BSA 2007-1-1	109 806	At any time between 23 April 2008 and 13 March 2017	2,5	0,25	1,34
BSA 2007-1-2	104 337	At any time between 23 April 2008 and 30 December 2017	2,5	0,25	3,74
BSA 2008-1-1	438 317	At any time between 1 January 2009, 1 January 2010 and 1 January 2011 (each tranche ⅓ of the options)	8	0,8	4,97
BSA 2010-1-1	191 668	Upon sale or initial public offering of Labco	14,84	1,5	7,02
Total	**1 866 773**				

The Ordinary and Extraordinary Shareholder's General Meeting of October 2, 2014 decided, subject to the non-retroactive condition precedent of settlement and delivery of the Company's shares issued or sold as part of an initial public offering, to amend the terms and conditions relating to the exercise of the

Note 25 Share based payment schemes (Continued)

BSA 2008 and BSA 2010 share warrants by enabling their holders to exercise their BSA without any condition and at any time between June 1st 2015 and December 31, 2017.

In subsequent period, certain holders of BSA 2005-1-1 have exercised their warrants. Refer to note 34 *Events after the reporting period.*

Given the dilutive effect of March 12, 2012 capital increase at par value, all equity warrants holders have been granted a protection right against the dilutive effect. In fact, pursuant to the ninth resolution adopted by the general shareholders' meeting held on March 12, 2012, holders of securities granting access to the share capital will be allowed to subscribe to new shares as of right, at the ratio of four new shares with a par value of one euro each for seven shares subscribed with their securities (seven shares subscribed by exercise of their securities granting access to the share capital giving the right to subscribe to four additional new shares at a subscription price of one euro per share).

Fair value of the options granted during the period

The fair value of the services received in return for share options is based on the fair value of the share options granted, measured using the Binomial model for BSA 2008 scheme and using a weighted average models of scenarios for the "BSA 2010-1-1" scheme, for the UK plan and for the Free shares 2014 scheme.

The Group recognized as share-based payment expense 1 222 K€ during the year for the UK plan and the Free shares 2014 scheme as well as social charges to be paid in France for the French beneficiaries of the free shares scheme for an amount of 743 K€. In 2013 it was 336 K€ for 2010 BSA scheme. The total amount of reserves related to the stock options plans amounts to 4 118 K€ (3 840 K€ in 2013).

Movements in share options during the year

€ 000	2014 Number of share options	2014 Weighted average exercise price	2013 Number of share options	2013 Weighted average exercise price
Outstanding at the beginning of the year	**1 954 373**	**5**	1 954 373	5
Granted during the year	**0**	**0**	0	0
Forfeited during the year	**(87 600)**	**0**	0	0
Exercised during the year	**0**	**0**	0	0
Expired during the year	**0**	**0**	0	0
Outstanding at the end of the year	**1 866 773**	**5**	1 954 373	5
Of which exercisable at the end of the year	**1 675 105**		1 675 105	

No options have been exercised in 2013 or in 2014.

As a reminder, the protection right of equity warrants holders against the dilutive effect of March 12, 2012 capital increase enables them to subscribe in case of exercise of the warrants new shares at the ratio of four new shares with a par value of one euro each for seven shares subscribed with their securities.

Note 26 Provisions

€ 000	Provisions for litigations	Provisions for restructuring	Other provisions	Total
At 1 January 2014	**1 631**	**1 200**	**59**	**2 889**
Provisions made during the period	1 403	6 709	0	**8 112**
Provisions utilized/reversed during the period	(1 267)	(616)	(1)	**(1 884)**
Translation adjustments	1	47	0	**48**
Other	2 462	0	0	**2 462**
At 31 December 2014	**4 231**	**7 339**	**58**	**11 629**
Non-current at the end of the period	2 443	0	0	**2 443**
Current at the end of the period	1 789	7 339	58	**9 186**

The "Other" line corresponds mainly to the effect of SDN group acquisition.

Note 26 Provisions (Continued)

Provisions for litigation

In the normal conduct of its business, the Group has legal suits relating to different matters (personnel, taxes, suppliers) with uncertainties about the amount or timing of the outflows. According to management and as confirmed by legal counsels, the recorded provision is considered to be sufficient to cover probable losses.

The provision recorded by SDN covers the risk to pay a tax for the care of the doctors for which the tax base is currently disputed by some companies in the medical sector in front of the court. SDN has paid every year, for several years, the tax based on only the turnover generated by the doctors whereas an interpretation may result in considering that the tax base should include the full turnover of clinical diagnostic company.

The Group has recorded a non-recurring provision amounting to 650 K€ for covering the risk related to the Dillenburg litigation. Indeed the share purchase agreement for the disposal of the German entities to Sonic dated December 2, 2013 stipulates a liability warranty clause covering notably that Dillenburg litigation (refer to Note 27 *Litigations and contingent liabilities*).

The Group had recorded a provision for risk amounting to 520 K€ as at December 31 2011 covering the litigation related to the Fosty entity, former executive administrator of Labco SA at the time it was a private limited liability company (*société par actions simplifiée*). The Fosty entity was claiming, pursuant to the contract signed in 2008, damages in relation to the termination of its function decided by the Group end of 2011. Following the sentence issued by the Paris commercial court in November 2014 and the provisional execution, Labco used the provision and paid the claimed amount. However Labco SA has since appealed against the decision to the Paris Court of Appeal on January 5, 2015.

Provisions for restructuring

The provisions for restructuring correspond mainly to provisions for restructuring in Spain. They concern the restructuring implemented during Q1 2013 in the context of contract renegotiation with a major client and for which a residual provision of 0,3 M€ was recorded as at December 31, 2013 and has been used in 2014. It also includes the restructuring decided end of 2014 in the context of the Barcelona reorganization for which a provision of 1,1 M€ has been recorded as at December 31, 2014.

They also include the provision for restructuring recorded by iPP to cover the restructuring costs to be incurred during the first years of the implementation of the outsourcing contract. The iPP provision amounted to 0,8 M€ as at December 31, 2013 and has been used for 0,2 M€ in 2014.

A provision amounting to 5,6 M€ was recorded during 3rd quarter 2014 as a consequence of the commitment to repurchase the rights to priority dividends of certain French biologists for 2 French SEL. (refer to Note *Significant events*)

Other Provisions

The other provisions correspond mainly to the provision for negative share of investments in associates recorded under equity method.

Note 27 Litigations and Contingent liabilities

Group companies are involved in various legal proceedings arising in the ordinary course of business, including disputes concerning professional liability and employee related matters, as well as inquiries from governmental agencies and health insurance carriers regarding, among other things, billing issues or litigations with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel, for the various litigations.

As described in Note 33 *Assets and liabilities held for sale and discontinued operations* of the Labco Group consolidated audited financial statements for the year ended December 31, 2013, the Group disposed its German activities to Sonic group on December 2, 2013. As a consequence of this transaction, the contractual commitment due to the possible application of common warranty clauses is capped at usual level for this type of transaction. These warranties will expire after 18 months, except for tax issues and guarantees upon capital property, which expire at the end of the regulatory limitation period.

Note 27 Litigations and Contingent liabilities (Continued)

Pursuant to the share purchase agreement, two specific litigations existing at the date of sale to Sonic group are covered by a specific warranty without any time limitation but cap to an amount of 3 M€ in order to compensate Sonic group of any financial costs related to the evolution of those litigations starting the 1st euro and limited to the cap.

MVZ Medizinisches Fachlabor Dillenburg GmbH

A legal proceeding brought by the board of the professional association of doctors for the Nordrhein region against former Group subsidiary MVZ Medizinisches Fachlabor Dillenburg GmbH, relates to alleged over-billing and fraud relating to the manipulation of testing results and the related invoices. That litigation Dillenburg, described in the consolidated financial statements of Labco for the year ended December 31, 2012 relates to fees incorrectly invoiced to the German health insurer Kassenärztliche Vereiningung Hessen ("KV Hessen") and private mutual health insurers by the managers and previous shareholders of that subsidiary, before it was acquired by the Group. Internal audits performed by the Group found irregularities which led to civil and criminal legal proceedings against the former managers. As part of the criminal investigation led by the local prosecuting authority, victim-offender mediation took place, as a result of which the Group's former subsidiary was indemnified in an amount of 5,5 M€ under a settlement agreement with the former managers and shareholders.

Moreover the Group's former subsidiary has already made an undertaking to the board of the professional association of doctors for the Nordrhein region to correct invoices issued between July 1, 2008 and the second quarter of 2012, and to pay the recovery fees arising from the situation. Given the liability warranty to the benefit of Sonic group, Labco Group recorded a non-recurring provision to cover the risk of reimbursement of the alleged fraudulent activities with the regional health insurance body (KV) for an amount of 0,7 M€.

MVZ Labor Duisburg GmbH

Proceedings involving former Group subsidiary MVZ Labor Duisburg GmbH relate to a claim commenced on March 1, 2013 by the North Rhine Appeals Committee of Physicians and Statutory Health.

The health insurer stated that it had carried out random checks for the period between the third quarter of 2008 and the third quarter of 2011 following claims that a doctor, who has now left the subsidiary, had overprescribed drugs to a patient suffering from hemophilia.

Those checks found an abnormally large number of prescriptions for that patient. After initial proceedings against the doctor, the health insurer's supervisory body also commenced administrative proceedings against MVZ Labor Duisburg GmbH, seeking the reimbursement of prescriptions made by that doctor between April 24, 2008 and July 25, 2011, i.e. 1,3 M€. The hearing before the appeal committee took place on October 29, 2014 and the Group is awaiting its decision, but considers that the claims against its former subsidiary are without foundation.

No contingent liability has been identified for which it will be necessary to disclose information in the notes to the consolidated financial statements.

Additionally, we operate in a regulated industry. As such, in the ordinary course of business, we are subject to national and local regulatory scrutiny, supervision and controls.

Below is a summary of the challenges and proceedings brought against us by the French Ordre des pharmaciens and Ordre des médecins and of the litigation we brought against the Ordre des pharmaciens before the European Commission.

Ordre des Pharmaciens and Ordre des Médecins

In France, the Ordre des pharmaciens and, to a lesser extent, the Ordre des médecins have challenged the Group's organization and legal structure. In numerous instances, the Ordres des pharmaciens have instituted disciplinary actions against the Group's SELs or laboratory doctors. In 2003, shortly after the Group was created, the Ordre des pharmaciens and the Ordre des médecins (together, the "Ordres"), in a joint letter to the Company, expressed the view that Labco's project of creating a network of laboratories contravened the principle of independence of laboratory doctors. In that joint letter, the Ordres highlighted two aspects of the Group's structure: (i) capital ownership and voting rights arrangements between the laboratory doctors working in each SEL and the rest of the Group; and (ii) the ultimate ownership of a network of laboratories by a financial holding company not subject to the French regulations pertaining to clinical laboratories.

In keeping with this initial position, the Ordre des pharmaciens, as well as in several instances the Ordre des médecins, have raised a number of objections to the organization of the Group's French operations in the context of their administrative review of proposed changes in the articles of association or ownership structure of SELs of clinical laboratories. Those objections were communicated to the competent administrative authorities in charge of granting the administrative approvals and authorizations necessary for the Group's SELs to operate their laboratories. All such approvals and authorizations were nevertheless eventually granted. Most of the objections raised by the Ordres dealt with the capital ownership structure of the Group's SELs of clinical laboratories in France. The Ordres argued that ownership of a large majority of shares in a SEL operating a clinical laboratory by a person or entity other than the laboratory doctors working in that laboratory constituted a threat to the independence of such laboratory doctors, notwithstanding the fact that such laboratory doctors retained a majority of the voting rights at shareholders' meetings, as required by regulations. It also challenged the separation of voting rights from economic rights in such a manner. In addition, the Ordre des pharmaciens expressed the view that the qualified majority voting provisions contained in the articles of association of the Group's SELs for certain matters were incompatible with the principle of independence of laboratory doctors insofar as they took away from doctors practicing within the laboratory the final decision-making power over a number of matters pertaining to the laboratory. Finally, the Ordre des pharmaciens challenged the formula set forth in the articles of association of SELs and providing for the distribution of Priority Dividends to those laboratory doctors who are also shareholders in their laboratory company. The Ordre des pharmaciens argued that such a formula, by limiting ex ante the share of dividends to be distributed to laboratory doctors, was incompatible with the principle of the independence of laboratory doctors. Both the Ordre des pharmaciens and the Ordre des médecins have, in several cases, raised objections to the registration, based on one or more of the above grounds, of one of the Group's SELs on their respective national registries.

At the disciplinary level, the Ordre des pharmaciens brought a number of actions against certain Group SELs, as well as against laboratory doctors practicing within those SELs. Several of these actions, some of which are still pending, directly challenge the capital ownership structure and the qualified majority voting provisions contained in the articles of association of the Group's SELs as a breach of the principle of independence of laboratory doctors. The Group's SELs and laboratory doctors concerned have appealed decisions of the disciplinary body of the Ordre des pharmaciens to the highest French administrative court (Conseil d'Etat) and won a number of cases on procedural grounds. The Ordre des pharmaciens has also regularly brought, or threatened to bring, disciplinary actions against the Group's SELs for failing in a timely manner to file with it proposed changes in articles of association or capital ownership. Some of those actions are still pending. The Group's SELs and laboratory doctors concerned have appealed these decisions and have won a number of cases on procedural grounds. In addition, certain of the Group's laboratory doctors and SELs have been disciplined for failing to maintain adequate health, safety and quality standards. Certain of these disciplinary procedures, brought on the grounds of a failure to meet filing requirements or to maintain adequate quality and safety standards, resulted in decisions to close, for periods ranging from one week to several months, several of the Group's laboratories. In several instances, however, the Group successfully obtained from the competent administrative authority a requisition order to prevent such closing, arguing the public need for access to local laboratory testing services.

In 2007, the Company filed a complaint with the European Commission, arguing that the Ordre des pharmaciens had inappropriately used its administrative and disciplinary powers to impede the development of free competition and the creation of groups of laboratories in the French clinical laboratories services market. On December 8, 2010, the European Commission ruled against the Ordre des pharmaciens, finding that the Ordre des pharmaciens had (i) systematically targeted groups like Labco since 2003 with the aim of impeding their development and (ii) set minimum prices on the French market between September 2004 and September 2007, limiting the negotiation of discounts under contracts with large customers such as hospitals or insurance bodies. The European Commission held that the Ordre des pharmaciens had breached competition rules and provisions relating to restrictive business practices in the Treaty establishing the European Community by introducing such distortions to competition without this

Note 27 Litigations and Contingent liabilities (Continued)

being justified by public health grounds, and imposed a €5 million fine on the Ordre des pharmaciens and its governing bodies. According to the press release issued by the European Commission commenting on this decision, the European Commission's ruling did not extend to an appreciation of the French laws regulating the clinical laboratories market, but was only directed at the behavior of the Ordre des pharmaciens. The Ordre des pharmaciens appealed against that decision to the European General Court, which, on December 10, 2014, confirmed that the Ordre des pharmaciens had restrained competition in the clinical laboratory services market. Even though the Court confirmed the decision of the Commission, it reduced the fine imposed on the Ordre des pharmaciens from €5 to €4.75 million. Through a press release dated February 23, 2015, the Ordre des pharmaciens confirmed that it would not appeal against that decision to the Court of Justice of the European Union.

Aggrieved parties such as the Group are entitled to seek damages before French courts on the basis of the European Commission's findings as confirmed by the Court. Consequently, the Company commenced proceedings in 2013 against the Ordre des pharmaciens seeking damages. Those proceedings are still underway before the Paris Administrative Court.

Note 28 Trade and other liabilities

€ 000	31.12.2014	31.12.2013
Trade liabilities	**74 341**	60 878
Other liabilities	**72 333**	61 765
Payables related to aquisitions of subsidiaries	**11 479**	6 663
Payables related to fixed assets suppliers	**2 060**	2 936
Accrued charges	**2 246**	2 553
Priority Dividends payable	**2 754**	1 711
Taxes and payroll and on-costs amounts payable	**53 244**	46 295
Other payables	**550**	1 606
Total	**146 674**	**122 644**
Non current	**11 093**	**1 481**
Current	**135 581**	**121 162**

Payables relating to the acquisition of subsidiaries are as follows:

€ 000	Company	Debt on financial participation	2014	Less than 1 year	Between 1 - 5 years	2013
France, Spain	Anabio, Laboratoire de l'avenue, Probio, Mazarin, Labo gascogne, General Lab	Chatellier Peronneau, Baud David, Nottegem, Mallia, Chiche,Gemolab minorities	**63**	31	32	4 483
France, Belgium, UK	Aquilab, Celab, Axilab, Centre Biologique, Roman Pais, Labco UK	Celab, Filab, Tranchand Turcon, Brigout minorities, MAB, Fresenius	**726**	572	154	2 180
France, Spain	Labco Italia,Labco Nous, Genetica Molecular, Labco Baleares	SDN, Sanilab Molecular, CIG, clinica Baleares	**10 690**	690	10 000	
Total			**11 479**	**1 293**	**10 186**	**6 663**

Note 29 Financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, debentures, finance leases, trade payables, purchase contracts and loans granted. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivables and cash and short-term deposits, which arise directly from its operations.

Note 29 Financial instruments (Continued)

€ 000	Carrying amount	Market value	Fair value through income	Available for sale	Loans and receivables	financial liabilities measured at amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
	Breakdown by accounting classification							
Non-current assets								
Non-current financial assets	11 131	11 131		3 649	7 481			0
Current assets								
Trade receivables	91 355	91 355			91 355			
Other current financial assets	23 469	23 469		0	23 469			0
Cash and cash equivalents	74 120	74 120			74 120			
Non-current liabilities								
Borrowings and other financial liabilities—non current	691 296	691 296				691 159		137
Other non-current liabilities	11 093	11 093	100			10 993		
Current liabilities								
Borrowings and other financial liabilities—current	33 222	33 222				33 222		0
Other current liabilities	61 240	61 240	662			60 578		
Trade payables	74 341	74 341				74 341		

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. Under our current financing strategy, the Secured Senior Notes are 8,5% fixed rate, therefore we are only exposed to market risk arising from fluctuations in interest rates of our Revolving Credit Facility (the amended RCF) drawn as at December 31, 2014 for an amount of 75 M€, but reimbursed in subsequent period with the funds obtained from the additional 8,5% Senior Secured Notes due 2018 issued for an aggregate nominal of 100 M€ on February 11, 2015. We are not required to enter into hedging transactions or to use derivative financial instruments to mitigate the adverse effects of interest rate fluctuations pursuant to the RCF Agreement. We do not enter into financial instruments for trading or speculative purposes.

Labco has only a few non-significant instrument, one for hedging the sale operations in Brazilian reals of our subsidiary CIC in 2013 and part of 2014 that qualifies under hedge accounting and one for a laboratory in Belgium accounted for as trading derivatives (fair value through P&L). Those derivatives correspond, according to the categorization by hierarchy of fair value as stated in IFRS 7, to level 2 financial instruments. Labco do not have any level 3 financial instruments.

Due to the Group's specific interest rate risk position and funding structure, risk management policies require to manage the cash flow volatility.

Liquidity risk

The Group monitors its risk to a shortage of funds using a systematic liquidity planning scheme. This scheme considers the maturity of its financial investments and assets and the projected cash flows from operations.

Please refer to Note 23 *Borrowings and other financial liabilities* for a detail of maturities of financial indebtedness, as well as for a description of the covenants in place with the RCF agreement. Under these covenants, if the Group does not respect contractual requirements, it may result in early repayment clause being activated by syndicated borrowers.

€ 000	31.12.2014	31.12.2013
Cash and cash equivalents	**74 120**	167 801
Undrawn line of credit (RCF)	**55 848**	135 000
Total gross amount of liquidity	**129 968**	**302 801**
Current loans and borrowings	**33 222**	33 666
Total liquidity net of current loans and borrowings	**96 746**	**269 136**

Note 29 Financial instruments (Continued)

Revolving Credit Facility ("RCF") covenants impose to keep a minimum cash balance of 15 M€ at each quarter end.

The refinancing operation performed February 11, 2015 has subsequently modified the source of financing, please refer to Note 34 *Events after the reporting period* and to the prospective liquidity analysis presented in that paragraph.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

€ 000	31.12.2014	31.12.2013
Fixed rate instruments		
Financial assets	**0**	0
Financial liabilities	**627 016**	629 897
Variable rate instruments		
Financial assets	**74 120**	167 801
Financial liabilities	**73 848**	(3 782)

The fixed rate financial liabilities correspond to 8.5% Senior Secured Notes, the finance leasing, the recourse factoring and the bilateral loan and borrowings, that are under fixed rate, whereas the variable rate instruments correspond to cash and cash equivalent for financial assets and to the RCF drawn and floating rates loan and borrowings, as well as bank overdrafts.

The other financial instruments of the Group that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

Following the refinancing operation performed February 11, 2015 resulting in the RCF being almost fully reimbursed (refer to note 34 *Events after the reporting period*) and if RCF remains undrawn, a change of 100 basis points in interest rates would have increased or decreased the annual interest rate charges by less than 0.1 M€ (2013: 0,1 M€). If the RCF would be drawn for its maximum amount of 128,25 M€, exposure to interest risk rate on financial liabilities would amount to a maximum of 1,3 M€ for an increase of variable interest rate of 100 basis points. That limited exposure to interest rate risk on financial liabilities would be compensated by the positive effect on financial income generated by cash equivalents, which are mostly based on variable rate instruments and for which a change of 100 basis points in interest rates would have a non significant impact. This analysis assumes that all other variables remain constant.

Fair values

The basis for determining fair values is disclosed in note 3.21 *Determination of fair values*.

- *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. They consist mainly on private equity investments, call option on minority interests with agreed price determination formula (as detailed in note 17 *Other non current assets*) as well as contingent consideration recorded in a business combination (as detailed in note 28 *Trade and other liabilities*) which are all categorized within level 3 and for which fair values have been usually determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

- *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The fair values of financial assets and liabilities, together that are not at fair value in the statement of financial position, are not significantly different from recorded carrying amounts.

Note 29 Financial instruments (Continued)

- *Reconciliation of Level 3 fair value measurements*

The total fair value gains or losses on contingent considerations recognized in the statement of income are included in Perimeter effect line of Non recurring income and expenses detailed in note 10 *Non recurring income and expenses.*

The total gains or losses for the year relating to financial assets that are measured at fair value at the end of each reporting period are included in the line Other financial expenses detailed in note 11 *Net finance costs*. All gains and losses, if any, included in other comprehensive income related to available-for-sale unlisted shares are reported in the line Net changes in fair value of available for sale assets detailed in the Consolidated statement of comprehensive income.

No transfer out of level 3 category have been performed given the nature of financial assets and liabilities measured at fair value.

Note 30 Capital commitments and contingencies

Operating lease and commercial commitments

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between two and five years with no renewal option included in the contracts.

€ 000	31.12.2014	31.12.2013
Within one year	**7 579**	5 675
Between 1 and 5 years	**6 672**	4 817
More than 5 years	**171**	156
Operating lease Equipment	**14 422**	**10 648**

Furthermore Labco leases almost all of the properties where its labs are located. The lease in France is on a 3/6/9 year lease contracts and in Portugal and Spain, situation is such that Labco can exit leases at 6-12 months notice.

€ 000	31.12.2014	31.12.2013
Within one year	**20 583**	18 906
Between 1 and 5 years	**57 659**	43 596
More than 5 years	**17 014**	14 274
Operating lease Buildings	**95 257**	**76 776**

Operating lease expense related to property amounted to 26,2 M€ in 2014 (2013: 22,1 M€) and equipment lease expense of around 7,9 M€ (2013 : 7,2 M€).

Finance lease and commercial commitments

The Group has entered into finance leases and commercial commitments on certain testing equipments as well as motor vehicles, items of machinery or IT equipments.

Reagents suppliers in certain instances provide the testing equipment free of charge to laboratories in exchange for exclusive purchasing commitments, including sometimes minimum volume commitments. Management believes minimum volume commitments for consumables are substantially below current volumes and therefore we do not consider these minimum purchase commitments to be material for us.

As stated in *Note 15 Property, Plant and Equipment*, some of these contracts have been qualified as capital lease over an average duration of 5 years because the contracts have tacit renewal clauses, but no

Note 30 Capital commitments and contingencies (Continued)

purchase options. Renewals are at the option of the specific entity that holds the leases. Future minimum lease payments under the finance leases are as follows:

€ 000	31.12.2014	31.12.2013
Within one year	**6 453**	6 430
Between 1 and 5 years	**10 013**	12 072
More than 5 years	**3 499**	5 748
Total finance lease commitments	**19 965**	**24 250**

Off balance sheet commitments given and received

As of December 31, 2014, the Group's off-balance sheet commitments consist principally of guarantees given in the course of its investing and financing activities, especially securities given to secure the Notes and the RCF, or also for the Group cash pooling activities.

Indeed the obligations taken by Labco in the Senior Secured Notes indentures and by the borrowing entities, direct subsidiaries of Labco, according to the RCF agreement, have been guaranteed by commitments given by a certain number of Group entities, called Guarantors.

The amended RCF dated December 18, 2014 stipulates, until the high yield bonds have not been refinanced, that the commitments from borrowers pursuant to RCF agreement are jointly guaranteed like for the high yield bonds (i) by the company Labco SA (ii) by some subsidiaries representing more than 70% of the Group EBITDA and (iii) by any subsidiary that would be acquired and for which the EBITDA would be equal or greater to 3 million euros.

Furthermore, until the high yield bonds have not been refinanced, the commitments guaranteeing the amended RCF are the same than the one guaranteeing the high yield bonds. They are mainly composed of (i) pledge over the shares of certain subsidiaries and over the shares of all entity acquired for which the EBITDA is equal or greater than 3 million euros and (ii) the pledge over the long term intercompany loans receivables under any intra group loan in excess of 5 million euros.

All those commitments given have been renewed on December 18, 2014 in the context of the amendment to the revolving credit facility (amended RCF) and extended on February 11, 2015 to cover the additional €100 million 8.5% Senior Secured Notes due 2018, given they constitute an add-on of, and form a single class with, Labco's existing 600 M€ 8.5% Senior Secured Notes due 2018.

Note 30 Capital commitments and contingencies (Continued)

As at December 31, 2014, the Guarantors are the following entities:

Guarantors

Country	Name of Guarantor	Registration number (or equivalent, if any) Jurisdiction of Incorporation
France	Axilab (anciennement dénommé Medilabo)	340 753 292 RCS Evreux—France
	Biofrance	314 818 600 RCS Valenciennes—France
	Biologistes Associés Regroupant des Laboratoires d'Analyses (Barla)	782 596 670 RCS Nice—France
	Biopaj	783 860 919 RCS Valenciennes—France
	BioPar (anciennement dénommé Bioval)	382 676 443 RCS Valenciennes—France
	Centre Biologique	328 264 197 RCS Boulogne-Sur-Mer—France
	Bioalliance (anciennement dénommé ESLAB)	389 394 065 RCS Orléans—France
	Laboratoire d'Analyses de Biologie Médicale Christine Pépin—Philippe Leluan—Patricia Sannier—Didier Guillo	781 026 729 RCS Le Havre—France
	Laboratoire de Biologie Médicale Delaporte	390 753 895 RCS Orléans—France
	Oxabio (anciennement dénommé Laboratoire Goudaert—Dauchy—Leclerq—Capelle—Bourlart)	414 023 465 RCS Douai—France
	Groupe Biologic (anciennement dénommé Laboratoire de Biologie Médicale Jorion)	492 916 150 RCS Macon—France
	Bio-Alpes (anciennement dénommé Schemitick)	353 998 230 RCS Chambéry—France
	Labco Midi	450 376 603 RCS Montpellier—France
	Bio-Rhône (anciennement dénommé Laboratoire de l'Avenue)	779 589 753 RCS Vienne—France
	Norden	349 027 466 RCS Sedan—France
	Institut de Biologie Clinique (anciennement dénommé Laboratoire Schaffner)	347 402 307 RCS Arras—France
	Novabio Diagnostics (ex Tixier—Pokorny)	306 446 824 RCS Saint-Quentin—France
	Normabio	440 849 909 RCS Alençon—France
	Laboratoire Bioliance	352 016 836 RCS Nantes—France
	Mazarin (anciennement dénommé Tranchand Turcon)	394473227 RCS Marseille—France
	Sylab	423 395 276 RCS Aurillac—France
	Isolab	325 940 724 RCS Saintes—France
Belgium	Labco Finance	0 826 013 990—Belgium
	Ellypsis	0 441 181 833—Belgium
	Laboratoire d'Analyses Médicales Roman Païs	0 440 299 628—Belgium
Germany	Labco Germany GmbH (anciennement dénommé Labco Deutschland GmbH)	HRB 59270 (commercial register of the local court of Köln)—Germany
Spain	Labco Diagnostics España, S.L.	Volume 39,744, Page 84, Sheet B-353,263, Inscription 4, Commercial Register of Barcelona—Spain
	General Lab SA	Volume 39,143, Page 47, Sheet B-21,984, Inscription 51, Commercial Register of Barcelona—Spain
	Labco Madrid SA (anciennement dénommé Sanilab SA)	Volume 315, Page 133, Sheet M-6,288, Inscription 4, Commercial Register of Madrid - Spain
Portugal	Clinica de Diagnosticos Dr. F. Teixeira SA	NIPC 500 065 012—Portugal
	Flaviano Gusmao, Limitada	NIPC 501367993—Portugal
	Gnóstica—Laboratório de Análises Clínicas, S.A.	NIPC 501 668 462—Portugal
	General Lab Portugal, S.A.	NIPC 501 871 942—Portugal
	Dr. Macedo Dias—Laboratorio de Anatomia Patologica	NIPC 502 613 653—Portugal
Italy	C.A.M., Centro Analisi Monza S.p.A	00967150152 Monza e Brianza—Italy
	Labco Italia S.r.l.	06254340968 Milan—Italy
	SDN S.p.A.	01288650631 Naples—Italy
	Istituto II Baluardo S.p.A.	00887530103 Genova—Italy

Note 30 Capital commitments and contingencies (Continued)

The list of off-balance sheet commitments was as follows:

	Description	Beneficiaries
	FRANCE **LABCO SA**	
Shares & intra-group receivables pledged	12 469 shares of Labco Midi (ex Laboratoire Vaultier)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	16 488 shares of Laboratoire d'Analyses de Biologie Médicale Delaporte	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	3781 shares of Barla (Biologiste Associés Regroupant des Laboratoires d'Analyses)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	9 990 shares of Groupe Biologic (Ex Jorion)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	420 shares of Biopar (Ex Bioval)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Labco Finance	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Labco Germany GmbH	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Labco Italia Srl	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Labco Diagnostics Espana SL	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited Deutsche Trustee Company Limited
	Shares held in Ellipsys	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited Deutsche Trustee Company Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited,
	Pledge of the profit participating loan granted by Labco S.A. to Labco Diagnostics España, S.A. dated July 1, 2012 for a principal amount of €60,000,000	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
Joint Guarantees	As part of the successful bid by iPP on externalization contracts with Southend University Hospital NHS Foundation and Basildon & Thurrock University Hospital NHS Foundation, Labco issued in May 2014 a parent company Guarantee towards those Trusts. The parent company is committed to guarantee the good execution to run the facilities as described in the externalization contract and for a duration corresponding to the contract duration plus 2 years (iPP Analytics and iPP Facilities). Labco also issued in 2012 a similar parent company Guarantee as part of the externalization contract of Taunton & Somerset as described in section 30 of audited consolidated financial statements of Labco Group for fiscal year closed as of December 31, 2013	Southend University Hospital NHS Foundation trust Basildon and Thurrock University Hospital NHS Foundation Trust Taunton and Somerset NHS Foundation Trust
Comfort letter	Comfort letter dated June 26, 2014: Labco is committed for the next 12 months, if necessary, to provide its subsidiary Labco Finance with the financial means so that this one can meet its requirements towards its Creditors	Labco Finance
	Comfort letter dated June 26, 2014: Labco is committed for the next 12 months, if necessary, to provide its subsidiary Labco Belgium with the financial means so that this one can meet its requirements towards its Creditors	Labco Belgium
	Comfort letter dated November 13, 2014: Labco is committed until December 31, 2015 towards its subsidiary Labco Germany to insure it is able to pay its debts by the due date, and to pursue the existing intercompany loans agreements related to current accounts	Labco Germany
	Comfort letter dated September 1, 2014: Labco is committed during fiscal year 2014 towards its subsidiary iPP to assist it to pay its debts by the due date, but only if iPP would not be able to use other funds	iPP
	Comfort letter dated July 30, 2014: Labco confirmed that it has no intention, within the 24 months following the disposal of SDN spa to Labco Italia, of selling it to a third party not belonging to the Labco Group	Usmen S.r.1, un des cédants de SDN S.p.A.
	Labco gave to Deutsche Bank AG and some of its subsidiaries a guarantee on first demand for a maximum amount of 13 million Euros as part of the centralized management of trans-border treasury implemented by Labco Finance for Labco Group	Deutsche Bank AG; Deutsche Bank Sociedad Anonima Espanola; Deutsche Bank (Portugal) SA

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	As part of the implementation of a BACS facility by Deutsche bank AG, London Branch, for automated clearing house services for Labco UK, Labco SA committed itself to guarantee the punctual performance by Labco UK of its obligation of payment under the facility, or, if Labco UK would not pay the due debts, to pay immediately these amounts, as if it was the principal obligator	Deutsche Bank AG, London Branch
	As part of the disposal of the German entities to Sonic, Labco SA and Labco Germany have given some contractual commitments due to the possible application of common warranty clauses which are capped at usual level for this kind of transaction. These guarantees will expire after 18 months (June 2015), except for tax issues and for guarantees upon capital property, which expire at the end of the regulatory limitation period	Sonic Healthcare Seven GmbH
Letter of intent	Letter of intent of May 22, 2014: Labco committed itself for the next 12 months to support financially Labco Diagnostics Espana so that it can meet all its requirements	Labco Diagnostics Espana
	Letter of intent of April, 22, 2014: Labco committed itself against Société Générale to do everything so that its subsidiary Bioalliance, be able to reimburse the 999k€ loans obtained from société Générale	Société Générale

	Description	Beneficiaries
	OXABIO (formerly GDLCB)	
PLEDGED	2 192 982 shares of Biopaj	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	85 786 shares of Novabio Diagnostics (ex-Tixier-Pierfitte-Avot)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Shares held in Ellipsys	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BARLA	
OTHER GUARANTEES	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOFRANCE	
PLEDGED	298 190 shares of Norden	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	2 426 368 shares of Isolab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOPAR (formerly BIOVAL)	
PLEDGED	Shares held in Roman Pais	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIO-ALPES (formerly Schemitick)	
PLEDGED	Shares held in Roman Pais	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	DELAPORTE	
PLEDGED	1 190 036 shares of Biofrance	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	899 956 shares of Institut de Biologie Clinique (formerly Schaffner)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	BIOALLIANCE (formerly ESLAB)	
PLEDGED	59 788 shares of Aubert	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	GROUPE BIOLOGIC (formerly JORION)	
PLEDGED	10 487 shares of Bio-Rhõne (Ex Laboratoire de l'avenue)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	LABCO MIDI	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	99 896 shares of Laboratoire d'analyses médicales Carron	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	14 974 shares of Bioalliance (Ex Eslab)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	INSTITUT DE BIOLOGIE CLINIQUE (formerly SCHAFFNER)	
PLEDGED	62 134 shares of Oxabio (Ex GDLCB)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Shares held in Roman Pais	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ISOLAB	
PLEDGED	Shares held in Ellipsys	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	NOVABIO	
PLEDGED	Shares held in Ellipsys	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Shares held in Roman Pais	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Spain **LABCO DIAGNOSTICS ESPANA**	
PLEDGED	Totality of the shares of General Lab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any Intragroup loans over 1 M£	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE RECEIVED	Labco made a downpayment of 550 K£ for services to be performed in 2013, guaranteed by a "Pagare" due August 2013 in the context of a Call option signed Nov 22, 2012 to acquire	Labco SA
	Integra/Global. The company went bankrupt, Labco Diagnostics Espana tries to excercise the guarantee ("pagare") given.	
	GENERAL LAB	
GUARANTEE	Guarantee associated with a public subsidy granted to General Lab amounting to 125k€	Public organization
	Belgium **LABCO FINANCE**	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M£	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	ROMAN PAIS	
PLEDGED AS REAL PROPERTY	Business asset of Roman Pais (around 1,7 M£)	BNP Paribas Fortis SA
COLLATERAL	Bank accounts	BNP Paribas Fortis SA
GUARANTEE	Guarantee on rent (107K£)	BNP Paribas Fortis SA
	ELLIPSYS	
PLEDGED	Share held in Roman Pais	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Portugal	
	SAMPLETEST—CONSULTORIA E GESTÃO DE LABORATÓRIOS DE ANALISES CLÍNICAS, S.A.	
PLEDGED	Totality of the shares of Laboratorio Medico Dr David Santos Pinto e Fernando Teixeria, SA	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	LABORATORIO MEDICO Dr. DAVID SANTOS PINTO E Dr. FERNANDO TEIXEIRA, S.A (formerly CLINICA DE DIAGNOSTICOS DR FERNANDO TEIXERA)	
PLEDGED	Totality of the shares of Flaviano Gusmao	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Gnostica—Laboratorio de Analises Clinicas	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares General Lab Portugal, SA	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Germany	
	Labco Germany (formerly Labco Deutschland)	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Italy	
	LABCO ITALIA	
PLEDGED	Totality of the shares of Istituto il Baluardo	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Labco Lombardia	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of SDN S.p.A	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares of Centro Analisi Monza (CAM)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ISTITUTO IL BALUARDO	
PLEDGED	37 485 shares of Labco Midi	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	29 985 shares of Groupe Biologic	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	11 298 shares of Barla	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	49 489 shares of Delaporte	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE	Guarantee on rent of the building amounting to 113K£	Baluardo Immobiliare
	Bank guarantee 90k£	Credem
	BALUARDO SERVIZI SANITARI	
GUARANTEE	Guarantee on rent of the building amounting to 76K£	Baluardo Immobiliare

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	CAM	
GUARANTEE	Guarantee amounting to £ 1.75 million as part of the renting agreement for the new site located in Viale Elvezia, Monza	Supplier
PLEDGED	Totality of the shares of Labco Lombardia	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	SDN	
GUARANTEE	Guarantee amounting to £500k towards the ministry of Research on loan obtained	Italian Ministry of Research (MIUR)

Note 31 Earnings per share

Computation of weighted average number of actions for basic and diluted earnings per share :

€	2014	2013
Number of shares as at January 1st	**68 459 322**	68 459 322
Number of own shares as at January 1st	**80 709**	80 709
Weighted number of own shares issued (disposed) over the period	**0**	0
Weighted number of shares issued (disposed) during the period	**139 863**	0
Basic weighted average number of shares as at December 31	**68 679 894**	**68 378 613**
Dilutive Warrants and equity instruments	**10 574 460**	10 574 456
—Financial BSA	***7 562 117***	***7 562 108***
—Mezzanine BSA	***1 132 753***	***1 132 758***
—Management BSA	***1 879 590***	***1 879 590***
Diluted weighted average number of shares as at December 31	**79 254 354**	**78 953 069**

€ 000	2014	2013
Basic Net Profit attributable to the parent entity	**(14 999)**	12 743
Diluted Net Profit attributable to the parent entity	**(14 999)**	12 743

€	2014	2013
Basic earnings per share	**−0,22**	0,19
Diluted earnings per share	**−0,22**	0,16

Note 32 Related party transactions

Transactions with key management personnel

Key executive management compensation

With the exception of the standing independent members of the board of directors, members of the board of directors and the executive committee receive no compensation for their services on either of these committees. The independent member of the board of director, Daniel Bour, received in 2014 a compensation of €40 000 per year.

Note 32 Related party transactions (Continued)

Certain members of the board of directors (Philippe Charrier, Andreas Gaddum, Stéphane Chassaing, Albert Sumarroca, Philippe Dauchy, Philippe Sellem, Xavier Merlen, Thierry Mathieu, Gilles Meshaka) and the executive committee (Philippe Charrier, Albert Sumarroca, Luis Vieira, Etienne Couelle, Santiago Valor, Philippe Cailly, Stuart Quin, Ginette Leclerc and Vincent Marcel) are, or were in 2014, compensated for certain other services they render to our Group. Such remuneration is paid to them (or to professional companies wholly owned by them) by way of a fixed annual salary (or fees) and an annual bonus. The aggregate remuneration paid to or accrued on behalf of members of the board of directors and the executive committee for such other services was 9,7 M€ for the year ended December 31, 2014 (2013: 5,6 M€ after restating the remuneration of Comex member in charge of Germany). That remuneration includes especially an amount of 3,2 M€ paid to two board members who are laboratory doctors in France for the repurchase of their preferred shares (called category A share) in the SEL in which they practice and which grant rights to priority dividends (refer to the note 5.3 *Non-recurring restructuring plans*).

€ 000	Note	2014	2013
Short term benefits		**5 599**	5 573
Post-employment benefits	*(i)*	**NS**	NS
Special indemnities (including termination)	*(ii)*	**3 228**	0
Share-based payments	*(iii)*	**921**	0
Total		**9 748**	5 573

(i) Post-employment benefits are not significant and correspond only for the few members concerned to French legal post-employment benefits due to employees as described in *note 24 Employee benefit liabilities*.

(ii) The specific indemnities correspond to the amounts paid to two board members who are laboratory doctors in France for the repurchase of their preferred shares (called category A share) in the SEL in which they practice and which grant rights to priority dividends (refer to the note 5.3 *Non-recurring restructuring plans*).

(iii) Certain key members of the senior management benefit from the Free shares 2014 scheme granted in November 2014 with a performance condition and conditional to an active employment period of 2 years (plus then an obligation to keep the shares for an additional 2 years period). On top of that, the Executive committee member in charge of developing the UK business benefits from a share based payment plan (refer to note 25 *Share based payments*). The estimated IFRS 2 expense for those beneficiaries recorded prorata temporis in the consolidated statement of income for the year ended December 31, 2014 amounts to 0,9 M€.

Other related party transactions with key management members

Certain French entities of the Group (SEL) have entered into real estate lease agreements with the company "Société Immobilière de Laboratoires". This entity is a real estate company, for which Philippe Dauchy, a board member of Labco SA, is the managing director and which is owned directly or indirectly by a few board members of Labco SA among which Philippe Charrier. Its business purpose is to build or refurbish commercial or industrial premises in order to lease them to certain SEL. The lease agreements stipulate conditions which are considered as usual commercial conditions, it being specified, however, that executed lease agreements are with a duration exceeding the usual commercial leases in France and that, in compliance with French commercial law (Code de Commerce) articles L. 145-18, L. 145-21 et L. 145-24, the duration of these leases is fixed meaning that the lessee is not entitled to exit the lease at the end of each three-year period.

As at December 31, 2014, twelve lease agreements have been executed with certain SEL and it is forecasted that one new operation will be implemented before end 2014. The operations of premises leasing implemented with Société Immobilière de Laboratoires having been designed for laboratory or technical platform operations by the SEL, they enable in most of cases to put at disposal of the SEL of the Group premises compliant with the technical requirements of those SEL and located in geographical areas corresponding to the presence of clinical diagnostics laboratories of the Group.

Other related party transactions

Balances and transactions between Labco SA and its subsidiaries, which are related parties of Labco SA, have been eliminated on consolidation and are not disclosed in this note.

Note 32 Related party transactions (Continued)

A number of associates accounted for under the equity method incur expenses for certain subsidiaries of the Group. These operating expenses are recharged to the relevant subsidiaries. The net operating expenses that have been recharged by the associates amounted to nil in 2014 (2013: nil).

All transactions and outstanding balances with the related parties during the year are priced on an arm's length basis. None of the balances is secured.

Note 33 Group entities

The consolidation scope at December 31, 2014 and December 31, 2013 was established as follows:

Parent company : Labco SA

French entities

	31.12.2014			31.12.2013		
Designated enities	% of control	Consolidation Method	% of interest	% of control	Consolidation Method	% of interest
Oxabio	**98,42%**	**FC**	**97,33%**	98,42%	FC	97,33%
LGESTION	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
AUBERT (ex Auber H)	**99,66%**	**FC**	**99,40%**	99,66%	FC	99,40%
BIOFRANCE	**99,32%**	**FC**	**99,31%**	99,32%	FC	99,31%
NORDEN	**98,56%**	**FC**	**98,71%**	98,56%	FC	98,71%
LABCO MIDI—VAULTIER (MOSSON)	**99,96%**	**FC**	**99,96%**	99,96%	FC	99,96%
DELAPORTE	**99,99%**	**FC**	**99,99%**	99,99%	FC	99,99%
Bioalliance (ex Eslab)	**99,79%**	**FC**	**99,74%**	99,79%	FC	99,74%
Institut de Biologie Clinique (ex Schaffner)	**98,89%**	**FC**	**98,89%**	98,89%	FC	98,89%
BARLA	**98,36%**	**FC**	**98,36%**	98,36%	FC	98,36%
BIOPAJ	**99,99%**	**FC**	**97,62%**	99,99%	FC	97,62%
Biopar (ex Bioval)	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
BIOSYNTHESE	**99,40%**	**FC**	**98,80%**	99,40%	FC	98,80%
CARRON	**99,87%**	**FC**	**99,87%**	99,87%	FC	99,87%
LABO DU BEFFROI	**99,92%**	**FC**	**99,68%**	99,92%	FC	99,68%
Novabio Diagnostics (ex Tixier—Pierfitte-Avot)	**99,99%**	**FC**	**97,32%**	99,99%	FC	97,32%
Centre Biologique de Calais	**99,87%**	**FC**	**99,73%**	99,87%	FC	99,73%
LABO DU MARCHE	**99,99%**	**FC**	**99,39%**	99,99%	FC	99,39%
Bio Arvor (Treguier Lemoine)	**98,85%**	**FC**	**99,05%**	98,85%	FC	99,05%
AQUILAB	**98,89%**	**FC**	**99,09%**	98,89%	FC	99,09%
VAL DE GARONNE	**49,37%**	**EM**	**49,47%**	49,37%	EM	49,47%
Groupe Biologic (ex Jorion)	**99,99%**	**FC**	**99,99%**	99,99%	FC	99,99%
BIO ADOUR	**99,99%**	**FC**	**99,30%**	99,99%	FC	99,30%
Laboratoire Bioliance (Ex Erdre et Loire)	**97,30%**	**FC**	**94,98%**	97,30%	FC	94,98%
Bio-Rhone (ex LABORATOIRE DE L'AVENUE)	**99,92%**	**FC**	**99,96%**	99,92%	FC	99,96%
ANABIO	**99,94%**	**FC**	**98,77%**	99,94%	FC	98,77%
Bioval Laboratoires (ex Greil)	**98,55%**	**FC**	**98,70%**	98,55%	FC	98,70%
VAL D'ORNE	**99,82%**	**FC**	**99,82%**	99,82%	FC	99,82%
GCB	**98,54%**	**FC**	**98,69%**	98,54%	FC	98,69%
PLSG (ex Pépin)	**98,28%**	**FC**	**98,89%**	98,28%	FC	98,89%
Bio-Alpes (ex Schemitick)	**99,48%**	**FC**	**99,68%**	99,48%	FC	99,68%
Normabio	**96,91%**	**FC**	**97,31%**	96,91%	FC	97,31%
Bio Fin	**98,30%**	**FC**	**98,70%**	98,30%	FC	98,70%
LBM Labo Gascogne (Froment)	**98,84%**	**FC**	**98,84%**	98,84%	FC	98,84%
PROBIO (ex référentiel biologie)	**99,99%**	**FC**	**99,30%**	99,99%	FC	99,30%
Mazarin (ex Tranchand Turcon)	**98,68%**	**FC**	**98,88%**	98,68%	FC	98,88%
Axilab (ex Medilabo)	**98,63%**	**FC**	**98,71%**	98,63%	FC	98,71%
Verdun de Lore	**99,75%**	**FC**	**99,75%**	99,75%	FC	99,75%
Celab—Saint Céré	**99,93%**	**FC**	**99,02%**	99,93%	FC	99,02%
Sylab	**99,99%**	**FC**	**99,01%**	99,99%	FC	99,01%
Biologie Médicale (ex Selarl du Laonois/coquelet)	**100,00%**	**MERGER**	**100,00%**	99,96%	FC	97,28%
Biosix	**100,00%**	**FC**	**96,89%**	100,00%	FC	96,89%
Isolab	**99,97%**	**FC**	**99,28%**	99,97%	FC	99,28%
Seudre Biologie	**—**	**—**	**—**	100,00%	MERGER	100,00%
Vial & Le Dunff	**—**	**—**	**—**	100,00%	MERGER	100,00%
Chatelier Perroneau	**—**	**—**	**—**	100,00%	MERGER	100,00%
Baud David	**—**	**—**	**—**	100,00%	MERGER	100,00%
Nottegem	**—**	**—**	**—**	100,00%	MERGER	100,00%
Mallia	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	98,74%
Laboratoire Chiche	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
LBMR du Centre (Ternois)	**100,00%**	**MERGER**	**100,00%**	—	—	—
LBMR de Normandie	**49,99%**	**FC**	**99,76%**	—	—	—
Alpigène	**32,35%**	**FC**	**54,98%**	—	—	—

Note 33 Group entities (Continued)

Designated enities	31.12.2014 % of control	31.12.2014 Consolidation Method	31.12.2014 % of interest	31.12.2013 % of control	31.12.2013 Consolidation Method	31.12.2013 % of interest
SCM DE LA MARNE	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
SCM Vallée de la MEUSE	**49,28%**	**NC**	**49,28%**	49,28%	NC	49,28%
SCM LAD	**99,47%**	**FC**	**99,55%**	99,47%	FC	99,55%
SCM GROUPEMENT LABO	**65,90%**	**FC**	**66,04%**	65,90%	FC	66,04%
SCM ST COME	**45,61%**	**EM**	**45,61%**	45,61%	EM	45,61%
SCM LABO CENTRE	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
SCM LE CENTRE	**99,87%**	**NC**	**99,87%**	99,87%	NC	99,87%
SCM AZURLAB	**28,39%**	**EM**	**28,39%**	28,39%	EM	28,39%
SCM Biologis	**100,00%**	**FC**	**95,23%**	100,00%	FC	95,23%
SCM GRAM	**39,48%**	**EM**	**39,56%**	39,48%	EM	39,56%
SCM BIO 76	**0,01%**	**NC**	**0,01%**	0,01%	NC	0,01%
SCM PIERRE BACHET	**9,91%**	**NC**	**9,91%**	9,91%	NC	9,91%
GIE SAMBRE AVENOIS	**98,19%**	**FC**	**98,33%**	98,19%	FC	98,33%
GIE LABCO 06	**99,44%**	**NC**	**99,44%**	99,44%	NC	99,44%
GIE LABCO 07	**100,00%**	**NC**	**98,19%**	100,00%	NC	98,19%
SAL	**57,71%**	**FC**	**57,68%**	57,71%	FC	57,68%
ENVIRONNEMENT & SANTE	**54,72%**	**NC**	**54,72%**	54,72%	NC	54,72%
LABO DES CHARENTES	**35,69%**	**EM**	**35,43%**	35,69%	EM	35,43%

EM: Equity Method / FC: Global integration / NC: Not consolidated.

Note 33 Group entities (Continued)

Foreign entities

Parent company : LABCO SA

Designated entities	31.12.2014 % of control	31.12.2014 Consolidation method	31.12.2014 % of interest	31.12.2013 % of control	31.12.2013 Consolidation method	31.12.2013 % of interest
Sweden						
LABCO DIAGNOSTICS SWEDEN AB	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Italy						
LABCO LOMBARDIA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
CAM	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
LABCO ITALIA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
ISTITUTO IL BALUARDO SPA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
SDN S.p.A	**100,00%**	**FC**	**100,00%**	—	—	—
SDN Guantai	**100,00%**	**FC**	**100,00%**	—	—	—
SDN San Giorgio a Cremano	**100,00%**	**FC**	**100,00%**	—	—	—
SDN Vanvitelli	**100,00%**	**FC**	**100,00%**	—	—	—
SDN Gianturco	**100,00%**	**FC**	**100,00%**	—	—	—
Visconteo	**100,00%**	**FC**	**100,00%**	—	—	—
CAM ECO SERVICE SRL	**41,00%**	**EM**	**41,00%**	41,00%	EM	41,00%
Consorzio (GIE)	**33,33%**	**EM**	**33,33%**	25,00%	EM	25,00%
BALUARDO SERVIZI SANITARI Srl	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
Consorzio genetico (GIE)	**33,33%**	**EM**	**33,33%**	50,00%	EM	50,00%
Germany						
LABCO GERMANY	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
Spain						
LABCO ESPANA	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
General Lab—Holding	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
ANALISIS CLINICOS BIOCLINIC SL	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
VIDAL GENERAL LAB	**—**	**—**	**—**	100,00%	MERGER	100,00%
TRIALS GENERAL LABORATORIES	**75,00%**	**FC**	**74,59%**	75,00%	FC	75,00%
Lab Dos Analisis SL	**50,00%**	**EM**	**49,72%**	50,00%	EM	50,00%
GENETICA MOLECULAR LAB	**100,00%**	**FC**	**99,45%**	77,60%	FC	77,60%
Labco Madrid (Ex Sanilab)	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Sanilab Molecular	**100,00%**	**FC**	**99,45%**	40,00%	EM	40,00%
Labco Baleares	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Raban Gibraltar	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboser	**—**	**—**	**—**	100,00%	MERGER	100,00%
Lallemand	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Avivar Analistas Asociados, S.L.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Centro De Patologia Celular Y Diagnostico Prenatal, S.A.	**84,70%**	**FC**	**84,70%**	84,70%	FC	84,70%
Labco Pathology, SL (Ex Histocitomed)	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Egara Laboratoris SL	**45,00%**	**NC**	**44,75%**	45,00%	NC	45,00%
Institut De Citologia I Histopatologia, S.L.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Labco Buildings	**100,00%**	**Set-up—FC**	**100,00%**	—	—	—
Labco Castilla y Leon, SL (ex Labotario Canga Arqueros)	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Olot Análisis, S.L.	**75,00%**	**FC**	**74,59%**	75,00%	FC	75,00%
Sabater Pharma, S.A.	**—**	**DISPOSAL**	**—**	100,00%	FC	100,00%
Labco Spain S.L.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboratorio Global	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
CIC Mexico	**70,00%**	**Set-up—FC**	**69,61%**	—	—	—
Labco Noûs (ex CIC Barcelona)	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
CIC Analises Brasil	**99,50%**	**FC**	**98,95%**	99,50%	FC	99,50%
CIC Colombia	**70,00%**	**FC**	**69,61%**	70,00%	FC	70,00%
Belgium						
LABCO BELGIUM	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
ROMAN PAIS	**100,00%**	**FC**	**98,90%**	100,00%	FC	98,90%
ELLIPSYS	**100,00%**	**FC**	**98,14%**	100,00%	FC	98,14%
GENERALIMMO	**100,00%**	**Création—FC**	**98,89%**	—	—	—
Labco Finance	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
Van Risseghem	**100,00%**	**FC**	**98,89%**	—	—	—
Laboratoire MAB	**100,00%**	**FC**	**98,90%**	100,00%	FC	98,90%
UK						
IPP	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
Labco UK	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
IPS	**100,00%**	**FC**	**100,00%**	100,00%	Set-up—FC	100,00%
IPP Facilities	**100,00%**	**Set-up—FC**	**100,00%**	—	—	—
IPP Analytics	**100,00%**	**Set-up—FC**	**100,00%**	—	—	—

Note 33 Group entities (Continued)

Designated entities	31.12.2014 % of control	31.12.2014 Consolidation method	31.12.2014 % of interest	31.12.2013 % of control	31.12.2013 Consolidation method	31.12.2013 % of interest
			Portugal			
QUESTAO EM ABERTO	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
GENERAL LAB Portugal SA (ex SOCIEDADE DE PREPARACAO LABORATORIAL LDA)	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
GERMILAB	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboratorio Medico Dr. Santos Pinto y Dr. Fernando Teixeira	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Clínica De Diagnósticos Da Azambuja, Dr. Fernando Teixeira, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Clinova—Centro De Diagnóstio Laboratorial De Torres Novas, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
LPD, Lda	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Endoclab—Laboratório De Endocrinologia E Patologia Clínica Doutor I. Salcedo, S.A.	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Flaviano Gusmão, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Gnóstica—Laboratório De Análises Clínicas, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
José Júlio De Castro Fernandes, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboratório Análises Drª Graça Duarte Nunes, S.A.	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Laboratório De Análises Clínicas—Susana Pereira Rosas, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboratório De Análises Clínicas Da Covilha, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboratório J. Marinheira Monteiro—Laboratorio Médico De Patología Clínica, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Laboratórios De Análises Clínicas Do Dr. João Ribeiro E Dra Maria Da Graça Cardoso, Lda.	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Miranalise—Laboratório De Análises Clínicas Mira D' Aire, Lda	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Novanalise—Laboratório De Análises Clínicas De Torres Novas, Lda.	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Datapartners, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Previlabor—Análises Clínicas, Saúde Ocupacional E Preventiva, Lda.	**—**	**LIQUIDATION**	**—**	100,00%	FC	100,00%
LAC—Laboratorio de Analises Clinicas	**—**	**LIQUIDATION**	**—**	100,00%	FC	100,00%
Rotarobal, Sgps, S.A.	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
Sampletest I—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Sampletest II—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Sgus Madeira—S.G.P.S., S.A.	**100,00%**	**MERGER**	**100,00%**	100,00%	FC	100,00%
GDPN	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Sscp—Serviços De Saúde Curativos Preventivos, Lda.	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
Macedo Dias	**100,00%**	**FC**	**99,45%**	100,00%	FC	100,00%
			Switzerland			
Test SA	**48,00%**	**FC**	**48,00%**	48,00%	FC	48,00%

EM: Equity Method / FC: Global integration / NC: Not consolidated.

Note 34 Events after the reporting period

Additional 8,5% Senior Secured Notes due 2018 issued for an aggregate nominal of 100 M€

Labco S.A. issued on February 11, 2015 €100 million in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 600 M€ 8.5% Senior Secured Notes due 2018. The Additional Senior Secured Notes will mature on January 15, 2018. The gross proceeds of the issuance amounts to 103,75 M€, ie meaning a yield of 7,19% and will be used to repay the outstanding amounts borrowed under Labco's revolving credit facility, pay the costs, fees and expenses in relation to the issuance transaction and for general corporate purposes. As a consequence Labco revolving credit facility amounting to 128,25 M€ drawn for 108 M€ has been reimbursed for an amount of 100 M€.

Note 34 Events after the reporting period (Continued)

Prospective liquidity analysis at refinancing date taking into account balances for other financial debts and trade payables as at December 31st, 2014 is as follows

€ 000	Note	Carrying amount	Cash Flow	1 year or less	1 - 5 years	More than 5 years
Non derivatives financial instruments						
Bonds loans		**700 000**	**(878 500)**	(59 500)	(819 000)	
Revolving Credit Facility	*(a)*	**8 000**	**(15 973)**	(2 658)	(13 316)	
Other financial debts		**57 129**	**(60 219)**	(34 210)	(25 542)	(467)
Trade payables		**74 341**	**(74 341)**	(74 341)		

(a) Revolving Credit Facility amounting 128,25 M€ has been reimbursed for an amount of 100 M€ with the proceed of the additional Notes issuance (RCF was drawn for an amount of 108 M€ as at additional Notes issuance date ie February 11, 2015). Amounts to be paid are estimated at refinancing date as the commitments fees paid on undrawn facility until end 2017 with a rate corresponding to 40% of margin (margin being estimated at 3,75%). Revolving Credit Facility will be however drawn for financing future acquisitions if necessary and subject to achieving financial covenants.

(b) Other financial debt corresponds to other loans and borrowings, finance lease liabilities, accrued HYB interests to be paid in January.

Disposal of assets and acquisitions

In February and early March (until board of directors meeting on March 23, 2015) one acquisition has been performed for a total consideration of 2,2 M€. It corresponds to an asset deal in Belgium.

Capital and potential capital evolution

Labco SA has signed an agreement on January 21, 2015 with the holders of BSA10x according to which it is committed irrevocably to acquire, at the date of settlement and delivery of the Company's shares issued or sold as part of an initial public offering of Labco SA, all the warrants BSA 10x from their holders at a price computed on the basis of 0,80€ per share, which may result from the exercise of the BSA 10x, ie for a total acquisition price of 6 585 K€ and in order to cancel the BSA 10x immediately after their acquisition.

At the same time as the signature of the BSA 10x agreement, and given the purpose of the BSA Mezzanine C is to protect their holders against the dilutive effect of the BSA 10x exercise, Labco SA and holders of BSA Mezzanine C have signed an agreement in order to draw the appropriate conclusions of the potential purchase of BSA 10x by Labco SA. Pursuant to that agreement, Labco SA is committed irrevocably to acquire, at the date of settlement and delivery of the Company's shares issued or sold as part of an initial public offering of Labco SA, all the warrants BSA Mezzanine C from their holders at a price computed on the basis of 0,80€ per share, which may result from the exercise of the BSA Mezzanine C, ie for a total acquisition price of 1 036 K€ and in order to cancel the BSA Mezzanine C immediately after their acquisition.

Certain holders of warrants 2005-1-1 (BSA 2005-1-1) have exercised 650 014 warrants since January 1st 2015. The board of directors, during its meeting on February 23, 2015, has registered a capital increase of 1 021 K€ by the issuance of 1 021 451 new shares (category B shares in accordance with statutory provisions) for a subscription price of €1,00 per share as a result of those BSA exercise and after applying the protection right against the dilutive effect of the capital increase performed at par on March 12, 2012.

Note 35 Auditor fees

The amount of the signatory statutory auditors' fees for the consolidated financial statements of Labco for the year 2014 for all the consolidated companies, where they are appointed is broken down as follow.

		2014		2013	
€ 000	**Note**	**Deloitte**	**Aplitec**	**Deloitte**	**Aplitec**
Legal audit	*(a)*	**1 331**	**253**	**583**	**98**
Agreed upon services	*(b)*	**323**	**70**	**33**	**0**
Other services				**0**	**0**
Auditor fees		**1 654**	**323**	**616**	**98**

(a) The increase in audit fees is mainly explained by the limited reviews performed by the auditors as at June 30, 2014 and September 30, 2014 in the context of the preparation of the strategic projects.

(b) Include mainly the fees related to the preliminary diligences for the draft prospectus in the context of the initial public offering (IPO) project initiated during 2nd semester 2014.

GROUP

LABCO
Quality Diagnostics

IFRS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

FOR THE PERIOD ENDED DECEMBER 31, 2013

LABCO

Société Anonyme—A Limited liability Company under French law

60-62, rue d'Hauteville
75010 Paris

Statutory Auditors' Report on the consolidated financial statements

For the year ended 31 December 2013

Deloitte & Associés
67, rue de Luxembourg
59777 Euralille

APLITEC
4-14, rue Ferrus
75 014 Paris

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

LABCO

Société Anonyme—A Limited liability Company under French law

60-62, rue d'Hauteville
75010 Paris, France

Statutory Auditors' Report on the Consolidated Financial Statements

For the year ended 31 December 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying consolidated financial statements of LABCO;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling testing techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Group as at 31 December 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Company Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Notes 3.9.2 and 3.10.2 to the consolidated financial statements outline the accounting rules and methods relating to the goodwill and indefinite useful life assets carrying amounts and retirement costs and other employee benefits.

Our procedures consisted in verifying the appropriateness of the accounting methods applied, data and assumptions used, documentation provided and resulting valuations. We also satisfied ourselves that Notes 13 and 24 provide appropriate disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

III—Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Lille and Levallois-Perret, April 7, 2014

The Statutory Auditors

French original signed by

Deloitte & Associés	APLITEC
Gérard BADIN	Pierre LAOT

Contents

Consolidated statement of income

For the year ended 31 December 2013

CONSOLIDATED STATEMENT OF INCOME (€ 000)	Notes	2013	2012 re-presented IFRS 5
Revenue		**544 167**	511 365
Other income		**3 144**	2 852
Total revenue	*Note 7*	**547 311**	**514 216**
Cost of sales		**(122 768)**	(111 330)
Payroll related expenses	*Note 8*	**(232 452)**	(219 635)
Share based payment (warrants)		**(336)**	(565)
Other operating expenses	*Note 9*	**(84 527)**	(77 749)
Transactions costs for usual small size acquisitions		**(972)**	(1 529)
EBITDA	*Note 7*	**106 255**	**103 408**
Depreciation and amortization expenses		***(18 634)***	*(17 497)*
Provisions, impairment losses and reversals on assets		***(313)***	*(420)*
Provisions, impairment losses and reversals on liabilities		***(54)***	*326*
Depreciation, impairment losses and amortization, provisions and reversals		**(19 001)**	(17 591)
Results from operating activities before non-recurring activities		**87 254**	**85 818**
Restructuring Expenses and Provisions for major litigations		***(5 525)***	*(7 825)*
Perimeter effect		***356***	*(2 715)*
Impairment and reversal of impairment on non-operational assets and liabilities		***2 352***	*3 694*
Gains/losses on sale of assets		***3 091***	*337*
Non recurring income and expenses	*Note 10*	**273**	(6 509)
Results from operating activities after non-recurring activities		**87 527**	**79 309**
Financial income		***740***	*1 120*
Financial costs		***(59 872)***	*(54 907)*
Net finance costs	*Note 11*	**(59 131)**	(53 787)
Income tax expenses	*Note 12*	**(21 130)**	(18 556)
Share of profit of associates		**(1 265)**	(69)
Net profit of the period from Continuing Operations		**6 000**	**6 896**
Net profit of the period from Discontinued Operations	*Note 33*	**6 842**	(34 968)
Net profit of the period		**12 842**	**(28 073)**
Profit attribuable to non controlling interest		**99**	382
Profit attribuable to the owners of the company		**12 743**	(28 454)
Net profit from Continuing Operations			
attribuable to non controlling interest		***99***	*382*
attribuable to the owners of the company		***5 901***	*6 514*
Basic earnings per share	*Note 31*	**0,19**	**−0,46**
Diluted earnings per share	*Note 31*	**0,16**	**−0,46**

Consolidated statement of comprehensive income

For the year ended 31 December 2013

€ 000	2013	2012
Net Profit of the period	**12 841**	**(28 073)**
Actuarial gains or losses on pension obligations	**323**	302
Taxes on Actuarial gains or losses on pensions obligations	**(108)**	(104)
Items that will not be reclassified to profit or loss (a)	**215**	**198**
Net change in fair value of available for sale assets		
Taxes on Net change in fair value of available for sale assets		
Fair value adjustments on cash flow hedge derivatives instruments	**139**	0
Taxes on Fair value adjustments on cash flow hedge derivatives instruments	**0**	0
Foreign exchange gains and losses		
Other		
Items that may be reclassified subsequently to profit or loss (b)	**139**	**0**
Revenues and expenses directly recognized in equity (a)+ (b)	**354**	**198**
Total consolidated comprehensive income	**13 195**	**(27 874)**
Equity holders of the parents	**13 097**	**(28 256)**
Non-controlling interests	**99**	**382**

The accompanying notes are an integral part of the financial statements

Consolidated statement of financial position

As at 31 December 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ 000)	Notes	31.12.2013	31.12.2012
ASSETS			
Goodwill	*Note 13*	**581 483**	620 619
Intangible assets	*Note 14*	**25 024**	12 606
Property, Plant and Equipment	*Note 15*	**67 219**	59 853
Investments in associates	*Note 16*	**1 970**	2 340
Other non-current assets	*Note 17*	**9 265**	8 938
Deferred tax assets	*Note 18*	**8 579**	7 614
NON CURRENT ASSETS		**693 539**	**711 969**
Inventories	*Note 19*	**8 230**	8 938
Trade Receivables	*Note 20*	**85 517**	97 442
Other current assets	*Note 20*	**12 946**	13 704
Cash and cash equivalents	*Note 21*	**167 801**	56 595
CURRENT ASSETS		**274 494**	**176 679**
Assets classified as held for sale		**0**	0
TOTAL ASSETS		**968 033**	**888 648**

	Notes	31.12.2013	31.12.2012
EQUITY & LIABILITIES			
Share Capital		**68 459**	68 459
Additional paid-in capital		**210 995**	210 995
Reserves attributable to owners of the parent		**(114 101)**	(85 583)
Currency translation adjustements		**(179)**	(169)
Net income (Group share)		**12 743**	(28 454)
Equity attributable to owners of the parent		**177 918**	**165 250**
Non-controlling interests		**1 240**	1 168
TOTAL EQUITY		**179 158**	**166 417**
Provisions—non current	*Note 26*	**0**	858
Employee benefits liabilities	*Note 24*	**8 620**	8 158
Borrowings and other financial liabilities—non current	*Note 23*	**616 010**	548 675
Other non-current liabilities	*Note 28*	**1 481**	2 310
Deferred tax liabilities	*Note 18*	**5 046**	2 369
NON-CURRENT LIABILITIES		**631 158**	**562 370**
Provisions—current	*Note 26*	**2 889**	5 846
Current financial liabilities	*Note 23*	**33 666**	31 917
Trade Liabilities	*Note 28*	**60 878**	56 971
Other current liabilities	*Note 28*	**60 284**	65 129
CURRENT LIABILITIES		**157 717**	**159 862**
Liabilties classifed as held for sale		**0**	0
TOTAL EQUITY AND LIABILITIES		**968 033**	**888 648**

The accompanying notes are an integral part of the financial statements

Consolidated statement of changes in equity

As at 31 December 2013

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2013	**68 459**	**210 995**	**3 504**	**(0)**	**(116 894)**	**(169)**	**(646)**	**165 250**	**1 168**	**166 417**
Total comprehensive income for the period										
Net result of the period					12 743			**12 743**	99	**12 842**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax					139			**139**		**139**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax								**0**		**0**
Actuarial gains or losses on pension obligations					215			**215**		**215**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**354**	**0**	**0**	**354**	**0**	**354**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**13 097**	**0**	**0**	**13 097**	**99**	**13 196**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase								**0**		**0**
Dividends								**0**	(123)	**(123)**
Share-based payment transactions			336					**336**		**336**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**0**	**0**	**336**	**0**	**0**	**0**	**0**	**337**	**(123)**	**214**
Other variations						(10)		**(10)**		**(10)**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					(756)			**(756)**	**96**	**(660)**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**(756)**	**0**	**0**	**(756)**	**96**	**(660)**
Total transactions with owners	**0**	**0**	**336**	**0**	**(756)**	**(10)**	**0**	**(430)**	**(27)**	**(456)**
Balance at 31 December 2013	**68 459**	**210 995**	**3 840**	**(0)**	**(104 553)**	**(179)**	**(646)**	**177 918**	**1 240**	**179 156**

The accompanying notes are an integral part of these consolidated financial statements.

As at 31 December 2012

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2012	**43 337**	**208 727**	**4 037**	**(0)**	**(91 922)**	**(59)**	**(646)**	**163 474**	**1 366**	**164 840**
Total comprehensive income for the period										
Net result of the period					(28 454)			**(28 454)**	382	**(28 073)**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax								**0**		**0**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax				0				**0**		**0**
Actuarial gains or losses on pension obligations					198			**198**		**198**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**198**	**0**	**0**	**199**	**0**	**199**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**(28 256)**	**0**	**0**	**(28 256)**	**382**	**(27 874)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase	25 123	2 268						**27 391**		**27 391**
Dividends								**0**	(165)	**(165)**
Share-based payment transactions			(533)		2 634			**2 101**		**2 101**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**25 123**	**2 268**	**(533)**	**0**	**2 634**	**0**	**0**	**29 492**	**(165)**	**29 327**
Other variations						(110)		**(110)**		**(110)**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					**649**			**649**	**(414)**	**235**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**649**	**0**	**0**	**649**	**(414)**	**235**
Total transactions with owners	**25 123**	**2 268**	**(533)**	**0**	**3 283**	**(110)**	**0**	**30 031**	**(580)**	**29 452**
Balance at 31 December 2012	**68 459**	**210 995**	**3 504**	**(0)**	**(116 894)**	**(169)**	**(646)**	**165 250**	**1 168**	**166 417**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013

€ 000	Notes	2013	2012 re-presented IFRS 5
EBITDA		**106 255**	**103 408**
Other calculated revenues and expenses		**1 093**	1 237
Dividends received from associates		**329**	372
Cash from (used in) non recurring expenses net		**(5 566)**	(6 660)
Changes in inventories		**124**	962
Changes in trade and other receivables from operations		**3 857**	(126)
Changes in trade and other payables from operations		**1 159**	7 779
Changes in other receivables and payables		**2 175**	(3 652)
Income tax paid		**(24 474)**	(19 639)
Cash flows from (used in) operating activities of discontinued operations		**8 009**	6 486
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**92 961**	**90 167**
Purchases of intangible, property, plant and equipment		**(18 918)**	(14 293)
Proceeds on disposals of intagible, property, plant and equipment		**209**	247
Purchases of investments, net of cash acquired and changes in debt related to acquisitions		**(20 189)**	(44 477)
Net decrease (increase) in other assets		**72 900**	216
Changes effect in consolidation scope		**177**	(352)
Cash flows from (used in) investing activities of discontinued operations		**(6 502)**	(1 318)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**27 677**	**(59 977)**
Proceeds from share capital increase		**0**	27 391
Cash from (used in) net financial profit (loss)		**(51 960)**	(50 621)
New borrowings and other financial liabilities		**192 428**	616 398
Repayment of borrowings and other financial liabilities		**(142 195)**	(627 120)
Repayment of finance lease liabilities		**(5 960)**	(6 002)
Dividends paid		**(81)**	(97)
Cash flows from (used in) financing activities of discontinued operations		**(1 510)**	(1 723)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(9 279)**	**(41 774)**
TOTAL CASH FLOWS (A+B+C)		**111 360**	**(11 584)**
Cash and cash equivalent at the begining of the period		**56 129**	**67 740**
Change effect in foreign exchange rate		**(59)**	**(27)**
Cash and cash equivalent at the end of the period	*Note 21*	**167 430**	**56 129**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**111 360**	**(11 584)**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2013

Note 1 Reporting entity

The parent company of Labco Group is Labco SA (the "Company"), which is a limited liability company incorporated and registered in France. The address of the Company's registered office is 60 - 62, rue de Hauteville, 75010, Paris, France. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group primarily is involved in clinical diagnostics testing and screening services mainly in France, Spain, Portugal, Italy, Belgium, the United Kingdom and Switzerland and also provides clinical laboratory testing services to customers in Latin America, the Middle East and North Africa.

Note 2 Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU) and IFRS as published by IASB effective as at December 31, 2013. As a reminder, the Group's consolidated financial statements have been prepared for the first time in 2010 in accordance with IFRSs, the opening IFRS balance sheet being prepared as of January 1, 2009.

The accounting policies retained are the same as those used in preparing the consolidated financial statements at 31 December 2012, except for

- The Standards and Interpretations adopted by the European Union applicable as from 1 January 2013, which have no significant effect on the consolidated financial statements of the Group
- Certain Standards and Interpretations adopted by the European Union not mandatorily applicable as from 1 January 2013 but for which the Group has elected to implement early adoption and which have limited impact on the consolidated financial statements of the Group:
  - IFRS 10—Consolidated Financial Statements, IFRS 11—Joint Arrangements and IFRS 12—Disclosures of Interests in Other Entities, as well as the resulting revised IAS 27 and IAS 28

The consolidated financial statements were authorised for issue by the Board of Directors on March 31, 2014.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2013

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1. 2013 and have been adopted by the European Union. The following amendments and interpretations are mandatorily applicable as of January 1. 2013:

- Amendment to IAS 1—*Presentation of Items of Other Comprehensive Income*
- Amendment to IAS 19—*Employee Benefits*

These amendments were already early implemented by Labco for the annual consolidated financial statements as at 31 December 2012.

- IFRS 13—*Fair Value Measurement*

This standard is applicable prospectively and has no effect on the fair value currently measured by the Group.

- Amendment to IFRS 7—*Disclosures—Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 12—*Deferred Tax: Recovery of Underlying Assets*

These amendments have no significant impact on the Group consolidated financial statements.

Note 2 Basis of preparation (Continued)

2.2.2. Standards, amendments and interpretations not mandatorily applicable as of January 1, 2013

The Group has elected to early adopt the following standards or amendments whose application is not mandatory as of January 1, 2013:

- IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. This standard introduces a single consolidation framework for all types of investee entities, and gives a new definition of control. According to IFRS 10, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. The retrospective application of the standard on the Group's consolidation scope has no effect on the Group's comparative information reported in financial statements as at December 31, 2013.

- IFRS 11 *Joint Arrangements*

IFRS 11, *Joint Arrangements* replaces IAS 31 *Interests in joint venture* and especially abolishes the proportionate integration method. Labco was in a joint arrangement through its subsidiary iPP in the United Kingdom, the joint venture with Sodexo. The retrospective application of the standard has no effect on the Group's comparative information presentation because the jointly controlled entity iPP was already under IAS 31 recorded under equity method. Indeed the option, proposed by IAS 31, of using equity method for jointly controlled entity was chosen by Labco in 2011.

- IFRS 12, *Disclosures of interest in other entities*

IFRS 12, *Disclosures of interest in other entities*, integrates and makes consistent the disclosure requirements for interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities and present those requirements in a single IFRS.

2.2.3. New standards, amendments and interpretations not applicable as of January 1. 2013

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these consolidated financial statements.

- IFRS 9—*Financial Instruments: Classification and Measurement*
- Amendments to IFRS 7—*Financial Instruments: Disclosures* and Amendments to IAS 32—*Financial Instruments: Presentation*
- Amendments to IAS 36—*Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*
- IFRIC 21—*Levies*

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

2.2.4. Summary of options used on the first time adoption of IFRS

As a first time adopter in 2010, the opening IFRS balance sheet has been prepared as of January 1, 2009 (i.e. date of transition to IFRS) using IFRSs as adopted by the European Union effective December 31, 2010. In accordance with IFRS 1, the Group has elected to use the following main exemptions for the preparation of its first IFRS financial statements:

- business combinations that occurred before the date of transition to IFRS are not retrospectively restated in accordance with IFRS 3—*Business Combinations;*
- the long term employee benefits have been fully recorded;
- for the share based payment transactions, only the 2008 scheme has been restated according to IFRS 2, and

Note 2 Basis of preparation (Continued)

- financial instruments held have all been classified as financial assets available for sale at the date of transition, with the exception of liabilities and receivables and trade receivables.

2.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value
- certain long term financial assets are measured at fair value

2.4. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

2.5. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- **Note 3.1.1**—Subsidiaries and consolidation method
- **Note 3.2.2**—Derivative financial instruments, including hedge accounting
- **Note 3.7**—Leased assets
- **Note 3.9.2**—Non-financial assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 3.6.1** and **Note 6**—Goodwill and acquisition of subsidiaries

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1. Basis of consolidation

3.1.1. Subsidiaries and consolidation method

Subsidiaries are entities controlled by the Group. Control is the power to direct the relevant activities in order to use it to affect its exposure or rights to variable returns from its involvement. In assessing control, the Group takes into consideration potential and substantive voting rights, for which the Group has the practical ability to exercise them.

Regulations governing the ownership and certification of laboratories in certain jurisdictions require us to hold each clinical laboratory or a limited number of the clinical laboratories through a separate subsidiary. Certain countries also regulate the corporate form through which laboratories may be held, such as "SELs" (société d'exercice liberal) in France.

Note 3 Significant accounting policies (Continued)

In France, we are subject to regulatory constraints on the ownership of share capital and voting rights of SELs operating clinical laboratories by persons other than laboratory doctors and laboratory companies.

To comply with such constrain, we have established a specific corporate structure pursuant to which and subject to a few exceptions, we directly and indirectly hold shares representing approximately up to 99.9% of the share capital of our historical SELs and the laboratory doctors operating such SELs hold the remainder. However, the articles of association of all of our SELs grant to the laboratory doctors operating them 50.01% of the voting rights at all the shareholders' general meetings. The new French law on medical biology adopted in May 2013 requires that more than 50% of the share capital and voting rights of a clinical laboratory operating as a SEL be held by laboratory doctors practicing within such SEL. The law also contemplated that existing SELs which are operating under a different ownership structure as of the date of enactment of the law will be grandfathered in and will continue to operate under their existing structure and have the majority of their share capital held by laboratory companies.

Although we cannot have the majority of the voting rights in our SELs (nor the majority of share capital for new entities), we have put in place mechanisms that grant us substantially all of the economic rights over such SELs and allow us to control the relevant activities, within the French regulatory framework, and fully consolidate our French network. As we acquire SELs, we change their articles of association to implement the capital structure described above but also to adopt specific provisions, in particular with respect to governance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests ("minority interests") represent the part of net income or loss, and of net equity not held by the Group. They are presented in the consolidated Income Statement, the Consolidated Statement of Comprehensive Income and in equity in the Consolidated Statement of Financial Position, separately from equity attributable to the owners of the Company. In the case of medical biology companies, whether controlled de jure or de facto, minority interests of other shareholders, i.e. laboratory doctors, must be assessed based on the financial rights attached to their shares rather than voting rights. These shares of stock are entitled to a priority dividend, calculated on a formula defined in each company's by-laws so long as their holders are professionally active in the company. However their rights to any surplus on liquidation (net assets) are strictly limited, which gives this portion a non-significant accounting value. Most by-laws of consolidated French companies call for two classes of shares. Class A shares are held by laboratory doctors associated in the SELs (Sociétés d'exercice liberal). In certain SELs they are awarded a priority dividend according to a formula worked out in the by-laws of each company and representing a profit sharing arrangement. They have this right as long as they are professionally active in the company. They are not actually minority interests but rather a mechanism of compensation for the services such professionals render to the Group. Consequently dividends thereon are recognized as compensation expense in profit or loss in the period in which services giving rise to profit sharing are rendered. Over the last 2 years, a number of SELs having a Priority Dividend mechanism have evolved towards variable remuneration schemes according to which computation and payment mechanisms are determined based on multicriteria achievements.

3.1.2. Investments in associates (equity accounted investees)

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Note 3 Significant accounting policies (Continued)

3.1.3. Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Jointly controlled entities are consolidated using the equity method in accordance with IFRS 11 and revised IAS 28 as they were previously recorded since 2011 according to the option provided by IAS 31, Interests in Joint Ventures.

3.1.4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any internal income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Internal losses are eliminated in the same way as internal gains, but only to the extent that there is no evidence of impairment.

3.1.5. Business combinations

For acquisitions on or after 1 January 2009, the Group applies IFRS 3 revised (2008) and measures goodwill as the difference between (a) the sum of (i) the fair value of the consideration transferred, (ii) the recognised amount of any non-controlling interest in the acquiree, (iii) the acquisition date fair value of any previously held interest in the acquiree, and (b) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. It also includes the fair value of any contingent consideration. When this difference is negative (negative goodwill), a bargain purchase gain is recognized immediately in profit or loss.

For business combinations that occurred since 2009, the Group measured any non-controlling interest in majority of cases at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

If a business combination is achieved in stages, re-measurement of any previously held equity interest in the acquiree at its acquisition-date is performed at fair value with any resulting gain or loss recognized in the statement of earnings.

A contingent liability of the acquiree assumed in a business combination is recognized only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

If consideration transferred include a contingent consideration (earn-out for example), it is recorded at fair value at acquisition date. For a contingent consideration recorded as financial instrument in the scope of IAS 39, subsequent fair value variations are recognized in statement of income. If a contingent consideration is classified as equity, it will not be remeasured.

Acquisitions and disposal of non-controlling interests

Acquisitions and/or disposal of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore no goodwill is recognized or derecognized as a result of such transactions.

3.2. Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets comprise available-for-sale financial assets, loans and receivables carried at amortized cost including trade and other receivables, and financial assets measured at fair value through income, including derivative financial instruments. Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities.

Note 3 Significant accounting policies (Continued)

3.2.1. Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity and debt securities, trade and other receivables, loans and borrowing at amortized cost and trade and other payables.

The Group initially recognizes trade and other receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Available-for-sale financial assets

The Group's investments in equity securities (generally the non-consolidated investments) and certain debt securities are classified as available-for-sale financial assets. These items are measured at fair value on initial recognition, which generally correspond to the acquisition cost plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans and receivables at amortized cost

Loans and receivables, including trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables primarily include loans and advances to associates or non-consolidated companies, and guarantee deposits, are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities including trade and other liabilities

Financial liabilities, such as loans and borrowings carried at amortized cost, trade and other payables are recognized initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. On initial recognition, any issue or redemption premiums and discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities comprise:

- Financial liabilities with a settlement or maturity date within 12 months of the statement of financial position date
- Financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date

3.2.2. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures, for certain contracts the formal documentation of hedging relationship at inception has been prepared enabling hedge accounting according to IAS 39, whereas other instruments used in economic hedges have not been formally documented as hedging relationship therefore not qualifying for hedge accounting.

Note 3 Significant accounting policies (Continued)

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss as financial income or expenses.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

3.3. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, bank current accounts, and other bank deposits and short term investments considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts that are repayable on demand and form an integral part of Group's cash management are recorded under "Short term borrowings" but included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.4. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (Treasury shares)

Own equity instruments which are repurchased (treasury shares) are presented as a deduction from equity. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancelation of the Group own equity, but the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3.5. Property, plant and equipment

3.5.1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives or provide benefits in a different pattern, they are accounted for as separate items (major components) of property, plant and equipment, thus necessitating the use of different depreciation rates and methods.

An item of property, plant and equipment is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within results from non-recurring activities in profit or loss. When revaluated assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3.5.2. Depreciation

Depreciation is based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. The residual value is estimated to be nil at the end of the useful life, except for real estate in certain cases.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	15 - 30 years
• leasehold improvements & fixtures	3 - 10 years
• Laboratory & Office equipment	3 - 10 years
• fixtures and fittings	2 - 10 years
• Other	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.6. Intangible assets

3.6.1. Goodwill

Goodwill that arises upon the acquisition of subsidiaries, either through share deals or asset deals, is included in intangible assets. For the measurement of goodwill at initial recognition, see *Note 6—Acquisitions of subsidiaries*

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Note 3 Significant accounting policies (Continued)

3.6.2. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets consist primarily of software and licenses.

3.6.3. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.6.4. Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

• Licenses	1 - 5 years
• Software	1 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.7. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the finance lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

The Group regularly reviews its contracts and arrangements to determine whether an arrangement is, or contains a lease. The analysis is based on the substance of the arrangement at inception date. If the Group believes the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, then the arrangement contains a lease and IAS 17 is applicable to the lease element. At inception, payments required by the arrangement are split into lease payments and payments related to other elements of such arrangement based on their relative fair values.

The Group uses equipment for its medical analyses. The contracts in use for this activity stipulate that the equipment is put at disposal for free if the laboratory buys exclusively from the supplier chemical reagents for a certain indicative volume during the term of the contract. As stated before, despite the fact that these agreements are not in the legal form of a lease, the arrangements qualify as lease contracts and Labco applied the requirements of IAS 17 to the lease element whereby the payments required by the arrangement are split into lease payments and payments relating to the other elements of the arrangement based on their relative fair values. For these contracts that are classified as finance leases, the related assets have been recognised in the statement of financial position of the Group.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Operating lease payments are recognised as an expense in the consolidated statement of income.

3.8. Inventories

Inventories consist of raw materials ("reagents") and consumables and are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average unit costs, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Note 3 Significant accounting policies (Continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9. Impairment

3.9.1. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant (more than 30%) or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.9.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, but other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same date time during the year-end closing process, and additionally whenever there is an indication that such assets may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, all the other risks specific to the assets being considered in the estimated future cash flows from the assets. Depending on the timely availability each year of long term business plans, future cash flows are either estimated based on the long term 5 year business plans approved by senior management or estimated based on the budget prepared for the following year and which are afterward extrapolated over the next 4 years consistently with the latest 5 years business plan, plus in any case the estimate of the terminal value using a perpetual growth rate.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

For the purposes of goodwill impairment testing, the lowest level at which goodwill is monitored for internal reporting purposes corresponds to the following geographical areas: France, Iberia, Italy, Belgium and United Kingdom. Goodwill acquired in a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets (Labco SA, Labco Belgium, Labco Finance) could not be allocated on a reasonable and consistent basis to each cash-generating units. As such, they are included in the group of cash-generating units' impairment test (global test). Local holdings are included in their respective country.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units or group of units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Note 3 Significant accounting policies (Continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired. Such impairment loss can be reversed if the recoverable amount subsequently increases.

3.10. Employee benefits

3.10.1. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10.2. Long term employee benefits, including retirement agreements

Depending on the laws and practices in force in the countries where Labco operates, Group companies have legal obligations in terms of pensions, early retirement payments and retirement bonuses. Such obligations are generally defined State contribution plans, which costs are expensed based on the amount of contribution payable in the period.

The Group is also concerned by other post-employment or post-retirement employee benefits which correspond to the legal retirement indemnity mainly applicable in France and Italy.

Commitments at retirement date and other similar advantages essentially correspond to the retirement compensations due to employees when they retire. Their assessment is made on the basis of an actuarial calculation using the projected unit credit method and taking into account the rate of staff turnover and mortality rates which are determined based on official age tables and estimated future salary increase. Discount rates are determined by the reference to the yield at the measurement date on high-quality corporate bonds.

In compliance with IAS 19 revised, actuarial gains and losses are recognized directly in other comprehensive income in equity and are not amortized in the Income Statement.

3.10.3. Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.10.4. Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the period required for the employees unconditionally becoming entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

Note 3 Significant accounting policies (Continued)

3.11. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions giving rise to a cash outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and risks that are specific to the liability and not included in expected cash flows. The unwinding of the discount is recognised as finance cost.

3.12. Revenue

The Group earns revenues from medical analyses both routine and esoteric which are invoiced to insurance companies, hospitals, individuals, pharmacies, and National Heath entities.

Revenue from medical analyses in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue in connection with rendered services is recognized at the time the service is provided. Revenue is based on the net amount billed or billable if it can be estimated reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The process of estimating the ultimate collection of receivables associated with our clinical testing business involves significant assumptions and judgments. Billings for services reimbursed by third-party payers, including social security systems, are recorded as revenue net of allowances for differences between amounts billed and the estimated receipts from such payers. Adjustments to the allowances, based on actual receipts from the third-party payers, are recorded upon settlement as an adjustment to net revenue.

Government payers

Payments for clinical laboratory testing services made by the government are based on fee schedules set by governmental authorities. Collection of such receivables is normally a function of providing the complete and correct billing information within the various filing deadlines. Collection varies from country to country.

Private insurers

Reimbursements from private insurers are based on negotiated fee-for-service schedules and on capitated payment rates.

Substantially all of the accounts receivable due from private insurers represent amounts billed under negotiated fee-for-service arrangements. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, historical collection experience and other factors.

Client payers

Client payers include physicians, hospitals, employers and other commercial laboratories. Credit risk and ability to pay are more of a consideration for these payers than healthcare insurers and government payers. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, as well as specific account reviews, historical collection experience and other factors.

Patient receivables (individuals)

Patients are billed based on established patient fee schedules, subject to any limitations on fees negotiated with healthcare insurers or physicians on behalf of their patients. Collection of receivables due from patients is subject to credit risk and ability of the patients to pay. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, historical collection experience and other factors.

Note 3 Significant accounting policies (Continued)

Other income in revenue mainly corresponds to interests earned on operating receivables as well as income generated by activities not directly related to clinical diagnostics and screening services.

3.13. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability (effective interest rate method).

3.14. Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on hedging instruments that are recognised in profit or loss, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise of cost of net debt and other financial expenses. Cost of net debt includes interest expense on borrowings and financial leases, as well as expenses related to derivatives. Other financial expenses mainly include unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Labco Group does not own any qualifying asset.

3.15. Income tax

Income tax (income or expense) comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends; are recognized at the same time that the liability to pay the related dividend is recognized;

Note 3 Significant accounting policies (Continued)

For French entities of the Group, the former Business Tax has been modified by a law enacted December 30, 2009. The Business Tax now consists of two components:

- "Cotisation Foncière des Entreprises (CFE)",which is a tax on rental value of lands
- "Cotisation sur la Valeur Ajoutée des Entreprises (CVAE)", which is a tax determined on added value as defined based on statutory accounts

In accordance with the definition of income tax in IAS 12 and the definition of added value stipulated by article 1586 sexies of French Tax code, and by homogeneity with the treatment in other countries of taxes based on net aggregate of income and charges, Labco considers that the CVAE tax should be recorded as an income tax given its definition.

3.16. Results from operating activities, and net non-recurring expenses

Results from operating activities correspond to the operating performance of the various activities performed by Labco Group. Results from operating activities before non-recurring activities is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance".

In order to facilitate understanding of recurring operating performance, non-recurring expenses and income lines have been defined and include non recurring, unusual, items that are clearly not related to recurring activities and of certain significance. Those non recurring expenses and income consist of:

- Impairment and reversal of impairment on non-operational assets and liabilities
- Gains / losses on sale of assets
- Restructuring expenses and provisions for major litigations
- Perimeter effect including transaction costs for significant and unusual acquisitions (cancelled or realized as for realized acquisitions, costs are expensed according to IFRS 3 revised guidance implemented starting 2009 by Labco), as well as earn out variations of fair value subsequent to the 1 year window period.

3.17. Earnings per share

The Group has not issued shares in a public market and is not in the process of doing so. Therefore the Group is not required to but has decided to present voluntarily basic and diluted earnings per share (EPS) data for its ordinary shares in accordance with IAS 33. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and, for the effects of all dilutive potential ordinary shares, which comprise warrants and free shares granted to employees.

3.18. Segment information

The Group has not issued shares in a public market and is not in the process of doing so. Therefore the Group is not required to but has decided to disclose segment information in accordance with IFRS 8.

In accordance with IFRS 8, the reportable segments are components of the Group that engage in business activities and whose operating results based on the internal reporting are regularly reviewed by the chief operating decision-maker.

The Group is organized for management purposes by country and by geographical segments leading to define as reportable segments the geographical areas Northern Europe (France, UK, Belgium, Switzerland) and Southern Europe (Iberia comprising of Spain and Portugal, Italy). Segment information is reported on the same basis as used internally by the Chief Executive Officer and Executive Management Committee to determine allocation of resources to segments and assess their performance.

Segment performance is evaluated mainly based on total revenue and EBITDA and is measured consistently with the statement of income in the published consolidated financial statements. The Group's financing (including finance costs and finance income) and income taxes are centrally managed on a Group basis and are not allocated to operating segments. The use of shared resources, mainly provided by the Group holdings, is taken into account in segment result by allocating costs among the segments pro-rata the total revenue of each segment.

3.19. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

EBITDA is a non-Gaap measure but corresponds to an aggregate that is commonly used by stakeholders for analyzing the Group's performance. EBITDA has been defined by the Group based on Results from operating activities before non-recurring activities restated for net depreciation, amortization and impairment, provisions and reversal. EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies.

3.20. Share based payment transactions and transaction costs for usual small size acquisition

Labco presents in its operating result certain cost items on a specific line in order to help management and financial investors to better understand the Group' economic performance because it identifies separately elements which are non operational and inherently difficult to predict due to their irregular nature, even if the costs are for a certain period not very significant.

3.21. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. IFRS 13 defines fair value for financial reporting purpose as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability as well as classification according to IFRS 13.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1: inputs are quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date
- Level 2: inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly (like prices for similar items or identical assets in market not active)
- Level 3 unobservable inputs for the assets and liabilities notably Labco's own data

3.21.1. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount that would be received to sell a property in an orderly transaction between market participants at the measurement date. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted recent market prices for similar items when available and current replacement cost when appropriate.

3.21.2. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The net carrying value is considered as a reasonable estimate of their fair value considering the short payment and settlement periods applied by Labco Group. This fair value is determined for disclosure purposes.

Note 3 Significant accounting policies (Continued)

3.21.3. Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness on an ad-hoc basis by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values also reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

3.21.4. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3.21.5. Share-based payment transactions

The fair value of employee share options is generally measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of similar quoted entities), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 4 Financial risk management

4.1. Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

4.2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures.

4.3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Detailed quantitative information on credit risk are provided in *Note 20 Trade and other receivables*.

4.3.1. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentrations of credit risks due to the large numbers of customers and individually immateriality of amounts due. The Group performs ongoing credit evaluations of its receivables and establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

4.3.2. Investments and cash and cash equivalents

The Group's exposure to credit risk arises from default of the counterparty. The Group limits its exposure to credit risk by investing mainly in liquid securities with counterparties that have a high credit rating. Management actively monitors its investments and does not expect any counterparty to fail to meet its obligations.

4.4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This planning considers the maturity of both its financial assets, and its projected cash flow from operations.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group maintains a line of credit (Revolving Credit Facility) under which drawings could be made for financing acquisitions or for general financing purposes. Refer to the *Note 23 Borrowings and other financial liabilities* for a description of the main characteristics of our Revolving Credit Facility.

Detailed quantitative information on liquidity risk are provided in *Note 29 Financial instruments*.

4.5. Market risk—interest rate risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's exposure to the risk of changes in market interest rates relates primarily to the debt drawn on the revolving credit facility (RCF). Major part of our Group long term debt is at fixed rate, enabling to limit the impacts of market risks.

Detailed quantitative information on interest rate risk are provided in *Note 29 Financial instruments*.

4.6. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity or impair operational independence of laboratory managers in countries where regulations emphasize medical independence of laboratory managers.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- compliance with regulatory and other legal requirements
- review regular accreditation procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified

Note 4 Financial risk management (Continued)

- requirements for the reporting of operational losses and proposed remedial action
- training and professional development
- Ethical and business standards.

4.7. Capital management

The Board of Directors's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Neither Labco SA nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 5 Significant events

5.1. Acquisitions, business set-up, disposals and mergers

5.1.1. Acquisitions and business set-up

Refer to *Note 6—Acquisition of subsidiaries* for detailed information on acquisitions performed in 2013.

Main acquisitions during the reporting period are shown below by country.

Acquisition date	Country	Entities	
17/01/2013	France	Jollivet Bernard	
07/03/2013	France	Vial & Le Dunff	
08/03/2013	France	Sarl des Hauts de Garonne 25% minority interests	Minority interest purchase
08/04/2013	France	Chatellier Peronneau	
01/06/2013	France	Busquet Maury	Asset deal
30/06/2013	France	Baud David	
17/07/2013	France	Notteghem	
13/09/2013	France	Mallia	
06/12/2013	France	Chiche	
25/02/2013	Spain	CIC Peru Analisis Clinicos Especiales SAC	Set up
28/02/2013	Spain	Vidal 11% minority interests	Minority interest purchase
01/07/2013	Spain	Laboratorio Global	
04/12/2013	Spain	Gemolab 47,6% of minority interest	Controlling ownership purchase
25/04/2013	Switzertland	Test Tailored Efficient Swiss Testing SA (Test SA)	Set up
25/10/2013	UK	iPP 49% of minority interests	Controlling ownership purchase
01/04/2013	UK	iPS	Set up

iPP, our joint venture with Sodexo for developing outsourcing clinical diagnostic business with NHS in the United Kingdom, has started on June 1st 2012 the operation of the contract with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust.

Sodexo decided to significantly decrease its investment in the joint venture during 4th quarter 2013 and Labco acquired the remaining interests in iPP and iPS. The business is now controlled exclusively by Labco leading to fully consolidate iPP from October 25, 2013 on. However Sodexo will continue to hold a 3% minority interest in iPP with a call and put option enabling Labco to acquire the residual interests at nominal value. As a consequence, no non-controlling interests are recognized in the statement of financial position or statement of income.

Note 5 Significant events (Continued)

5.1.2. Disposals

Over the Summer of 2013, Labco conducted a strategic review of its German operations. From 2008 on, the Group had built up, with five well-established laboratories in the West and South of Germany, a strong albeit regional only position. As a consequence Labco board of directors decided to withdraw from the German market for the moment in order to focus activities on national markets where Labco has or can rapidly reach a leading market share or differentiated positioning. Labco announced the signature of a Share Purchase Agreement with Sonic Healthcare on September 26, 2013 for an enterprise value of €76 million. Following antitrust approval in Germany, this transaction was closed on December 2, 2013 with economic effect as at November 30, 2013 generating a minor consolidated loss on sale. In 2012 Labco's annual revenues in Germany reached €53 million and a double-digit EBITDA margin.

As a consequence since the September 30, 2013 interim closing, German Cash Generating Unit is treated as discontinued operations under IFRS 5 in the consolidated statement of income, statement of financial position and statement of cash flow with comparative information restated also for consolidated statement of income and statement of cash flow. Refer to Note 33 *Assets and liabilities held for sale and discontinued operations* for details of the contents of the items relating to Discontinued Operations.

5.1.3. Mergers and legal reorganisation

Labco Group has continued in 2013 like in 2012 to implement numerous mergers between French SELs, in order to reinforce, in compliance with French regulation, synergies actions by concentrating laboratories. Moreover similar mergers have also been performed in Spain and Portugal.

Country	Mergers
France	Brigout has been merged with Centre Biologique de Calais
France	CVDD has been merged with Bioval Laboratoires
France	Isle has been merged with Novabio Diagnotics
France	Gritti Chiali has been merged with Centre Biologique de Calais
France	Anabiol has been merged with Barla
France	CBMP has been merged with Eslab
France	SEL Biologie has been merged with Bioliance
France	Degraef Pouliquen has been merged with Bioliance
France	Jollivet Bernard has been merged with Eslab
France	Trichereau has been merged with Bioliance
France	Auguet Larroua has been merged with Anabio
France	Medbio has been merged with Anabio
France	Chatellier Perroneau has been merged with Anabio
France	Haut de Garonne has been merged with Aquilab
France	Vial & Le Dunff has been merged with Mazarin
France	Seudre has been merged with Isolab
France	Notteghem has been merged with Probio
Germany	Marburg has been merged with Giessen renamed Mittelhessen
Portugal	General Lab Portugal has been merged with Sociedad de Preparacao Lab (Soprelab) renamed General Lab Portugal
Portugal	LABOR—Analises Clinicas Dr Fernando Godinho, Lda has been merged with Flaviano Gusmao
Portugal	Clinica de Diagnosticos de Ferreira do Alentejo has been merged with Flaviano Gusmao
Portugal	LPC Laboratorio de Patologia Clinica has been merged with Gnostica Laboratorio de Analises Clinicas
Spain	Laboser has been merged with General Lab
Spain	Vidal has been merged with General Lab
Spain	Biohemo has been merged with Laboratorio Canga Arqueros

Note 5 Significant events (Continued)

5.2. Additional 8,5% Senior Secured Notes due 2018 issued for an aggregate nominal of 100 M€

Labco S.A. issued on February 13, 2013 100 M€ in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 500 M€ 8.5% Senior Secured Notes due 2018. The Additional Senior Secured Notes will mature on January 15, 2018. The gross proceeds of the issuance amounts to 103 M€, ie meaning a yield of 7.75% and were used to repay the outstanding amounts borrowed under Labco's revolving credit facility, pay the costs, fees and expenses in relation to the issuance transaction and for general corporate purposes. As a consequence Labco revolving credit facility amounting to 135 M€ were fully reimbursed but not canceled and the unused portion of the proceeds of the Additional Senior Secured Notes remains as cash and cash equivalent on the balance sheet.

Fees directly linked to the debt issuance or linked to the strategic refinancing project amount to 3,7 M€ (excluding VAT) and following the analysis are either expensed for around 0,3 M€ or capitalized as debt issuance costs for 3,4 M€. Capitalized debt issuance costs have also been netted with issuance premium amounting to 3,0 M€ and the net balance of capitalized debt issuance costs has to be amortized over the bond maturity using the effective interest rate method.

5.3. Non-recurring restructuring plans

Follow up of "Deep Dive" efficiency program in France

In the context of additional price pressure in French biology, driven by the overall economic environment, Management has decided to launch in 2012 a full and detailed review of French operations in order to restructure the French network by identifying productivity improvements through accelerated concentration and in-depth reorganization. This "Deep Dive" program into the French network took place throughout first semester 2012 and resulted in a human resources optimization plan including its associated implementation cost (severance packages).

As a consequence, non-recurring restructuring expenses were incurred in 2012 for 0,7 M€ and a restructuring provision of 0,1 M€ was recorded as at December 31, 2012. With the finalization of the "Deep Dive" efficiency program, some restructuring measures have been implemented in 2013 for an amount of 0,8 M€ and a restructuring provision of 0,1 M€ was recorded as at December 31, 2013 for people notified before year-end.

Restructuring in Iberia (Portugal and Spain)

At year-end 2011, a significant restructuring program was initiated both in Spain and Portugal. As a consequence, a restructuring provision was recorded for an amount of 2,2 M€. Some restructuring measures have been implemented in 2012 leading to use the provision for an amount of 1,1 M€. The residual restructuring actions have been performed in 2013 for an amount of 0,8 M€ and the provision fully reversed.

Furthermore a new restructuring has been implemented in Q1 2013. Indeed in the context of contract renegotiation with a major client, Labco management decided to significantly restructure the operations of the laboratories managing the contract in coordination with the client service need and incidentally the overheads. A formal restructuring plan has been implemented in Q1 2013 leading to record a non-recurring provision of 0,8 M€, partly used in 2013 for 0,5 M€. As at December 31, 2013 the restructuring provision amounts to 0,3 M€ for remaining measures to be implemented during first semester 2014.

5.4. Strategic projects

In May 2012 and in the following months, Labco management received indications of interest from potential buyers interested in acquiring Labco. In compliance with the terms of our shareholders' agreement, our largest shareholder, 3i, appointed advisors and organized an orderly sale process, which led to several offers from potential buyers. 3i and the Board of Labco have reviewed these offers, and at the same time considered the potential of stand-alone value creation for Labco. Based on Management's renewed strategic plan, including the divestment of Germany, the reinforcement in the UK and the

Note 5 Significant events (Continued)

acceleration of the medical project, it was considered more attractive by both 3i and the Board of directors to focus on delivering stand-alone strategic plan.

Moreover, Labco has incurred non-recurring expenses for an amount of 1,8 M€ related mainly to external advisors and lawyers for diligences work used internally for various strategic options.

Note 6 Acquisitions of subsidiaries

Business combination

Main acquisitions during the 2012 reporting period are shown below by country. At the end of the 1 year window period, most goodwill have been confirmed with no significant changes.

Country	Entities	Goodwill
France	Isolab+Labo des Charentes	19 826
France	Chancé	5 314
France	Labotri (Trichereau)	3 788
France	Seudre et Loire	2 392
France	Acquisition of asset deal Marian	2 380
France	Sel Biologie—Sévre et Loire controlling ownership purchase	1 396
France	Acquisition of asset deal Archambeaud	1 284
France	Degraef Pouliquen controlling ownership purchase	1 275
France	Gritti Chiali	941
France	Evlab	869
France	Biobassin	748
France	Brigout controlling ownership purchase	750
France	Auguet Lauroua	715

Main acquisitions during the reporting period are shown below by country:

Country	Entities	Goodwill
France	Baud David	6 290
France	Mallia	4 404
France	Jollivet Bernard	3 028
France	Notteghem	2 443
France	Chiche	1 851
France	Chatellier Peronneau	1 039
France	Vial & Le Dunff	892
Spain	Laboratorio Global	325
UK	iPP 49% of minority interests	(806)

All companies acquired earn revenues from medical analyses. Through these acquisitions the Group expects to reduce costs through economies of scale, and the goodwill thus represents the fair value of the expected synergies resulting from the acquisition. Specifically for the iPP acquisition, the purchase price allocation exercise leads to record an intangible contract for the Taunton and Sommerset contract amortized over the contract duration as well as deferred tax asset for net operating losses and the residual badwill generated by this step up acquisition in a specific context has been recorded as a non-recurring income for an amount of 0,8 M€.

All amounts of goodwill are provisional and subject to modification in the twelve months period following the acquisition date.

Note 6 Acquisitions of subsidiaries (Continued)

The cumulative effect of acquisitions on the Group's assets and liabilities on acquisition date corresponding to identifiable assets acquired and liabilities assumed for share deals acquisitions performed in 2013 as well as cumulative consideration transferred is presented below:

Acquisition price	**23 821**
In thousand of euros	**TOTAL**
Property, Plant and Equipment	**8 941**
Intangible assets	**12 177**
Investment in equity accounted investees	**0**
Other non-current assets	**57**
Deferred tax assets	**737**
Inventory	**635**
Trade Receivables	**980**
Other current assets	**732**
Cash and cash equivalents	**6 128**
TOTAL ASSETS	**30 387**
Provisions	**803**
Employee benefits liabilities	**138**
Deferred tax liabilities	**2 434**
Financial liabilities	**13 877**
Trade Liabilities	**5 932**
Other current liabilities	**3 438**
TOTAL LIABILITIES	**26 621**
Contingent liabilities	**0**
Total net identifiable assets	**3 767**
Goodwill	**20 860**
Badwill	**(806)**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the companies into the Group. On top of goodwill generated by share deals, Labco also made acquisitions of asset deals that generated an increase of goodwill amounting to 0,6 M€.

Note 7 Segment information

The information by geographical segment presented below corresponds to the information used by the Group General management to allocate resources to the various segments and to assess each segment's performance. It is extracted from the Group's consolidated reporting system and prepared in accordance with the same accounting rules as in the consolidated financial statements and set out in the notes thereto. The policies applied to determine the operating segments presented are set out in Note 3.18.

SEGMENT REPORTING (€ 000)	**Southern Europe**	**Northern Europe**	**Total Group**
Total revenue	**189 438**	**357 873**	**547 311**
EBITDA	**30 752**	**75 503**	**106 255**
Results from operating activities after non-recurring activities	**22 301**	**65 226**	**87 527**
Net finance costs			**(59 131)**
Income tax expenses			**(21 130)**
Share of profit of associates			**(1 265)**
Net profit of the period from Continuing Operations			**6 000**
Including Depreciation, impairment losses and amortization, provisions and reversals	*(7 686)*	*(11 315)*	***(19 001)***
Capital expenditures	**4 847**	**14 071**	**18 918**

Note 7 Segment information (Continued)

Capital expenditures correspond to gross non-current tangible and intangible asset purchases, including cash timing difference and excluding purchases of assets under finance lease.

Detailed of revenue by country break down as follows:

€ 000	2013	%	2012 Represented IFRS 5	%
France	**325 350**	**59%**	301 773	59%
Iberia	**151 190**	**28%**	149 432	29%
Belgium	**27 161**	**5%**	25 911	5%
Italy	**38 248**	**7%**	35 849	7%
Switzerland	**933**	**0%**	0	0%
United Kingdom	**4 429**	**1%**	1 252	0%
Total revenue	**547 311**	**100%**	**514 216**	**100%**

Iberia corresponds to the aggregate of Portugal and Spain.

Note 8 Payroll related expenses

€ 000	2013	2012 Represented IFRS 5
Subcontracting and temporary staff	**(9 698)**	**(9 989)**
Salaries and wages	**(163 632)**	**(153 091)**
Social security contributions	**(49 862)**	**(47 895)**
Other personnel related costs	**(9 261)**	**(8 660)**
Total payroll related expenses	**(232 452)**	**(219 635)**

Number of persons	2013	2012 Represented IFRS 5
Executives	**372**	349
Employees	**4 172**	3 962
Total Number of persons	**4 544**	**4 311**

Other personnel related costs include amongst other profit sharing, pensions expenses, travel expenses, fees for training of personnel, food allowances.

Salaries and wages expenses include also the variable remuneration paid to biologists under various legal forms, either compensation paid as salary or fees or, mainly for French biologists, the priority dividends paid on the current year result.

As explained in the basis of preparation section, the priority dividends to be paid to certain laboratory doctors after year-end are recognized as employee benefits expense and liability in the current year.

Information about the share based payment transactions is included in *note 25—Share based payment schemes.*

Note 9 Other operating expenses

€ 000	2013	2012 Represented IFRS 5
Operating lease & rental expenses	**(29 359)**	(27 463)
Taxes	**(2 720)**	(2 423)
Repairs & maintenance & insurance expenses	**(14 316)**	(12 077)
Consulting & advisory fees	**(10 888)**	(9 885)
Utilities	**(18 487)**	(17 952)
Other expenses	**(8 757)**	(7 950)
Total other operating expenses	**(84 527)**	**(77 749)**

Note 9 Other operating expenses (Continued)

Other operating expenses include amongst other service charges relating to security and cleaning, marketing related expenses, storage costs.

According to IFRS 3 revised the transactions costs related to acquired entities are recorded in the consolidated statement of income, as well as with transaction costs for abandoned deals. Given the non operational, irregular or non-recurring nature of these costs, they have been presented on a separate line of consolidated statement of income, and depending on the amount of costs incurred by transaction project, they are qualified as transaction costs for usual small size acquisitions recorded as other operating expenses, or they are qualified as transaction costs for significant and unusual transactions recorded as non recurring operating expenses in the line Perimeter effect

The Group incurred acquisition-related costs of 972 K€ in 2013 (2012: 1 529 K€) for usual small size acquisition relating to external legal fees, due diligence costs and stamp taxes.

Note 10 Non recurring income and expenses

€ 000	2013	2012 Represented IFRS 5
Restructuring expenses and provisions for major litigations	**(5 525)**	(7 825)
Perimeter effect	**356**	(2 715)
Impairment of goodwill	**0**	0
Impairment and reversal of impairment on other non-operational assets and liabilities	**2 352**	3 694
Gains/(losses) on sale of assets	**3 091**	336
Non-recurring income and expenses	**273**	**(6 509)**

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities mainly include in 2013 following expenses or provisions:

- 0,7 M€ of restructuring expenses in relation with the remaining actions of the 2011 restructuring schemes implemented in Iberia with the corresponding use of restructuring provisions.
- 0,8 M€ of restructuring expenses in relation with the French "Deep dive" efficiency program actions performed in 2013
- 0,8 M€ of restructuring provision set up in Spain in Q1 2013 for the new restructuring plan implemented in the context of contract renegociation with a major client and provision used for 0,5 M€ during the last nine months 2013
- 1,8 M€ of non-recurring costs expensed mainly in relation to strategic projects including indirect advisors costs for the refinancing operation.
- 0,8 M€ of income related to the badwill generated by the iPP acquisition.

Furthermore the iPP step up acquisition leads also to record a non-recurring gain on sale of assets amounting to 3,4 M€ corresponding to the historical 51% Labco's share in iPP recorded previously under equity method as well as it remeasurement at fair value at acquisition date.

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities mainly included in 2012 restructuring expenses for 1,9 M€ in relation with the restructuring schemes implemented in Spain, Portugal and Belgium (MAB) announced at year-end 2011 and the finalization of the closure of Brussels headquarter. Those costs having been accrued, corresponding use of restructuring provisions have been recorded in the line Impairment and reversal of impairment on other non-operational assets and liabilities for 1,9 M€.

It included also 2,8 M€ of non-recurring costs expensed mainly in relation to strategic projects; 0,8 M€ of restructuring expenses in relation with the "Deep dive" efficiency program implemented in France during first semester 2012; 1,5 M€ of IFRS 2 expenses as a consequence of the cancellation of the Restricted Stock Unit "Free shares 2011" scheme in Q2 2012 and 1,8 M€ of net non-recurring income related to the settlement indemnity to be received in context of the early termination of a clinic contract in France, net of estimated restructuring expenses.

Note 10 Non recurring income and expenses (Continued)

Perimeter effect corresponds to earn out variations of fair value subsequent to the 1 year window period for an income of 356 K€ (in 2012: an expense of 386 K€ and a specific expense of 2 329 K€ for the earn out contracted on the acquisition of the CIC Group).

Note 11 Net finance costs

€ 000	2013	2012 Represented IFRS 5
Financial income	**740**	1 120
Interest Expenses on Financial liabilities measured at amortized costs	**(57 746)**	(51 999)
Other interest expenses	**(1 422)**	(1 950)
Derivatives for hedging	**0**	0
Derivatives at fair value through P&L	**16**	(35)
Subtotal Cost of net debt	**(58 411)**	**(52 864)**
Other financial expenses	**(720)**	(923)
Net Finance Costs	**(59 131)**	**(53 787)**

Other financial expenses correspond mainly to unwinding of the discount on provisions and other financial charges like foreign exchanges gains and losses.

As a consequence of the issuance on February 13, 2013 of additional 8,5% Senior Secured Notes due 2018 for an aggregate nominal of 100 M€, the financial charges have increased proportionally.

The interest expenses correspond now mainly to the 500 M€ Senior Secured Bonds at an effective interest rate of 9%, the additional 100 M€ Senior Secured Bonds at an effective interest rate of 8.6%, and the commitments fees and amortization of RCF debt issuance costs for the undrawn part of the Revolving Credit Facility as at December 31, 2013.

In 2012, interest expense included also some one-off costs related to the covenant amendments implemented in April 2012 for 0,6 M€.

Note 12 Income tax expenses

€ 000	2013	2012 Represented IFRS 5
Current income tax expenses	**(18 091)**	**(19 540)**
CVAE Tax in France	**(3 050)**	(2 921)
Deferred tax expenses	**10**	**3 904**
Total income tax expenses	**(21 131)**	**(18 556)**

Reconciliation of effective tax rate

The Group has operations in various tax jurisdictions which have different tax laws and rates. Consequently, the effective tax rate on consolidated income may vary from year to year, according to the source of earnings.

The Group has incurred losses amounting to 10,7 M€, for which no deferred tax asset has been recognized because the Group is to date not expecting future tax benefits which according to financial projections can be used to offset future taxable income in a timeframe of 5 years. It is mainly related to losses incurred by holdings. The comparative information for 2012 have been re-presented to impact the

Note 12 Income tax expenses (Continued)

IFRS 5 presentation excluding Germany from the Net profit of the period from continuing operations and the corresponding effect in the Tax reconciliation.

€ 000	2013	2012 Represented Ifrs 5
Net profit of the period from Continuing Operations	6 000	6 896
Share of profit of associates	(1 265)	(69)
Income tax recorded	(21 130)	(18 556)
including CVAE tax in France	*(3 050)*	*(2 921)*
Recorded income tax before CVAE tax	**(18 080)**	**(15 635)**
Consolidated earnings before tax and before impairment	28 395	25 521
Consolidated earnings before tax and impairment (inc. CVAE)	**25 346**	**22 601**
Tax rate	33,33%	33,33%
Theoretical income tax expense (1)	**−8 448**	**−7 533**
Recorded income tax expense (2)	**−18 080**	**−15 635**
Difference (2) − (1)	**−9 633**	**−8 103**
Permanent differences between book to tax result	661	1 004
Unrecognized deferred tax assets	(10 733)	(7 966)
Tax adjustment on prior period	331	670
Other Taxes (distribution tax + IRAP + withholding tax − deferred tax exemption on prior year dividends received)	(696)	(880)
Cancellation in consolidation of Italian goodwill amortization locally deductible & of depreciation of commercial goodwill	1 385	67
Non-deductible expenses recorded in consolidation	(1 563)	(2 381)
Consolidated gain on purchase of minority interests in iPP and sale of Germany in 2013 / CDM sale in 2012	1 683	60
DTA recognition	280	4 243
Write off of Deferred Tax Assets	0	0
Cancellation of hedging financial instruments	(11)	
Other (including tax rates difference impact)[a]	(969)	(2 919)
Total explained	**(9 632)**	**(8 103)**

(a) The line Other include in 2012 the effect of the IFRS 5 treatement of the cash generating unit Germany (−2,1m€)

The non-deductible expenses correspond mainly to the effect of the restatements of priority dividends paid to French biologists that have been classified as remuneration expenses under IFRS according to a "substance over form" analysis. In fact priority dividends recorded as personnel expenses in the consolidated financial statements are not an expense recorded in local books, and as a consequence it will not generate any Tax deductibility.

Tax losses and tax credits not recognised as deferred tax assets amounted to 111 M€ as of December 31, 2013, tax losses mainly originated in Iberia.

€ 000	
Total tax losses carried forward at 1 January 2013	**135 984**
Losses generated during the year	**10 177**
Perimeter Variations	**5 128**
Losses of German entities disposed	**(37 696)**
Losses utilised or time barred during the year	**(2 567)**
Total tax losses carried forward at 31 December 2013	**111 026**
—Expiring in less than five years	**7 400**
—Expiring in more than 15 years (or indefinite tax loss carry-forwards)	**103 626**
Total tax losses carried forward at 31 December 2013	**111 026**

Note 13 Goodwill

€ 000	Goodwill
Gross amount	
Balance at 1 January 2012	**711 125**
Additions	**0**
Disposals	**(397)**
Perimeter variations	**40 891**
Other	**0**
Balance at 31 December 2012	**751 619**
Balance at 1 January 2013	**751 619**
Additions	**0**
Disposals	**(97 174)**
Perimeter variations	**22 038**
Other	**0**
Balance at 31 December 2013	**676 483**
impairment	
Balance at 1 January 2012	**(95 000)**
Impairment charge	**(36 000)**
Perimeter variations	**0**
Other	**0**
Balance at 31 December 2012	**(131 000)**
Balance at 1 January 2013	**(131 000)**
Impairment charge	**0**
Perimeter variations	**36 000**
Other	**0**
Balance at 31 December 2013	**(95 000)**
Carrying amount	
At 1 January 2012	**616 124**
At 31 December 2012	**620 619**
At 1 January 2013	**620 619**
At 31 December 2013	**581 483**

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units defined at the level of a country, except for Iberia (including Spain and Portugal), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each group of unit and key assumptions of the impairment testing model are as follows:

€ 000	Total	France	Italy	Iberia	Germany	Belgium
Goodwill carrying amount at 31 December 2012	**620 619**	**347 039**	**30 606**	**164 348**	**60 872**	**17 754**
Goodwill carrying amount at 31 December 2013	**581 483**	**367 747**	**30 606**	**165 364**	**0**	**17 764**
Change in goodwill carrying amount 31.12.2013 - 31.12.2012	**(39 136)**	**20 708**	**(0)**	**1 016**	**(60 872)**	**10**
Perpetual Growth Rate 2012	**0.5% - 2.0%**	**0,50%**	**2,00%**	**0,50%**	**0,50%**	**2,00%**
Discount rate 2012	**8,50%**	**8,50%**	**8,50%**	**8,50%**	**8,50%**	**8,50%**
Perpetual Growth Rate 2013	**0.5% - 2.0%**	**0,5%**	**2,0%**	**0,5%**	**NA**	**2,0%**
Discount rate 2013	**8,5%**	**8,5%**	**8,5%**	**8,5%**	**NA**	**8,5%**

Note 13 Goodwill (Continued)

The recoverable amount of each cash-generating unit was based on its value in use which was determined by discounting the future cash flows generated from the continuing use of the unit. The main assumptions on which the value in use of a cash generating unit is based are the discount rate and trends in volumes, prices and direct costs (inflation) over the period. The calculation of the value in use was based on the following key components:

- The Group's 5 years business plans determined during Summer 2012 in the context of strategic operations, rationalized with 2014 budget and with 2017 - 2018 years extrapolated using perpetual growth rate assumptions. Trends in volumes, prices and direct costs are based on past trends and on the future market outlook which include a certain level of uncertainties, especially in the current context of economic difficult environment in certain European countries.
- The cash flows projections for the years 2014 to 2018 include also:
  - Taxes impact by applying an average theoretical rate per country;
  - Working capital variance;
  - Capital expenditures corresponding in general to 2,5% of forecasted annual turnover.
- The terminal value is then calculated by discounting the forecast flows of the last year (2018) using a perpetual growth rate between 0,5% and 2% depending on the cash generating unit. This percentage is management's best estimate of the expected market evolution based on an organic growth rate such as inflation.
- The discount rate is based on the Group's weighted average cost of capital (WACC) including a leveraged beta, cost of debt and cost of equity (including market risk premium and size premium); Discount rates used are post-tax discount rates applied to post tax cash flows. Applying those rates result in value in use similar to those computed using pre-tax discount rates applied to pre-tax cash flows. (as requested by IAS 36).

Result of annual impairment testing

After having performed the annual impairment testing on goodwill, there is no impairment to record.

With regards to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumption would cause the carrying value of the unit to exceed materially its recoverable amount.

By applying the sensitivity test to the discount rate and growing rate assumptions, it appears that an increase or a decrease of 100 basis point would not significantly change the conclusions of the impairment tests.

Note 14 Intangible assets

€ 000	Software and patents	Others	Total
Cost or deemed cost			
Balance at 1 January 2012	**19 785**	**3 700**	**23 485**
Additons	1 539	1 114	**2 653**
Disposals	(116)	(167)	**(283)**
Perimeter variations	583	(11)	**572**
Other	2 824	(682)	**2 142**
Balance at 31 December 2012	**24 616**	**3 954**	**28 570**
Balance at 1 January 2013	**24 616**	**3 954**	**28 570**
Additons	3 785	843	**4 627**
Disposals	(720)	(19)	**(740)**
Perimeter variations	9 249	5	**9 254**
Translation ajustment	(240)	0	**(240)**
Other	90	4	**94**
Balance at 31 December 2013	**36 779**	**4 786**	**41 565**
Amortization and impairment losses			
Balance at 1 January 2012	**(12 321)**	**(1 001)**	**(13 322)**
Amortisation for the year	(2 647)	(122)	**(2 770)**
Reversal	136	167	**303**
Perimeter variations	(576)	(13)	**(590)**
Other	59	356	**415**
Balance at 31 December 2012	**(15 350)**	**(614)**	**(15 964)**
Balance at 1 January 2013	**(15 350)**	**(614)**	**(15 964)**
Amortisation for the year	(2 557)	(33)	**(2 589)**
Reversal	664	(1)	**663**
Perimeter variations	1 591	(74)	**1 516**
Translation ajustment	1	0	**1**
Other	(12)	(155)	**(166)**
At December 31, 2013	**(15 662)**	**(877)**	**(16 539)**
Carrying amount			
At 1 January 2012	**7 464**	**2 699**	**10 163**
At 31 December 2012	**9 266**	**3 340**	**12 606**
At 1 January 2013	**9 266**	**3 340**	**12 606**
At 31 December 2013	**21 117**	**3 910**	**25 026**

The line "Perimeter variations" corresponds mainly to the effect of the full consolidation of iPP and the Taunton & Sommerset intangible contract recorded as a consequence of the measurement at fair value of assets acquired.

Impairment testing on Software and Patents and other intangible assets

As of December 31, 2013, the Group has assessed that there were no impairment indicators relating to software, patents and other intangible assets.

Note 15 Property, plant and equipment

€ 000	Land and buildings	Technical equipment & Furniture	IT equipment and vehicles	Other tangible assets	Total
Cost or deemed cost					
Balance at 1 January 2012	**24 550**	**114 548**	**19 849**	**30 835**	**189 782**
Additions	517	10 766	2 701	5 544	**19 528**
Disposals	(6)	(6 829)	(877)	(429)	**(8 141)**
Perimeter variations	1 547	2 650	349	2 299	**6 844**
Other	385	(786)	193	(191)	**(399)**
Balance at 31 December 2012	**26 992**	**120 349**	**22 215**	**38 057**	**207 614**
Balance at 1 January 2013	**26 992**	**120 349**	**22 215**	**38 057**	**207 614**
Additions	778	13 180	2 696	6 232	**22 886**
Disposals	(381)	(8 357)	(1 077)	(894)	**(10 709)**
Perimeter variations	4 141	(7 323)	(1 766)	1 013	**(3 935)**
Translation ajustment	122	(5)	(6)	1	**112**
Other	23	(934)	(99)	(724)	**(1 735)**
Balance at 31 December 2013	**31 675**	**116 910**	**21 962**	**43 685**	**214 232**
Depreciation and impairment losses					
Balance at 1 January 2012	**(14 898)**	**(84 267)**	**(15 538)**	**(20 552)**	**(135 254)**
Depreciation for the year	(1 562)	(11 134)	(2 249)	(2 298)	**(17 243)**
Reversal	49	6 167	734	380	**7 329**
Perimeter variations	(664)	(1 536)	(287)	(1 537)	**(4 024)**
Other	(194)	1 721	(198)	102	**1 431**
Balance at 31 December 2012	**(17 270)**	**(89 049)**	**(17 539)**	**(23 905)**	**(147 761)**
Balance at 1 January 2013	**(17 270)**	**(89 049)**	**(17 539)**	**(23 905)**	**(147 761)**
Depreciation for the year	(1 708)	(11 153)	(2 479)	(2 350)	**(17 689)**
Reversal	388	7 235	1 021	787	**9 431**
Perimeter variations	1 243	5 131	1 012	(528)	**6 857**
Translation ajustment	(4)	(2)	3	0	**(3)**
Other	(21)	1 763	309	101	**2 153**
At 31 December 2013	**(17 368)**	**(86 073)**	**(17 674)**	**(25 895)**	**(147 010)**
Carrying amount					
At 1 January 2012	**9 652**	**30 281**	**4 311**	**10 283**	**54 528**
At 31 December 2012	**9 723**	**31 301**	**4 677**	**14 152**	**59 853**
At 1 January 2013	**9 723**	**31 301**	**4 677**	**14 152**	**59 853**
At 31 December 2013	**14 308**	**30 837**	**4 288**	**17 790**	**67 222**

Property, plant and equipment at 31/12/2013 break down by country as follows:

€ 000	France	Italy	Iberia	Germany	UK	Switzerland	Belgium	Total
Carrying amount								
At 1 January 2012	**21 844**	**5 056**	**19 282**	**6 034**	**0**	**0**	**2 312**	**54 528**
At 31 December 2012	**27 266**	**6 979**	**16 826**	**5 142**	**134**	**0**	**3 505**	**59 853**
At 1 January 2013	**27 266**	**6 979**	**16 826**	**5 142**	**134**	**0**	**3 505**	**59 853**
At 31 December 2013	**32 999**	**6 171**	**15 968**	**(0)**	**8 129**	**265**	**3 689**	**67 222**

Note 15 Property, plant and equipment (Continued)

Leased plant and machinery

Included in the Property, Plant and equipment schedule are the finance lease plant and machinery:

€ 000	31.12.2013	31.12.2012
Leasing—Buildings & improvements (gross)	**6 347**	63
Leasing—Buildings & improvements—(dep)	**(239)**	(7)
Net-book value	**6 108**	**56**
Leasing—furniture, industrial fixtures, equipment and tooling (gross)	**39 946**	42 175
Leasing—furniture, industrial fixtures, equipment and tooling (amt)	**(24 460)**	(26 261)
Net-book value	**15 486**	**15 914**
Leasing—motor vehicles (gross)	**706**	663
Leasing—Motor vehicles (dep)	**(447)**	(340)
Net-book value	**259**	**323**
Leasing—IT equipment (gross)	**72**	0
Leasing—IT equipment (dep)	**(12)**	0
Net-book value	**60**	**0**
Net lease property under finance leases	**21 914**	**16 293**

The leased plant and machinery mainly relate to the automats included in technical equipment used for medical analyses. The contracts in use for this activity stipulate that, if the laboratory buys exclusively from the supplier chemical reagents for a certain indicative volume during the term of the contract, the supplier, in return, puts an automat at the disposal of the Group for free during the contractual period (referred to as "pay per test" equipment").

These "put at disposal" schemes, although not under the legal form of a leasing agreement, correspond, in substance, to a lease agreement whereby the global price paid for the reagent includes the cost of the consumable and the rent/lease of the machine. As a consequence under IFRS, such agreements are analysed in accordance with IAS 17 on leases with respect to the transfer of majority of risks and rewards.

A number of such contracts have been classified as finance leases. For these contracts, the relating finance lease assets and liabilities have been recognized on the balance sheet at the lower of the fair value of the asset and the present value of the minimum lease payment at inception of the contract. The assets are depreciated over the average lease term (60 months).

Note 16 Investments in associates

The Group's share of profit in its associates (equity accounted investees) for the year was (1 265) K€ (2012: (69) K€).

Following the acquisition of the controlling ownership in 2013 of the UK joint venture iPP and the Spanish laboratory Genetica Molecular Laboratorio SL, the remaining investments in associates of Labco Group are mainly a 49% interest in a French biology laboratory (Val de Garonne), a 36% interest in an entity, Labo des Charentes, owned by Isolab and a Spanish biology laboratory (Lab Dos Analisis). In 2012, Labco group acquired the controlling ownership of the 3 French biology laboratories historically recorded under equity method (Brigout, Degraef Pouliquen and Sèvre et loire biologie).

Otherwise the Group owned interests between 10% and 50% in local Economic Interest Group (so called Société Civile de Moyens [SCM] in France and Consorzio in Italy), which corresponds to entity in which support functions are pooled and working for the Labco group labs but also other external entities. For those entities, the Group has significant influence but no control of the entities.

In 2013 the Group receives dividends from its investments in equity accounted investees for an amount of 329 K€ (2012: 372 K€).

Note 16 Investments in associates (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

€ 000	31.12.2013			
Companies	**Equity**	**% interest**	**Gross value including goodwill**	**Provisions for losses**
VAL DE GARONNE	2 442	**49%**	1 263	0
SCM AZURLAB	(6)	**28%**	(2)	0
SCM GRAM	(8)	**40%**	(3)	0
SCI ST COME	(122)	**48%**	0	58
CAM ECO SERVICE	159	**41%**	65	0
CONSORZIO	85	**25%**	21	0
CONSORZIO GENETICO	206	**50%**	103	0
LAB DOS ANALISIS	383	**50%**	205	0
IPP	(0)	**51%**	(0)	0
LABO DES CHARENTES	887	**36%**	317	
Total	**4 026**		**1 970**	**58**

€ 000	31.12.2012			
Companies	**Equity**	**% interest**	**Gross value including goodwill**	**Provisions for losses**
VAL DE GARONNE	2 437	**49%**	1 281	0
SCM AZURLAB	(6)	**28%**	(2)	0
SCM GRAM	(8)	**40%**	(3)	0
SCI ST COME	(122)	**48%**	0	58
CAM ECO SERVICE	155	**41%**	64	0
CONSORZIO	84	**25%**	21	0
CONSORZIO GENETICO	206	**50%**	103	0
LAB DOS ANALISIS	432	**50%**	229	0
GENETICA MOLECULAR LABORATORIO SL	192	**30%**	342	0
IPP	(3 373)	**51%**	(0)	1 720
LABO DES CHARENTES	855	**36%**	305	0
Total	**853**		**2 340**	**1 779**

Summarized financial information for the main investments in associates is as follows (100% of amounts) :

€ 000	31.12.2013	31.12.2012
Current assets	**5 879**	11 519
Non current assets	**814**	2 148
TOTAL ASSETS	**6 693**	**13 667**
Shareholders' equity (Group share)	**4 026**	853
Financial debt	**69**	5 300
Other liabilities and provisions	**2 598**	7 515
TOTAL LIABILITIES	**6 693**	**13 667**
Income statement		
Revenue	**17 063**	28 941
Results from operating activities	**1 183**	144
Net profit for the period	**786**	**(520)**

Note 17 Other non-current assets

€ 000	31.12.2013	31.12.2012
Available-for-sale financial assets (non consolidated investments)	**836**	687
Other available-for-sale financial assets	**2 093**	2 839
Deposits and guarantees	**5 364**	4 884
Derivatives used for hedging	**0**	0
Non-current receivables	**972**	528
Other non current assets	**9 265**	**8 938**

Non-current assets correspond mainly to deposits and guarantees provided to lessors for the renting of buildings and other premises, as well as non-current other receivables.

For entities in which the Group has an ownership below 20% or no significant influence, they are not consolidated and the investments in those entities have been classified as available for sale financial assets pursuant to IAS 39 and, as such, recognized at fair value or historical value when fair value could not be reliably estimated. Available-for-sale financial assets (non consolidated investments) and other available-for-sale assets are categorized within level 3. Unrealized gains and losses are taken directly to other comprehensive income, except for impairment losses that are recognized in the Income Statement. No unrealized gain or loss was recognized in 2013 and 2012.

The principal equity investments in unconsolidated companies held by the Group are as follows:

€ 000	31.12.2013	% ownership	31.12.2012	% ownership
Nancy Haut SCI	**13**	**3,16%**	13	3,16%
Clinique Jules Vernes	**27**	**2,28%**	0	2,28%
Clinique Saint Charles	**33**	**0,06%**	33	0,06%
Clinique Pasteur	**83**	**4,10%**	83	4,10%
SCI Pasteur	**76**	**2,18%**	76	2,18%
Inst. Medic. Alt Camp	**0**	**25,00%**	11	25,00%
C.M. Tarragona	**0**	**2,73%**	10	2,73%
Clinica de Sampedro, Lda	**100**	**29,73%**	100	29,73%
Centro Medico Delfos	**87**	**1,54%**	87	1,54%
Instituto Médico e Radiológico—IMRPT, S.A.	**119**	**10,00%**	34	10,00%
Clinévora, Clínica Médica de Évora, Lda.	**72**	**37,00%**	72	37,00%
Laboratorios Martinez Reig	**44**	**100,00%**	44	100,00%
CIC Peru	**33**	**100,00%**		
Hematologia y genetica	**29**	**100,00%**		
Labco Coporate Assistance	**10**	**100,00%**	10	100,00%
Labco Services France	**10**	**100,00%**	10	100,00%
Other unconsolidated equity investments	**100**		104	
Total unconsolidated equity investments	**836**		**687**	

The entities Labco Corporate Assistance and Labco Services France owned at 100% by Labco SA are not consolidated as at December 2013 because they were created at year-end 2012 and have no activity. Those entities join in 2013 the Labco SA tax integration but remain with no activity until Labco management decides otherwise. The entity Laboratorios Martinez Reig was acquired in 2012 and Hematologia y genetic has been recently acquired and for both entities financial information are not available timely but they have a limited activity. CIC Peru has been set up in 2013 with no activity in 2013.

Note 18 Deferred tax assets and liabilities

€000	Notes	31.12.2013	31.12.2012
Deferred tax assets on temporary differences book to tax		**944**	**1 311**
Deferred tax liabilities on temporary differences book to tax		**(4 957)**	**(3 115)**
Tax Losses carried forward	(a)	**5 193**	**4 986**
Temporary differences relating to provisions (mainly retirement indemnities)		**2 137**	**1 846**
Temporary differences relating to fixed asset (mainly finance leases)		**165**	**149**
Deferred tax on derivatives		**51**	**69**
Net deferred tax		**3 533**	**5 246**
—Deferred tax assets		**8 579**	**7 615**
—Deferred tax liabilities		**(5 046)**	**(2 369)**
Net deferred tax		**3 533**	**5 246**

(a) Capitalized tax losses carried-forward represent French entities for 2,1 M€, Iberian entities for 2,3 M€ and UK entities for 0,7 M€. The increase compared to 2012 is explained for Iberia (+0,3 M€) by the update of our forecasts to use part of these losses within the next 5 years in a tax environment that remains uncertain and for the UK by the recognition in the business combination of the fair value of tax losses carried forward at acquisition date. The activation of deferred tax assets on tax losses carried forward is completed based on Labco's management estimate of the probability to use these losses within the next 5 years based on our forecasts including effects of restructuring actions implemented or to be implemented.

Note 19 Inventories

€ 000	31.12.2013	31.12.2012
Raw materials	**1 346**	1 705
Reagents (net)	**6 884**	7 233
Total Inventories	**8 230**	**8 938**

There were no significant write-offs regarding inventories during 2012 and 2013.

Note 20 Trade receivables and other current assets

€ 000	31.12.2013	31.12.2012
Trade receivables	**85 517**	**7 442**
Other current assets	**12 945**	**13 704**
Prepaid expenses and accrued income	**3 377**	2 962
Receivables related to taxes	**7 438**	6 526
Other receivables	**2 130**	4 217
Current derivatives	**0**	0
Trade receivables and other current assets	**98 462**	**111 146**

The decrease in Trade receivables is mainly explained by a continued improvement of overdue collection in Spain and Portugal compared to December 31, 2012 and by the disposal of the German entities, partly compensated by acquisition effects.

€ 000	Gross	Impairment	Net
Trade receivables	**88 480**	**(2 963)**	**85 517**
Other current assets	**13 285**	**(340)**	**12 945**
Prepaid expenses and accrued income	3 377	0	3 377
Receivables related to taxes	7 438	0	7 438
Other receivables	2 470	(340)	2 130
Trade receivables and other current assets	**101 766**	**(3 303)**	**98 462**

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed below.

Note 20 Trade receivables and other current assets (Continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

€ 000	31.12.2013	31.12.2012
Available-for-sale financial assets	**836**	687
Other available-for-sale financial assets	**2 093**	2 839
Cash and cash equivalents	**167 801**	56 595
Loans and receivables	**98 462**	111 146
Total	**269 193**	**171 267**

Impairment losses

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

€ 000	2013	2012
Balance at 1 January	**(3 612)**	**(3 713)**
Increase	**(1 465)**	(1 553)
Reversal	**1 353**	996
Perimeter variations	**(161)**	(226)
Other	**581**	885
Balance at 31 December	**(3 304)**	**(3 612)**

The Group has no significant concentrations of credit risk due to the large number of customers and individually non-significance of amounts due. The Group performs ongoing credit evaluations of its receivables. The actual write off relating to trade receivables as at 31 December 2013 relates mainly to several non-significant clients especially in Iberia and Belgium and amounts to 2.3 M€. As at 31 December 2012 it amounts to 1,6 M€. Actual losses are however within management's expectations.

In 2012, given settlement received from Inami in Belgium in fourth quarter 2012, impairment losses of other receivables had been released (0.9 M€) and presented in the line "Other". In 2013, the line "Others" includes the effect of the disposal of German entities.

Based on historic default rates, the Group believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables. At 31 December 2013, as for 2012, the Group does not have any collective impairments on its loans and receivables or its investments.

Note 21 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts and cash equivalent. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

€ 000	31.12.2013	31.12.2012
Cash equivalents	**115 787**	8 745
Cash on hand and bank deposits	**52 014**	47 850
Cash and cash equivalents	**167 801**	**56 595**
Bank overdrafts	**(372)**	(466)
Cash and cash equivalents in the statement of cash flows	**167 430**	**56 129**

Cash equivalents correspond, according to the categorization by hierarchy of fair values as stated by IFRS 7, to financial instrument of level 1. The significant increase of cash equivalents corresponds to the

Note 21 Cash and cash equivalents (Continued)

residual cash obtained through the issuance of additional 8,5% Senior Secured Notes for an aggregate nominal of 100 M€ after reimbursing the drawn Revolving Credit Facility and to the proceeds received from the disposal of German entities. The Revolving Credit Facility ("RCF") covenants impose to keep a minimum cash balance of 20 M€ at each quarter end.

Note 22 Capital and reserves attributable to owners of the parent

Ordinary shares

As at December 31, 2013 the authorised share capital comprised 68 459 322 shares. The shares have a par value of one euro (1 €), all shares being fully paid. The shares are denominated into five types, the holders of shares are entitled to the same rights to receive dividend, and are entitled to one vote per share at general meetings of shareholders of the Company. The share capital of Labco is divided into five types of shares, each held by a different category of shareholder:

- certain laboratory doctors from whom we acquired clinical laboratories (the "A Shareholders");
- our shareholders known as "founders" (the "B Shareholders");
- financial investors (the "C Shareholders"); and
- other shareholders (the "D Shareholders" and the "Ordinary Shareholders") such as our management, family members and estate planning entities of the laboratory doctors who are also our A Shareholders.

Approximately 189 laboratory doctors of our Group are A Shareholders, holding together with some of their affiliates who are also A Shareholders, approximately 17.4% of the Company's share capital. These laboratory doctors became shareholders of the Company by reinvesting a part of the purchase price we paid to acquire their laboratories.

The B Shareholders, representing the "founding" shareholders of our Group, are Eric Souêtre, Stéphane Chassaing, Luis Vieira and the shareholders from whom we acquired "General Lab S.A." in 2007. Together, they hold approximately 17,6% of the Company's share capital.

The C Shareholders are financial investors who together hold approximately 41,4% of the Company's share capital. To date, the investment vehicles managed by "3i" are, together, our largest shareholder, the latter having invested €115 million and holding approximately 17,8% of our share capital. "3i" is an international investor focused on private equity, infrastructure and debt management. Other financial investors include notably Viking Limited, a private equity firm that invested in Labco in 2004, CM-CIC Investissements, TCR Capital and Ixen Investissement.

The D Shareholders and the Ordinary Shareholders, comprised of our management and the family members and estate planning entities of the laboratory doctors who are also our shareholders, hold the remaining approximately 23.5% of the Issuer's share capital (i.e., approximately 22.6% of D shares and 0.9% of ordinary shares).

The remaining part of the share capital, ie approximately 0,1%, is held by the Company as Treasury shares.

In number of shares	2013	2012
On issue at 1 January	**68 459 322**	**43 336 733**
Issued for cash		25 122 589
Exercise of share options		
On issue at 31 December	**68 459 322**	**68 459 322**

Issuance of ordinary shares during the period

None in 2013. In total, the share capital amounts as at December 31, 2013 to €68 459 322.

Note 22 Capital and reserves attributable to owners of the parent (Continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. As a consequence of refinancing operations performed in January 2011, all cumulative fair value changes of cash flow hedging instruments recorded in other comprehensive Income have been recycled in profit & loss.

Stock option plan reserve

The stock option reserve comprises the employee expenses relating to the share-based payment plans of the Group.

Actuarial gains and losses reserve

The actuarial gains and losses reserve comprises the cumulative net change in actuarial gains and losses (due to discount rate and main actuarial assumptions) computed for the long term employee benefits valuation.

Reserve for own shares

The reserve for own shares comprises the costs of the Company's shares held by the Group. As of December 31, 2012, the Group held 646 K€ of the Company's shares, corresponding to 80 709 shares. As of December 31, 2013, the Group held 646 K€ of the Company's shares, corresponding to 80 709 shares (80 707 A shares and 2 D shares).

Dividends

No dividends were declared and paid to the shareholders of Labco SA during 2012 and 2013.

Equity Warrant schemes

Labco has issued warrants to financial investors and key management personnel of our Group.

Warrants Issued to Financial Investors

During the year ended December 31, 2008, the Company issued three warrant schemes entitling the holders, upon exercise of the warrants to subscribe for other financial instruments or shares of the Company at a fixed price of €1 per share.

The number of warrants that can be exercised depends on the ability of the Group to meet certain financial and operational targets. The exact terms of the exchange at the exercise dates were determined when the Company entered into the issuance agreements. Subject to the fulfillment of their conditions, the warrants are exercisable at any time during a period of 15 years after their date of subscription.

A total of 4 223 394 "ABSA C1" were issued, i.e., 4 223 394 Class C shares to which a total of 16 893 576 warrants of four different kinds were attached, providing subscription rights for a maximum of 4 113 531 new Class C shares at a price of €1 per share. A total of 80 878 shares were issued in 2009 by the exercise of 80 878 warrants attached to the "ABSA C1", pursuant to their terms and conditions.

A total of 4 223 394 "ABSA C2" were issued, i.e., 4 223 394 Class C shares to which a total of 8 446 788 warrants of two different kinds were attached, giving subscription rights for a maximum of 2 323 852 new Class C shares at a price of €1 per share. A total of 27 049 shares were issued in 2010 by the exercise of 27 049 warrants attached to the "ABSA C2", pursuant to their terms and conditions.

A total of 1 967 083 "BEABSA" were issued, i.e., 1 967 083 options giving subscription rights for a maximum of 2 097 145 "ABSA C3", i.e., 2 097 145 Class C shares to which a total of 4 541 820 warrants of two different kinds could be attached, giving subscription rights for a maximum of 1 176 860 new Class C shares at a price of €1 per share. A total of 2 020 660 "ABSA C3" were issued in 2009 by exercise of the 1 967 083 "BEABSA", pursuant to their terms and conditions.

A total of 54 367 C shares were issued in 2012 by the exercise of 54 367 financial investors warrants. No financial investors' warrants were exercised during 2013.

Note 22 Capital and reserves attributable to owners of the parent (Continued)

On January 18, 2013, general meetings of holders of certain securities issued by Labco and an extraordinary general meeting of Labco's shareholders decided to amend the terms and conditions of the ABSA C1, ABSA C2 and BEABSA in order to modify their conditions of exercise.

Warrants Issued to Mezzanine Lenders

Three additional warrant schemes were issued by the Company in July 2008. These warrants entitle the holders upon exercise of the instrument to buy one share of the Company at either a fixed price of €1 (mezzanine B and C) or €14,206582 (mezzanine A) per share. The warrants were granted at a price of €0,0001 per warrant. A total of 494 241 Senior Mezzanine warrants, split in 313 243 Senior Mezzanine A, 38 752 Senior Mezzanine B and 142 246 Senior Mezzanine C, were issued. A total of 6 018 shares were issued in 2010 by exercise of 6 018 Senior Mezzanine B warrants, pursuant to their terms and conditions.

A total of 1 464 175 Junior Mezzanine warrants, consisting of 927 975 Junior Mezzanine A, 114 800 Junior Mezzanine B and 421 400 Junior Mezzanine C, were issued. A total of 17 829 shares were issued in 2010 by exercise of 17 829 Junior Mezzanine B warrants, pursuant to their terms and conditions.

A total of 1 460 443 Junior additional Mezzanine warrants, consisting of 925 609 Junior Additional Mezzanine A, 114 508 Junior Additional Mezzanine B and 420 326 Junior Additional Mezzanine C, were issued. A total 17 784 shares were issued in 2010 by exercise of 17 784 Junior Additional Mezzanine B warrants, pursuant to their terms and conditions.

No mezzanine lenders' warrants were exercised in 2013.

On January 18, 2013, Labco entered into a settlement agreement with the Mezzanine lenders and the C Shareholders regarding the exercise conditions of certain Mezzanine warrants.

Note 23 Borrowings and other financial liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans, borrowings, which are measured at amortized cost, and other financial liabilities. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 29 *Financial Instruments*.

€ 000	**31.12.2013**	**31.12.2012**
At amortized cost		
Non-current liabilities	**615 966**	548 475
Secured bank loans at effective interest rate	**10 718**	11 556
8,5% Senior Secured Bonds at effective interest rate	**593 120**	491 036
RCF syndicated loans at effective interest rate	**(4 483)**	35 056
Finance lease liabilities	**16 266**	10 775
Other financial loans	**344**	52
Current liabilities	**33 666**	31 918
Secured bank loans at effective interest rate	**3 197**	4 385
Accrued interests on Senior Secured Bonds	**23 517**	19 479
Finance lease liabilities	**6 131**	5 916
Other financial loans	**24**	101
Bank overdraft	**372**	466
Recourse factoring	**425**	1 570
At fair value		
Non-current derivatives	**45**	199
Derivatives	**45**	199
Current derivatives	**0**	(1)
Derivatives	**0**	(1)
Total Non-Current	**616 009**	**548 675**
Total Current	**33 667**	**31 917**
Total	**649 675**	**580 592**

Note 23 Borrowings and other financial liabilities (Continued)

Labco performed a refinancing operation early 2011 with an additional issuance early 2013 that significantly modified the sources of fundings for Labco Group.

On January 14, 2011, Labco SAS issued High Yield Senior Secured Notes (also, the "Bond") due 2018 for 500M€ with international investors in London and with Deutsche Bank as Trustee. The main terms and conditions of the Notes are:

- Fixed interest rate amounting to 8.5%, with interests paid semi-annually in arrears.
- Maturity of the Notes is January 15, 2018
- The Notes are guaranteed on a senior secured basis by certain subsidiaries, mainly through first ranking liens over the capital stock of certain subsidiaries and certain present and future intercompany loan receivables
- Under the Notes indentures, Labco will have to respect certain covenants mainly related to reporting and information requirement.
- The Notes have been listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange.

The Notes proceeds have been primarily used to repay the December 31, 2010 existing bank debt facilities as well as fees related to this operation. Fees directly linked to the debt issuance or linked to the strategic refinancing project amounted to approximately 16 M€ (excluding VAT) and following their analysis have been either expensed or capitalized as debt issuance costs to be amortized over the Notes maturity using the effective interest rate method.

At the same time end of January 2011, Labco SAS entered into a 135 M€ revolving credit facility under a syndicated Revolving Credit Facility Agreement (the "RCF") with Credit Suisse, Deutsche Bank, Natixis and UBS as lead banks, and Natixis as agent. The main terms and conditions of the RCF are:

- Floating interest rate defined as Euribor + a margin of 4,5% per annum (margin that may reduced to 4.0% or 3.5% per annum by reference to a total net debt to adjusted EBITDA test);
- Maturity of the RCF is February 15th, 2017;
- Borrowings under the RCF will mandatory be used to finance part or all of purchase price and related costs of certain permitted acquisitions (as defined in the agreement), refinance existing indebtedness of entities acquired, finance restructuring costs in relation with acquisition, finance capital expenditure and fund working capital and other general corporate purposes of the Group, provided that the aggregate outstanding amounts of utilization under capital expenditure or working capital funding may not at any time exceed 50 M€;
- The RCF is guaranteed on a joint and several basis by certain subsidiaries qualified as Guarantors, mainly through first ranking liens over the capital stock of certain subsidiaries and certain present and future intercompany loan receivables. The RCF requires that the EBITDA of the Guarantors represent not less than 70% of consolidated EBITDA of the Group;
- The Revolving Credit Facility Agreement also requires Labco, each Borrower and each Guarantor (together, the "Obligors") to observe certain customary affirmative and restrictive covenants, subject to certain exceptions, including:
  - covenants relating to financial information and accounting;
  - covenants relating to obtaining required authorizations; compliance with laws; compliance with environmental laws; information about environmental claims; payment of taxes; *pari passu* ranking of unsecured payment obligations; insurance; granting of access; intellectual property; compliance with financial assistance laws; guarantor coverage (as described above); publicity; limitations on disposals and reorganizations; additional restrictions on distribution of dividends;
  - no other financial indebtedness ranking senior to, or *pari passu* with, the RCF (other than additional Notes and, subject to lenders' consent, additional revolving credit facilities);

Note 23 Borrowings and other financial liabilities (Continued)

  - restriction on incurring additional indebtedness subject to customary exceptions including up to (i) 25 M€ at any time for all members of the Group and (ii) 15 M€ at any time for all members of the Group other than the Borrowers and the Guarantors; and
  - restriction on incurring recourse factoring or similar arrangements in excess of 5.0 M€ in aggregate at any time.

- The Revolving Credit Facility Agreement also requires Labco to ensure compliance with some financial covenants detailed below.

Fees directly linked to the debt issuance amounted to approximately 8.8 M€ (excluding VAT) and have been capitalized as debt issuance costs to be amortized over the RCF maturity using the effective interest rate method.

An Intercreditor Deed Agreement has also been signed between, among others, the Obligors, Deutsche Bank AG, London Branch as Security Agent, Natixis as senior Agent, Deutsche Bank AG, London Branch as Senior Secured Notes Trustee, the Lenders (as Revolving Credit Facility Lenders), the Arranger (as Senior Arrangers), the Hedge Counterparties (each as defined in the Intercreditor Deed), and the Intra-Group Lenders (as defined in the Intercreditor Deed) to define securities and guarantees provided by certain subsidiaries in the context of Bond and RCF issuance.

Moreover, Labco S.A. issued on February 13, 2013 100 M€ in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 500M€ 8.5% Senior Secured Notes due 2018. The Additional Senior Secured Notes will mature on January 15, 2018. The gross proceeds of the issuance amounts to 103 M€, ie meaning a yield of 7.75% and were used to repay the outstanding amounts borrowed under Labco's revolving credit facility, pay the costs, fees and expenses in relation to the issuance transaction and for general corporate purposes. As a consequence Labco revolving credit facility amounting to 135 M€ were fully reimbursed but not canceled and the unused portion of the proceeds of the Additional Senior Secured Notes remains as cash and cash equivalent on our balance sheet.

Fees directly linked to the debt issuance or linked to the strategic refinancing project amount to 3,7 M€ (excluding VAT) and following the analysis are either expensed for around 0,3 M€ or capitalized as debt issuance costs for 3,4 M€. Capitalized debt issuance costs have also been netted with issuance premium amounting to 3,0 M€ and the net balance of capitalized debt issuance costs has to be amortized over the bond maturity using the effective interest rate method.

As of December 31, 2013, the Group borrowings comprises

- A €600 million 8,5% Senior Secured Notes due 2018 net of debt issuance costs, with interests paid semi-annually in arrears
- Some bilateral bank borrowings for a total of 13,9 M€
- The Revolving Credit Facility (RCF) amounting 135 M€ entered in January 2011 has not been drawn as at December 31, 2013. Nevertheless the capitalized debt issuance costs continue to be amortized over RCF maturity.

€ 000	Secured bank loans	8,5% Senior Secured Bond	Accrued interests on 8,5% bonds	RCF Syndicated Secured loan	Finance lease liabilities	Derivatives	Other financial loans	Bank overdrafts	Total
Amount at 31.12.2012	**15 866**	**491 037**	**19 479**	**35 131**	**16 692**	**199**	**1 722**	**466**	**580 592**
Increase	314	99 586	23 517	92 000	6 420	0	658	0	**222 495**
Decrease	(4 800)	1 856	(19 516)	(131 613)	(6 319)	(49)	(5 276)	0	**(165 717)**
Change in scope of consolidation	2 572	641	37	0	4 636	0	3 993	26	**11 905**
Net change	0	0	0	0	0	0	0	(121)	**(121)**
Translation ajustment	0	0	0	0	146	0	54	0	**201**
Other	(37)	0	0	0	823	(106)	(358)	0	**322**
Amount at 31.12.2013	**13 915**	**593 120**	**23 517**	**(4 483)**	**22 397**	**45**	**794**	**372**	**649 676**

Note 23 Borrowings and other financial liabilities (Continued)

8.5% Secured Senior Notes covenants

Under the Notes indentures, Labco has to respect certain covenants mainly related to reporting and information requirement.

Revolving Credit Facility (RCF) covenants

The RCF includes certain financial covenants as defined in the agreements.

- leverage ratio tested quarterly (calculated as the ratio of consolidated total net debt at each quarter end to consolidated adjusted EBITDA for the 12 months ending on that quarter end),
- super senior gross leverage ratio tested quarterly (calculated as the ratio of total super senior gross debt at each quarter end to adjusted EBITDA for the 12 months ending on that quarter end);
- minimum cash balance of €20 million, tested quarterly; and
- operating capital expenditure for a financial year not to exceed 3.5% of consolidated group revenue

Furthermore, Labco should also achieve an incurrence ratio when we are willing to draw on the RCF. The incurrence ratio is calculated as the ratio of pro forma the acquisitions consolidated total net debt to consolidated adjusted EBITDA for the immediate preceding period pro forma the effect of acquisitions.

"Leverage Ratios" in clause 26.2(a) of the Revolving Credit Facility Agreement is as follows:

Relevant Period	Ratio
Relevant Period expiring after 31 December 2011 but on or before 31 December 2012	5.75:1
Relevant Period expiring after 31 December 2012 but on or before 31 December 2013	5.75:1
Relevant Period expiring after 31 December 2013 but on or before 31 December 2014	5.50:1
Relevant Period expiring after 31 December 2014 but on or before 31 December 2015	5.25:1
Relevant Period expiring after 31 December 2015	5.00:1

"Incurrence Ratios" in clause 27.14(c) of the Revolving Credit Facility Agreement is as follows:

Relevant Period	Ratio
Relevant Period expiring after 31 December 2011 but on or before 31 December 2012	5.25:1
Relevant Period expiring after 31 December 2012 but on or before 31 December 2013	5.25:1
Relevant Period expiring after 31 December 2013 but on or before 31 December 2014	5.00:1
Relevant Period expiring after 31 December 2014 but on or before 31 December 2015	4.75:1
Relevant Period expiring after 31 December 2015	4.50:1

As of December 31, 2013, Labco achieved the expected covenants ratio targets.

Finance lease liabilities

The Group has finance leases mainly for the technical equipment (refer to note 15 *Property, plant and equipment*).

Note 24 Employee benefit liabilities

All of employees of the Group are covered by state pension and collective plans managed by third parties if required under local legislation. Those plans are defined contribution plans.

In addition to these legal pension schemes, a provision is set up for post-employment benefits in France and Italy amounting to 8,6 M€ as of December 31, 2013 (6,6 M€ and 2,0 M€ respectively). In Italy, there is a legal obligation (so called TFR) to pay 7,4% of the employee's annual remuneration for every working year at the departure date.

Note 24 Employee benefit liabilities (Continued)

In France the principal assumptions used for the purposes of the actuarial valuations are as follows:

Principal assumptions	2013	2012
Voluntary departure	**100%**	100%
Discount rate	**3,15%**	3,00%
Social charge rate	**52%**	45%
Employer contribution rate	**50%**	50%
Age at retirement	**67 years**	67 years
Salary increase	**1,5%**	1,5%
Employee turnover rate	**low**	low

The movements in the provision for post employment benefits in France and in Italy can be summarized as follows:

€ 000	French Post Employment benefit	Italian Post Employment benefit	Total
Balance at 1 January 2013	**6 201**	**1 957**	**8 158**
Current service cost	269	40	**310**
Interest cost on benefit obligation	192		**192**
Net actuarial loss recognised in OCI	(323)		**(323)**
Impact from business combination	283	0	**283**
Balance at 31 December 2013	**6 623**	**1 997**	**8 620**

The French post employment benefit and the portion of TFR before January 1st, 2007 accounted for as post employment benefit are not financed through external fundings.

The cumulative net actuarial gains and losses recognized in OCI is detailed in the table Other comprehensive Income and amount to 323 K€ (2012: 302 K€).

Note 25 Share based payment schemes

Warrants Issued to Management

On March 24, 2005, the Company established two manager share warrant schemes (denominated "BSA 2005-1-1" and "BSA 2005-1-2") that entitle key management personnel to subscribe for new shares of the Company, subject to the fulfillment of the conditions detailed in the corresponding issuance agreements. On June 7, 2006 ("BSA 2006-1-1"), March 13, 2007 ("BSA 2007-1-1"), December 30, 2007 ("BSA 2007-1-2"), March 5, 2008 ("BSA 2008-1-1") and September 20, 2010 ("BSA 2010-1-1"), additional manager share warrant schemes were implemented in favor of key management personnel of the Group.

Each share warrant gives the beneficiary the right to subscribe for one share of the Company at an exercise price determined on the allocation date, on predetermined graded vesting dates. The exercise conditions mainly depended on certain financial targets and, in some cases, include an employment condition. The meeting of the Strategic Committee of the Company held on April 23, 2008 established that the exercise conditions of the three categories of share warrants issued on June 7, 2006, March 13, 2007 and December 30, 2007 (BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2) were fulfilled, pursuant to their terms and conditions, so as to allow the holders to exercise such share warrants at any time.

The general meeting of shareholders held on December 30, 2008 modified the terms and conditions of the two categories of share warrants issued on March 24, 2005 (BSA 2005-1-1 and BSA 2005-1-2) to remove all constraints in order to allow the holders to exercise such share warrants at any time. As a result of these decisions and the modifications to the schemes, the beneficiaries can exercise the share warrants granted by these five schemes at any time, within a period of ten years following the date of subscription. According to IFRS 1, the Group did not apply IFRS 2 to 2005, 2006 and 2007 share-based payment arrangements since they had vested at the date of transition.

For the BSA 2008-1-1 scheme, the share warrants vest in 2009, 2010 and 2011. For the BSA 2010-1-1 scheme, the share warrants can be exercised only upon the sale or initial public offering of the Company.

No warrants issued to management were exercised in 2013.

Note 25 Share based payment schemes (Continued)

On April 7, 2011, the Company established a Restricted Stock Unit Plan (denominated "Free Shares 2011") that entitle key management personnel to obtain up to 150 000 free shares, subject to the fulfillment of the conditions detailed in the issuance agreement. That Free Shares 2011 plan was treated under IFRS 2 until it was cancelled in Q2 2012 resulting in the residual IFRS 2 estimated charges initially spread over vesting period to be immediately recorded in consolidated statement of income for an amount of 1 537 K€ in non-recurring expenses and the whole amount of Fair Value reserve related to Restricted Stock Unit scheme of 3.5 M€ recycled in other consolidation reserves.

The services received during 2013 (share-based payment expense) amounts to a total of 336 K€ for 2010 BSA scheme. Indeed, the 2008 BSA plan is now fully vested and the 2010 BSA schemes IFRS 2 expense has been revised due to the departure of certain beneficiaries. The total amount of Fair Value reserves related to the stock options plans amounts to 3.8 M€ as at December 31, 2013 (3,5 M€ as at December 31, 2012).

Terms and conditions of the share option programs

The terms and conditions relating to the grants of share warrants are as follows; all share warrants are to be settled by physical delivery of shares:

Plan	Number of instruments	Exercise period	Exercise price	Option price	Average fair value at grant date
BSA 2005-1-1	907 067	At any time between 30 December 2008 and 23 June 2015	1	0,1	0,21
BSA 2005-1-2	108 782	At any time between 30 December 2008 and 23 June 2015	1	0,1	0,21
BSA 2006-1-1	6 796	At any time between 23 April 2008 and 7 June 2016	1	0,1	1,08
BSA 2007-1-1	109 806	At any time between 23 April 2008 and 13 March 2017	2,5	0,25	1,34
BSA 2007-1-2	104 337	At any time between 23 April 2008 and 30 December 2017	2,5	0,25	3,74
BSA 2008-1-1	438 317	At any time between 1 January 2009, 1 January 2010 and 1 January 2011 (each tranche ⅓ of the options)	8	0,8	4,97
BSA 2010-1-1	279 268	Upon sale or initial public offering of Labco	14,84	1,5	7,02
Total	**1 954 373**				

Given the dilutive effect of March 12, 2012 capital increase at par value, all equity warrants holders have been granted a protection right against the dilutive effect. In fact, pursuant to the ninth resolution adopted by the general shareholders' meeting held on March 12, 2012, holders of securities granting access to the share capital will be allowed to subscribe to new shares as of right, at the ratio of four new shares with a par value of one euro each for seven shares subscribed with their securities (seven shares subscribed by exercise of their securities granting access to the share capital giving the right to subscribe to four additional new shares at a subscription price of one euro per share).

Note 25 Share based payment schemes (Continued)

Fair value of the options granted during the period

The fair value of the services received in return for share options is based on the fair value of the share options granted, measured using the Binomial model for 2008 scheme and using a weighted average models of scenarios for the "BSA 2010-1-1" scheme and "Free Shares 2011" plan with the following inputs:

	2010 scheme	2008 scheme
Expected volatility (% pa) (based on average volatility on certain indicators of results of comparable quoted entities)	na	32,95
Risk-free interest rate (% pa)	na	4
Expected dividend yield (% pa)	na	nil
Rate of pre-vesting forfeiture (% pa)	20%	nil
Rate of post-vesting leaving (% pa)	na	nil
Multiplier	na	3
Number of nodes	na	200

The Group recognized as share-based payment expense 336 K€ during the year (345 K€ in 2012) for 2010 schemes and in 2012, 220 K€ for Free shares 2011 for Q1 2012 as well as 1 537 K€ in non-recurring expenses following cancelation of the Free shares plan. The total amount of reserves related to the stock options plans amounts to 3 840 K€ (3 504 K€ in 2012).

Movements in share options during the year

	2013		2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1 954 373**	**5**	1 954 373	5
Granted during the year	**0**	**0**	0	0
Forfeited during the year	**0**	**0**	0	0
Exercised during the year	**0**	**0**	0	0
Expired during the year	**0**	**0**	0	0
Outstanding at the end of the year	**1 954 373**	**5**	1 954 373	5
Of which exercisable at the end of the year	**1 675 105**		1 675 105	

No options have been exercised in 2012 or in 2013.

As a reminder, the protection right of equity warrants holders against the dilutive effect of March 12, 2012 capital increase enables them to subscribe in case of exercise of the warrants new shares at the ratio of four new shares with a par value of one euro each for seven shares subscribed with their securities.

Note 26 Provisions

€ 000	Provision for litigations	Provisions for restructuring	Other provisions	Total
At 1 January 2013	**2 718**	**2 045**	**1 941**	**6 704**
Provisions made during the period	356	803	0	**1 159**
Provisions utilized/reversed during the period	(823)	(2 145)	(162)	**(3 129)**
Translation ajustment	0	15	0	**15**
Other	(620)	481	(1 720)	**(1 859)**
At 31 December 2013	**1 631**	**1 200**	**59**	**2 890**
Current at the end of the period	1 631	1 200	59	**2 890**
Non-current at the end of the period	0	0		**0**

The "Other" line corresponds mainly to the effect of perimeter variation with especially the disposal of German entities and the entry of iPP.

Note 26 Provisions (Continued)

Provision for litigation

In the normal conduct of its business, the Group has legal suits relating to different matters (personnel, taxes, suppliers) with uncertainties about the amount or timing of the outflows. According to management and as confirmed by legal counsels, the recorded provision is considered to be sufficient to cover probable losses.

Provisions for restructuring

The provisions for restructuring correspond mainly to provisions for 2011 restructuring in Iberia covering principally the severance payments and the remaining rental fees for the building to be abandoned and the new restructuring in Spain implemented in Q1 2013.

Indeed in the context of contract renegotiation with a major client, Labco management decided to significantly restructure the operations of the laboratories managing the contract in coordination with the client service need and incidentally the overheads. A formal restructuring plan has been implemented in Q1 2013 leading to record a non-recurring provision of 0,8 M€, partly used in 2013. Some measures remain to be implement in H1 2014 and the provision amount to 0,3 M€ as at December 31, 2013.

The 2011 restructuring plans both in Spain and Portugal have been finalized and remaining provision reversed.

Furthermore, a provision of 0,1 M€ has been set up for people notified before year-end in the framework of the Deep dive efficiency plan in France (refer to Note 5.3 Non-recurring restructuring plans).

Other Provisions

The other provisions correspond mainly to the provision for negative share of investments in associates recorded under equity method and the significant decrease in 2013 is related to iPP which is now fully consolidated.

Note 27 Litigations and Contingent liabilities

Group companies are involved in various legal proceedings arising in the ordinary course of business, including disputes concerning professional liability and employee related matters, as well as inquiries from governmental agencies and health insurance carriers regarding, among other things, billing issues or litigations with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel, for the various litigations.

We had a lawsuit against the seller of one of our clinical laboratories MVZ Dillenburg in a context of alleged fraudulent activities which was referred to in the audited Consolidated Financial Statements of Labco for the year ended December 31, 2012 as the Dillenburg litigation. For the evolution of the Dillenburg litigation, please refer to Note 33 *Assets and liabilities held for sale and discontinued operations*.

No contingent liability has been identified for which it will be necessary to disclose information in the notes to the consolidated financial statements.

Additionally, we operate in a regulated industry. As such, in the ordinary course of business, we are subject to national and local regulatory scrutiny, supervision and controls.

Below is a summary of the challenges and proceedings brought against us by the French Ordre des pharmaciens and Ordre des médecins and of the litigation we brought against the Ordre des pharmaciens before the European Commission.

Ordre des Pharmaciens and Ordre des Médecins

In France, the Ordre des pharmaciens and, to a lesser extent, the Ordre des médecins have challenged our organization and legal structure. In numerous instances, the Ordre des pharmaciens instituted disciplinary actions against our laboratories or laboratory doctors. In 2003, shortly after our creation, the Ordre des pharmaciens and the Ordre des médecins (together, the "Ordres" in a joint letter to Labco) expressed the view that Labco's project of creating a network of laboratories contravened the principle of independence of laboratory doctors. In their joint letter, the Ordres singled out two aspects of Labco's structure: (i) capital ownership and voting rights arrangements between the laboratory doctors working in each laboratory company and the rest of the Labco Group; and (ii) the ultimate ownership of a network of laboratories by a financial holding company not subject to the French regulations pertaining to clinical laboratories.

In keeping with this initial position, the Ordre des pharmaciens, as well as in several instances the Ordre des médecins, have raised a number of objections to the organization of our French operations in the context of their administrative review of proposed changes in the articles of association or ownership structure of clinical laboratories. These objections were communicated to the French administrative authorities in charge of granting the administrative authorization necessary to operate our laboratories. All such authorizations were nevertheless eventually granted. Most of the objections raised by the Ordres dealt with the capital ownership structure of our French laboratory companies. The Ordres argued that ownership of a large majority of shares in a clinical laboratory by a person or entity other than the laboratory doctors working in that laboratory constituted a threat to the independence of such laboratory doctors—notwithstanding the fact that such laboratory doctors retained a majority of the voting rights at shareholders' meetings, as required by French law. It also challenged the separation of voting rights from economic rights in such a manner. In addition, the Ordre des pharmaciens expressed the view that the supermajority voting provisions contained in the articles of association of our SELs for certain matters were incompatible with the principle of independence of laboratory doctors insofar as they took away from doctors practicing within the laboratory the final decision making power over a number of matters pertaining to the laboratory. Finally, the Ordre des pharmaciens challenged the formula set out in the articles of association of SELs for the distribution of Priority Dividends to those laboratory doctors who are also shareholders in their laboratory company. The Ordre des pharmaciens argued that such a formula, by limiting ex-ante the share of dividends to be distributed to laboratory doctors, was incompatible with the principle of the independence of laboratory doctors. Both the Ordre des pharmaciens and the Ordre des médecins have, in several cases, raised objections to the registration, based on one or more of the above grounds, of one of our SELs on their respective national registries.

At the disciplinary level, the Ordre des pharmaciens introduced a number of actions against SELs in the Labco network, as well as against laboratory doctors practicing within these SELs. Several of these actions, some of which are still pending, directly challenge the capital ownership structure and the supermajority voting provisions contained in the articles of association of our French laboratory companies as a breach of the principle of independence of laboratory doctors. Labco has appealed decisions of the disciplinary body of the Ordre des pharmaciens in the highest French administrative court (Conseil d'Etat) and has won a number of cases on procedural grounds. No final decision has, however, been reached on the merits of these cases. The Ordre des pharmaciens has also regularly brought, or threatened to bring, legal actions against our laboratory companies for failing to timely file with it proposed changes in articles of association or capital ownership. Some of these actions are still pending. We have appealed some of these decisions and have won a number of such appeals on procedural grounds.

In addition, certain of our laboratory doctors and laboratory companies have been disciplined for failing to maintain adequate health, safety and quality standards. Certain of these disciplinary procedures, brought on the grounds of a failure to meet filing requirements or to maintain adequate quality and safety standards, resulted in decisions to close, for periods ranging from one week to several months, several of our laboratories. In several instances, however, we successfully obtained from the responsible administrative authority a requisition order to prevent such closing, arguing the public need for access to local laboratory testing services.

In 2007, Labco filed a complaint with the European Commission, arguing that the Ordre des pharmaciens had inappropriately used the administrative and disciplinary powers granted to it to impede the development of free competition and the creation of groups of laboratories in the French clinical laboratories services market.

On December 8, 2010, the Commission ruled against the Ordre des pharmaciens, finding that the Ordre des pharmaciens had (i) systematically targeted groups like Labco since 2003 with the aim of impeding their development and (ii) attempted to set minimum prices on the French market between September 2004 and September 2007 by seeking to impose minimum prices for the provision of clinical laboratory services, limiting the negotiation of discounts under contracts with large customers such as

Note 27 Litigations and Contingent liabilities (Continued)

hospitals or insurance bodies. The Commission held that the Ordre des pharmaciens had breached the antitrust rules and provisions on restrictive business practices of the Treaty establishing the European Community by introducing such distortions to competition without adequate public health grounds to do so, and imposed a 5 M€ fine on the Ordre des pharmacien and its governing bodies. According to the press release issued by the European Commission commenting on this decision, the Commission's ruling did not extend to an appreciation of the French laws regulating the clinical laboratories market, but was only directed at the behavior of the Ordre des pharmaciens. The Ordre des pharmaciens has since appealed this decision before the General Court of the European Communities and the hearing took place in Luxembourg on February 6, 2014.

Pending a decision on appeal, aggrieved parties such as Labco are entitled to seek damages before French courts on the basis of the European Commission's findings.

Note 28 Trade and other liabilities

€ 000	31.12.2013	31.12.2012
Trade liabilities	**60 878**	56 971
Other liabilities	**61 765**	67 439
Payables related to aquisitions of subsidiaries	**6 663**	8 852
Payables related to fixed assets suppliers	**2 936**	3 384
Accrued charges	**2 553**	1 725
Priority Dividends payable	**1 711**	1 674
Taxes and payroll and on-costs amounts payable	**46 296**	50 482
Other payables	**1 605**	1 322
Total	**122 644**	**124 410**
Non current	**1 481**	**2 310**
Current	**121 162**	**122 100**

Payables relating to the acquisition of subsidiaries are as follows:

€ 000 Country	Company	Debt on financial participation	2013	Less than 1 year	Between 1 - 5 years	2012
France, Spain	Anabio, Laboratoire de l'avenue, Probio, Mazarin, Labo gascogne, General Lab	Chatellier Peronneau, Baud David, Nottegem, Mallia, Chiche,Gemolab minorities	**4 483**	4 452	31	
France, Belgium, UK	Aquilab, Celab, Axilab, Centre Biologique, Roman Pais, Labco UK, Other	Celab, Filab, Tranchand Turcon, Brigout minorities, MAB, Fresenius, Other	**2 180**	1 440	740	2 384
France, Spain, Germany	Anabio, Novabio Diagnostics, Bioval Laboratoire, Isolab, Laboratoire Bioliance, Labco Midi, Labco Diagnostic Espana, Dillenburg	Les hauts de garonne, Medbio, Auguet Larroua, Chancé, CVDD, Seudre Biologie, Degraef minorities, Trichereaud, Sevre et Loire minorities, Bio H, CIC, Dillenburg				6 468
Total			**6 663**	**5 892**	**771**	**8 852**

Note 29 Financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, debentures, finance leases, trade payables, purchase contracts and loans granted. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has

Note 29 Financial instruments (Continued)

various financial assets such as accounts receivables and cash and short-term deposits, which arise directly from its operations.

€ 000	Carrying amount	Market value	Breakdown by accounting classification: Fair value through income	Available for sale	Loans and receivables	financial liabilities measured at amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
Non-current assets								
Non-current financial assets	9 265	9 265		2 929	6 335			0
Current assets								
Trade receivables	85 517	85 517			85 517			
Other current financial assets	12 946	12 946		0	12 946			0
Cash and cash equivalents	167 801	167 801			167 801			
Non-current liabilities								
Borrowings and other financial liabilities—non current	616 010	616 010				615 966		45
Other non-current liabilities	1 481	1 481	771			711		
Current liabilities								
Borrowings and other financial liabilities—current	33 666	33 666				33 666		0
Other current liabilities	60 284	60 284	2 218			58 066		
Trade payables	60 878	60 878				60 878		

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. Under our current financing strategy, the Secured Senior Notes are 8,5% fixed rate, therefore we are only exposed to market risk arising from fluctuations in interest rates of our Revolving Credit Facility (the RCF) undrawn as at December 31, 2013. We are not required to enter into hedging transactions or to use derivative financial instruments to mitigate the adverse effects of interest rate fluctuations pursuant to the RCF Agreement. We do not enter into financial instruments for trading or speculative purposes.

Labco has only a few non-significant instrument, one for hedging the sale operations in Brazilian reals of our subsidiary CIC that qualifies under hedge accounting and one for a laboratory in Belgium accounted for as trading derivatives (fair value through P&L). Those derivatives correspond, according to the categorization by hierarchy of fair value as stated in IFRS 7, to level 2 financial instruments. Labco do not have any level 3 financial instruments.

Due to the Group's specific interest rate risk position and funding structure, risk management policies require to manage the cash flow volatility.

Liquidity risk

The Group monitors its risk to a shortage of funds using a systematic liquidity planning scheme. This scheme considers the maturity of its financial investments and assets and the projected cash flows from operations.

Please refer to Note 23 *Borrowings and other financial liabilities* for a detail of maturities of financial indebtedness, as well as for a description of the covenants in place with the RCF agreement. Under these covenants, if the Group does not respect contractual requirements, it may result in early repayment clause being activated by syndicated borrowers.

€ 000	31.12.2013	31.12.2012
Cash and cash equivalents	**167 801**	56 595
Undrawn line of credit (RCF)	**135 000**	94 000
Total gross amount of liquidity	**302 801**	**150 595**
Current loans and borrowings	**33 666**	31 917
Total liquidity net of current loans and borrowings	**269 136**	**118 678**

Revolving Credit Facility ("RCF") covenants impose to keep a minimum cash balance of 20 M€ at each quarter end.

Note 29 Financial instruments (Continued)

Prospective liquidity analysis as at December 31st, 2013 is as follows

€ 000	Note	2013 Carrying amount	2013 Cash Flow	1 year or less	1 - 5 years	More than 5 years
Non derivatives financial instruments						
Bonds loans		**600 000**	**(804 000)**	(51 000)	(753 000)	
Revolving Credit Facility	(a)		**(7 148)**	(2 747)	(4 401)	
Other financial debts		**60 622**	**(64 351)**	(34 600)	(28 572)	(1 179)
Trade payables		**60 878**	**(60 878)**	(60 878)		

(a) Revolving Credit Facility amounting 135 M€ has been fully reimbursed with the proceed of the additional Notes issuance (RCF was drawn for an amount of 67 M€ as at additional Notes issuance date ie February 13, 2013). Amounts to be paid are estimated as at December 31st, 2013 as the commitments fees paid on fully undrawn facility until early 2017 with a rate corresponding to 45% of margin (margin being estimated at 4.5%) on the committed available revolving credit facility which is contractually decreasing until maturity as follows : 5% in 2014, 10% in 2015 and 20% in 2016. Revolving Credit Facility will be however drawn for financing future acquisitions as soon as the excess cash obtained from additional €100 million Notes issuance and Germany entities disposal proceeds would have been used.

(b) Other financial debt corresponds to other loans and borrowings, finance lease liabilities, accrued HYB interests to be paid in January 2014 and factoring debt.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

€ 000	31.12.2013	31.12.2012
Fixed rate instruments		
Financial assets	**0**	0
Financial liabilities	**629 897**	524 382
Variable rate instruments		
Financial assets	**167 801**	56 595
Financial liabilities	**(3 782)**	36 264

The fixed rate financial liabilities correspond to 8.5% Senior Secured Notes, the finance leasing, the recourse factoring and the bilateral loan and borrowings, that are under fixed rate, whereas the variable rate instruments correspond to cash and cash equivalent for financial assets and to the RCF drawn and floating rates loan and borrowings, as well as bank overdrafts.

The other financial instruments of the Group that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

Following the refinancing operation performed February 13, 2013 resulting in the RCF being fully reimbursed (refer to note 5 *Significant Events*) and if RCF remains undrawn, a change of 100 basis points in interest rates would have increased or decreased the annual interest rate charges by less than 0.1 M€ (2012: 0,1 M€). The financial income generated by cash equivalents is mostly based on fixed rate instruments, except for a 5 M€ instrument for which a change of 100 basis points in interest rates would have a non significant impact. This analysis assumes that all other variables remain constant.

Fair values

The basis for determining fair values is disclosed in note 3.21 *Determination of fair values*.

- *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. They consist mainly on private equity investments, call option on minority interests with agreed price determination formula (as detailed in note 17 *Other non current assets*) as well as

Note 29 Financial instruments (Continued)

contingent consideration recorded in a business combination (as detailed in note 28 *Trade and other liabilities*) which are all categorized within level 3 and for which fair values have been usually determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

- *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The fair values of financial assets and liabilities, together that are not at fair value in the statement of financial position, are not significantly different from recorded carrying amounts.

- *Reconciliation of Level 3 fair value measurements*

The total fair value gains or losses on contingent considerations recognized in the statement of income are included in Perimeter effect line of Non recurring income and expenses detailed in note 10 *Non recurring income and expenses.*

The total gains or losses for the year relating to financial assets that are measured at fair value at the end of each reporting period are included in the line Other financial expenses detailed in note 11 *Net finance costs*. All gains and losses, if any, included in other comprehensive income related to available-for-sale unlisted shares are reported in the line Net changes in fair value of available for sale assets detailed in the Consolidated statement of comprehensive income.

No transfer out of level 3 category have been performed given the nature of financial assets and liabilities measured at fair value.

Note 30 Capital commitments and contingencies

Operating lease and commercial commitments

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between two and five years with no renewal option included in the contracts.

€ 000	31.12.2013	31.12.2012 presented IFRS 5
Within one year	**5 675**	6 851
Between 1 and 5 years	**4 817**	4 254
More than 5 years	**156**	0
Operating lease Equipment	**10 648**	**11 105**

Furthermore Labco leases almost all of the properties where its labs are located. The lease in France is on a 3/6/9 year lease contracts and in Portugal and Spain, situation is such that Labco can exit leases at 6-12 months notice.

€ 000	31.12.2013	31.12.2012 presented IFRS 5
Within one year	**18 906**	16 852
Between 1 and 5 years	**43 596**	35 390
More than 5 years	**14 274**	13 917
Operating lease Buildings	**76 776**	**66 159**

Operating lease expense related to property amounted to 22.1 M€ in 2013 (2012 restated of Germany: 19.8 M€) and equipment lease expense of around 7.2 M€ (2012 restated of Germany: 7.6 M€).

Finance lease and commercial commitments

The Group has entered into finance leases and commercial commitments on certain testing equipments as well as motor vehicles, items of machinery or IT equipments.

Note 30 Capital commitments and contingencies (Continued)

Reagents suppliers in certain instances provide the testing equipment free of charge to laboratories in exchange for exclusive purchasing commitments, including sometimes minimum volume commitments. Management believes minimum volume commitments for consumables are substantially below current volumes and therefore we do not consider these minimum purchase commitments to be material for us.

As stated in *Note 15 Property, Plant and Equipment*, some of these contracts have been qualified as capital lease over an average duration of 5 years because the contracts have tacit renewal clauses, but no purchase options. Renewals are at the option of the specific entity that holds the leases. Future minimum lease payments under the finance leases are as follows:

€ 000	31.12.2013	31.12.2012 presented IFRS 5
Within one year	**6 430**	5 919
Between 1 and 5 years	**12 072**	10 550
More than 5 years	**5 748**	57
Total finance lease commitments	**24 250**	**16 526**

Off balance sheet commitments given and received

As of December 31, 2013, the Group's off-balance sheet commitments consist principally of guarantees given in the course of its investing and financing activities, especially securities given to secure the Notes and the RCF.

Indeed the obligations taken by Labco in the Senior Secured Notes indentures and by the borrowing entities, direct subsidiaries of Labco, according to the RCF agreement, have been guaranteed by commitments given by a certain number of Group entities, called Guarantors.

Commitments given to the Security Agent are mainly:

- The initial Guarantors and Borrowers agreed to pledge the shares of certain subsidiaries they owned;
- If a Guarantor or Borrower acquires a subsidiary company which has an annual EBITDA equal to or greater than 750 K€, it agreed to pledge the shares of the said subsidiary company;
- If a company accedes to the RCF Agreement as a new Borrower, the said company must pledge the shares held in its direct subsidiaries which has an annual EBITDA equal to or greater than 750 K€;
- If a company accedes to the RCF Agreement as a new Guarantor, the said company must pledge the shares held in its direct subsidiaries which has an annual EBITDA equal to or greater than 1 M€;
- In any case, additional Borrowers and Guarantors agreed to pledge the long term intercompany loans receivables with other members of the Group they have or they could enter in the future arising under any intra group loan in excess of 1 M€.

All those commitments given have been extended on February 13, 2013 to cover the additional €100 million 8.5% Senior Secured Notes due 2018, given they constitute an add-on of, and form a single class with, Labco's existing 500M€ 8.5% Senior Secured Notes due 2018.

Note 30 Capital commitments and contingencies (Continued)

As a consequence of German entities disposal, all commitments given on German entities shares have been waived prior to the sale. As at December 31, 2013, the Guarantors are the following entities:

Guarantors

Country	Name of Guarantor	Registration number (or equivalent, if any) Jurisdiction of Incorporation
France .	Analyses et Biologie du Littoral—Anabiol—merged into Barla in April 2013	419 066 246 RCS Nice—France
	Biofrance	314 818 600 RCS Valenciennes—France
	Biologistes Associés Regroupant des Laboratoires d'Analyses (Barla)	782 596 670 RCS Nice—France
	Biopaj	783 860 919 RCS Valenciennes—France
	Bioval	382 676 443 RCS Valenciennes—France
	Centre Biologique	328 264 197 RCS Boulogne-Sur-Mer—France
	Eslab	389 394 065 RCS Orléans—France
	Laboratoire d'Analyses de Biologie Medicale Christine Pépin—Philippe Leluan—Patricia Sannier—Didier	781 026 729 RCS Le Havre—France
	Laboratoire de Biologie Medicale Delaporte	390 753 895 RCS Orléans—France
	Oxabio (formerly known as Laboratoire Goudaert—Dauchy—Leclerq—Capelle—Bourlart)	414 023 465 RCS Douai—France
	Groupe Biologic (formerly known as Laboratoire de Biologie Médicale Jorion)	492 916 150 RCS Macon—France
	Laboratoire de Biologie Médicale Schemitick Vorlet et Associés	353 998 230 RCS Chambéry—France
	Labco Midi	450 376 603 RCS Montpellier—France
	Norden	349 027 466 RCS Sedan—France
	Institut de Biologie Clinique (formerly known as Laboratoire Schaffner)	347 402 307 RCS Arras—France
	Novabio Diagnostics	306 446 824 RCS Saint-Quentin—France
	Normabio	440 849 909 RCS Alençon—France
	Lahoratoire Bioliance	352 016 836 RCS NANTES—France
	Mazarin (formerly known as Tranchand Turcon	394473227 RCS Marseille—France
	Sylab	423 395 276 RCS AURILLAC- France
	La Biologie Médicale	302 730 817 RCS SAINT-QUENTIN—France
	Isolab	325 940 724 RCS Saintes—France
Belgium	Labco Finance	0 826 013 990- Belgium
	Laboratoire d'Analyses Médicales Roman Païs	0 440.299.620- Belgium
Germany	Labco Germany GmbH (formerly known as Labco Deutschland GmbH)	HRB 59270 (commercial register of the local court of Köln)—Germany
Spain . .	Labco Diagnostics España, S. L.	Volume 39,744, Page 84, Sheet B-353,263, Inscription 4, Commercial Register of Barcelona—Spain
	General Lab SA	Volume 39,143, Page 47, Sheet B-21,984, Inscription 51, Commercial Register of Barcelona—Spain
	Labco Madrid SA (formerly known as Sanilab SA)	Volume 315, Page 133, Sheet M-6,288, Inscription 4, Commercial Register of Madrid—Spain
	Clinica de Diagnosticos Dr. F. Teixeira SA	NIPC 500 065 012—Portugal
	Flaviano Gusmao, Limitada	NIPC 501367993—Portugal
	Gnóstica—Laboratório de Análises Clínicas, S. A.	NIPC 501 668 462—Portugal
	Dr. Macedo Dias—Laboratorio de Anatomia Patologica	NIPC 502 613 653—Portugal
Portugal	C.A.M., Centro Analisi Monza S. p. A	00967150152 Monza e Brianza—Italia
Italy . .	Labco Italia S.r.l.	06254340968 Milan—Italia
	Istituto II Baluardo S.p.A.	00887530103 Genova—Italia

The list of off-balance sheet commitments was as follows:

	Description	Beneficiaries
	FRANCE	
Pledge of financial assets	**LABCO SA**	
Shares & intra-group receivables pledged	12 469 shares held in Labco Midi (ex Laboratoire Vaultier)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	16 488 shares held in Laboratoire d'Analyses de Biologie Médicale Delaporte	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	3781 shares held in Barla (Biologiste Associés Regroupant des Laboratoires d'Analyses)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	9 990 shares held in Groupe Biologic	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	420 shares held in Bioval	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	10 000 000 shares held in Labco Finance	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of the shares held in Labco Deutschland GmbH	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of shares held in Labco Italia Srl	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	Totality of shares held in Labco Diagnostics Espana SL	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Pledge of the profit participating loan granted by Labco S.A. to Labco Diagnostics España, S.A. dated July 1, 2012 for a principal amount of €60,000,000	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
Joint Guarantees	By Bioliance SAS for the obligation of the general partners of the SEL Chauvet-Douet- Lissajoux	
Comfort letter	Comfort letter dated May 13, 2013 : Labco has stated to its subsidiary Labco Belgium that Questao em alberto, one of our Portuguese subsisidary will respect its obligation vis à vis Labco Belgium otherwise Labco SA committed itself to guarantee for 12 months that the latter will be able to pay its eligible debts.	
	Comfort letter : Labco has committed itself for fiscal year 2013 towards its joint venture subsidiary iPP to assist the latter in meeting its liabilities as and when they fall due; but only to the extent that money is not otherwise available to iPP.	
	Comfort letter dated May 13, 2013 : Labco has stated to its subsidiary Labco Finance that Labco Diagnostic Espana, one of our subsisidary will respect its obligation vis à vis Labco Finance otherwise Labco SA committed itself to guarantee for 12 months that the latter will be able to pay its eligible debts.	
	Labco SA has provided to Deutsche Bank AG and certain Deutsche Bank subsidiaries a first demand guarantee for a maximum amount of 13 millions euros in the context of the cross border cash pooling implemented by Labco Finance for the Labco Group and managed by Deutsche Bank Group	Deutsche Bank AG; Deutsche Bank Sociedad Anonima Espanola; Deutsche Bank SpA; Deutsche Bank (Portugal) SA
	In the framework of the implementation of a BACS facility by Deutsche Bank AG, London Branch, for automated clearing house services for Labco UK, Labco SA has committed itself to guarantee the punctual performance by Labco UK of its payment obligations under the facility or if Labco UK does not pay any amount when due, to pay immediately on demand that amount as if it was the principal obligor.	Deutsche Bank AG, London Branch
	In the framework of the disposal of German entities to Sonic, Labco SA and Labco Germany have given some contractual commitment due to the possible application of common warranty clauses which are capped at usual level for this type of transaction. These warranties will expire after 18 months, except for tax issues and guarantees upon capital property, which expire at the end of the regulatory limitation period	Sonic Healthcare Seven GmbH
Letter of intent	Commitments to mobilize resources to Biopaj in order to reimburse its loan	Crédit Lyonnais
	Comfort letter dated June 11, 2013 : Labco has indicated to the board of directors of its subsidiary Labco Diagnostic Espana its intention to support its subsidiary with a view to carry on its business as a going concern for the next 12 months.	

Furthermore iPP having started the operations of the contract with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust, Labco issued in 2012 a parent company guarantee to the benefit of the Trusts according to which it guarantees the performance of the operating obligations of iPP under the outsourcing contract and for a period lasting over contract period plus two years in general. Labco has also issued similarly a parent company guarantee to the benefit of Southwest Pathology Services in relation to the performance of the supply chain agreement contracted between iPP and Southwest Pathology Services.

	Description	Beneficiaries
	OXABIO (formerly GDLCB)	
PLEDGED	2 192 982 shares of Biopaj	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	85 786 shares of Novabio Diagnostics (ex-Tixier-Pierfitte-Avot)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	8000 shares of ELLYPSIS SCA	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	ANABIO	
OTHER GUARANTEES	Other commitments given for 18 842 €	
	BARLA	
OTHER GUARANTEES	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOFRANCE	
PLEDGED	298 190 shares of Norden	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	2 426 368 shares of Isolab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	198 328 shares of Isle	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOVAL	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	CENTRE BIOLOGIQUE	
PLEDGED	equipment for an amount of 850 000 €	HSBC
	DELAPORTE	
PLEDGED	1 190 036 shares of Biofrance	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	899 956 shares of Institut de Biologie Clinique (formerly Schaffner)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOLIANCE (formerly ERDRE ET LOIRE)	
PLEDGED	Business asset of laboratoire de Sainte Luce (1 829 000 €)	CA
	ESLAB	
PLEDGED	59 788 shares of Aubert	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	JPBS (merged in AXILAB)	
Joint Gurantee	Guarantee given (400 000 €) wihin the framework of the acquisition of Tranchand Turcon	M. Tranchand and Mrs Turcon
	GROUPE BIOLOGIC (formerly JORION)	
PLEDGED	10 487 shares of Laboratoire de l'avenue	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	LABCO MIDI	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	99 896 shares of Laboratoire d'analyses médicales Carron	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	14 987 shares of Eslab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	NOVABIO DIAGNOSTICS	
PLEDGED	10 226 shares of La Biologie Médicale	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	INSTITUT DE BIOLOGIE CLINIQUE (formerly SCHAFFNER)	
PLEDGED	62 134 shares of GDLCB	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
OTHER GUARANTEES	Other commitments given for 320 737 €	

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	BIOARVOR (formerly TREGUIER LEMOINE)	
OTHER GUARANTEES	Other commitments given for 515 000 €	
	NORMABIO	
OTHER GUARANTEES	Other commitments given for 475 220 €	
	ISOLAB	
PLEDGED	5665 shares of ELLYPSIS SCA	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	SPAIN LABCO DIAGNOSTICS ESPANA	
PLEDGED	All shares of General Lab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	11000 shares held in Labco Sweden	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE RECEIVED	Labco made a downpayment of 550 K€ for services to be performed in 2013, guaranteed by a "Pagare" due August 2013 (in context of Call option signed Nov 22, 2012 to acquire Integra/ Global)	Labco SA
	GENERAL LAB	
GUARANTEE	Warranty associated to public subsidy granted to General Lab amounting for 97k€.	Public organization
	BELGIUM LABCO FINANCE	
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ROMAN PAIS	
PLEDGED AS REAL PROPERTY COLLATERAL	Business asset of Roman Pais Bank accounts	Fortis Fortis
	PORTUGAL LABORATORIO MEDICO Dr. DAVID SANTOS PINTO E Dr . FERNANDO TEIXEIRA, S.A (formerly CLINICA DEDIAGNOSTICOS DR FERNANDO TEIXERA)	
PLEDGED	All shares of Flaviano Gusmao	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares of Gnostica—Laboratorio de Analises Clinicas	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ITALY LABCO ITALIA	
PLEDGED	All shares of Istituto il Baluardo	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares of Labco Lombardia	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares of Centro Analisi Monza	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ISTITUTO IL BALUARDO	
PLEDGED	37 485 shares of Labco Midi	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	29 985 shares of Groupe Biologic	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	11 298 shares of Barla	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	49 489 shares of Delaporte	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
GUARANTEE	Guarantee on rent of buildings andon a public tender amounting for 158 605 €	Balua Immobiliare and AMIU Credito Emiliano
	BALUARDO SERVIZI SANITARI	
GUARANTEE	Guarantee on rent of buildings amounting for 76 712 €	Balua Immobiliare
	CAM	
GUARANTEE	Guarantee amounting €1.75 million in context of renting agreement for the new site located in Viale Elvezia, Monza	Supplier
PLEDGED	All shares of Labco Lombardia	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE	In the framework of CDM disposal, standard representations & warranties amounting for a maximum of 100 000 €(in case of non declared liabilities with some cases as agreed)	CEIMA, IMAGING SERVICE, INTERMEDICA IMAGING

Note 31 Earnings per share

Computation of weighted average number of actions for basic and diluted earnings per share:

Weighted average number of shares as at December 31

€		2013	2012
Number of shares as at January 1st	*(1)*	**68 459 322**	43 336 733
Number of own shares as at January 1st	*(2)*	**80 709**	80 728
Weighted number of own shares issued (disposed) over the period	*(3)*	**0**	(15)
Weighted number of shares issued (disposed) during the period	*(4)*	**0**	18 992 670
Basic weighted average number of shares as at December 31	*(1) − (2) − (3) + (4)*	**68 378 613**	**62 248 690**
Dilutive Warrants and equity instruments		**10 574 456**	10 784 205
—Financial BSA		***7 562 108***	*7 675 697*
—Mezzanine BSA		***1 132 758***	*1 149 773*
—Management BSA		***1 879 590***	*1 958 735*
Diluted weighted average number of shares as at December 31		**78 953 069**	**73 032 894**

€ 000	2013	2012
Basic Net Profit attributable to the parent entity	**12 743**	(28 454)
Diluted Net Profit attributable to the parent entity	**12 743**	(28 454)

€	2013	2012
Basic earnings per share	**0,19**	−0,46
Diluted earnings per share	**0,16**	−0,46

Note 32 Related party transactions

Transactions with key management personnel

Key executive management compensation

With the exception of the standing independent members of the board of directors, members of the board of directors and the executive committee receive no compensation for their services on either of these committees. The independent member of the board of director, Daniel Bour, received in 2013 a compensation of €40 000 per year.

Note 32 Related party transactions (Continued)

Certain members of the board of directors (Philippe Charrier, Andreas Gaddum, Stéphane Chassaing, Albert Sumarroca, Philippe Dauchy, Philippe Sellem, Xavier Merlen, Thierry Mathieu, Gilles Meshaka) and the executive committee (Philippe Charrier, Albert Sumarroca, Luis Vieira, Etienne Couelle, Oliver Harzer, Santiago Valor, Philippe Cailly, Andrew Geoffrey Searle and Vincent Marcel) are, or were in 2013, compensated for certain other services they render to our Group. Such remuneration is paid to them (or to professional companies wholly owned by them) by way of a fixed annual salary (or fees) and an annual bonus. The aggregate remuneration paid to or accrued on behalf of members of the board of directors and the executive committee for such other services was 5,6 M€ for the year ended December 31, 2013 (2012: 5,5 M€ after restating the remuneration of Comex member in charge of Germany).

€ 000	Note	2013	2012 Represented IFRS 5
Short term benefits		**5 573**	5 463
Post-employment benefits	*(i)*	**NS**	NS
Termination indemnities		**0**	0
Share-based payments	*(ii)*	**0**	0
Total		**5 573**	**5 463**

(i) : Post-employment benefits are not significant and correspond only for the few members concerned to French legal post-employment benefits due to employees as described in *note 24 Employee benefit liabilities*.

(ii) : Restricted Stock Unit "Free Shares 2011" scheme to the benefit of certain senior management members has been canceled in Q2 2012, the 2008 BSA plan is fully vested since end of 2011 and no senior management members have any remaining 2010 BSA.

Other related party transactions with key management members

Legal Services

We have engaged Maryse Coppet, a partner in the law firm Cabinet Coppet Sprl, to provide us with various legal services. Mrs. Coppet was the wife of Mr. Eric Souêtre, one of our founding shareholders and a member of the board of directors. We believe that Mrs. Coppet's legal services are negotiated on an arm's length basis. Our payments to Cabinet Coppet Sprl amounts to 45 K€ as at December 31, 2013 (2012: nil).

Other related party transactions

Balances and transactions between Labco SA and its subsidiaries, which are related parties of Labco SA, have been eliminated on consolidation and are not disclosed in this note.

A number of associates accounted for under the equity method incur expenses for certain subsidiaries of the Group. These operating expenses are recharged to the relevant subsidiaries. The net operating expenses that have been recharged by the associates amounted to nil in 2013 (2012: nil).

All transactions and outstanding balances with the related parties during the year are priced on an arm's length basis. None of the balances is secured.

Note 33 Assets and liabilities held for sale and discontinued operations

German operations have been sold to Sonic Group on December 2, 2013 (and economic effect as of November 30, 2013). As a consequence, German Cash Generating Unit was treated as discontinued operations under IFRS 5 starting with the September 30, 2013 consolidated statement of income, statement of financial position and statement of cash flow. From a methodological standpoint it should be noted that with reference to the presentation required by IFRS 5, Discontinued Operations are included in the scope of consolidation of Labco Group for comparative information of December 31, 2012 but the comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued and disposed in the current year.

Note 33 Assets and liabilities held for sale and discontinued operations (Continued)

More specifically the approach was as follows:

- The individual line items presented in the statement of income under Net profit from continuing operations and the details of individual items included in these notes under Profit /(loss) from discontinued operations are presented after eliminating the intragroup transactions (mainly management fees and financing) between the continuing and discontinued operations.
- All cash flows from Discontinued Operations are reported in the appropriate items for operating activities, investing activities and financing activities in the statement of cash flows. These items refer exclusively to cash flows arising from transactions with parties outside the Labco Group.
- For consistency all information in the disclosures related to comparative information of December 31, 2012 but which are not statement of financial position information have been re-presented by excluding German entities related information

Details of statement of income items included in Discontinuing Operations are as follows:

INCOME OF STATEMENT (€ 000)	2013 11 months	2012 12 months
Revenue	**48 099**	53 296
Other income	**497**	585
Total revenue	**48 596**	**53 881**
Not disclosed for confidentiality purposes		
Results from operating activities before non-recurring activities	**2 675**	**4 226**
Restructuring Expenses and Provisions for major litigations	**4 272**	*(1 410)*
Perimeter effect	**384**	*0*
Impairment and reversal of impairment on non-operational assets and liabilities	**658**	*(36 767)*
Gains/losses on sale of assets	**65**	*23*
Non recurring income and expenses	**5 379**	(38 155)
Results from operating activities after non-recurring activities	**8 055**	**(33 928)**
Net finance costs	**(433)**	(785)
Income tax expenses	**20**	(255)
Net profit of the period operations	**7 642**	**(34 968)**
Consolidated gain (loss) on Germany sale	**(800)**	
Income tax expense on conso gain	**0**	
Net profit of the period after intragroup operations elimination	**6 842**	**(34 968)**
Profit attribuable to non controlling interest	**0**	0
Profit attribuable to the owners of the company	**6 842**	(34 968)

Based on an enterprise value of 76 M€, the net cash amount finally to be received by Labco Group amounts to 72 M€, net of disposal-related costs and including an escrow amounting to 1,5 M€ released after 18 months. As at December 31, 2013, liabilities related to that operation especially on disposal-related costs amount to 3,0 M€. The consolidated loss on sale recorded on the German cash generating unit disposal amounts to 800 K€ on December 31, 2013 (after final post-closing adjustment on net financial debt and working capital).

As a consequence of this transaction, the contractual commitment due to the possible application of common warranty clauses is capped at usual level for this type of transaction. These warranties will expire after 18 months, except for tax issues and guarantees upon capital property, which expire at the end of the regulatory limitation period.

Evolution of Dillenburg litigation

Labco S.A. and its subsidiaries, Labco Deutschland and MVZ Medizinisches Fachlabor Dillenburg GmbH, have signed a settlement agreement on March 27, 2013 with the former vendors of our laboratory in Dillenburg in the context of the major litigation initiated given the alleged fraudulent activities, and related consequences. That agreement stipulates the payment of a total indemnity of 5,5 M€

Note 33 Assets and liabilities held for sale and discontinued operations (Continued)

by the former vendors of Dillenburg and the waiver of the litigations they had initiated against Labco and its subsidiaries. The indemnity has been recorded in non-recurring and received in April for 5,0 M€ and the remaining 0,5 M€ paid at December 31, 2013 to MVZ Dillenburg. Moreover provision for social litigation and remaining earn out have been reversed generating a non-recurring income for a total amount of 0,8 M€.

Note 34 Group entities

The consolidation scope at December 31, 2013 and December 31, 2012 was established as follows:

French Entities

	31.12.2013			31.12.2012		
Designated entities	**% of control**	**Consolidation Method**	**% interest**	**% of control**	**Consolidation Method**	**% interest**
Oxabio (ex GDLCB or AGDL)	**98,42%**	**FC**	**97,33%**	98,42%	FC	97,33%
LGESTION	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
AUBERT H	**99,66%**	**FC**	**99,40%**	99,66%	FC	99,40%
BIOFRANCE	**99,32%**	**FC**	**99,31%**	99,32%	FC	99,31%
NORDEN	**98,56%**	**FC**	**98,71%**	98,56%	FC	98,71%
ISLE	**100,00%**	**MERGER**	**97,32%**	99,13%	FC	99,28%
LABCO MIDI—VAULTIER (MOSSON)	**99,96%**	**FC**	**99,96%**	99,96%	FC	99,96%
DELAPORTE	**99,99%**	**FC**	**99,99%**	99,99%	FC	99,99%
ESLAB	**99,79%**	**FC**	**99,74%**	99,79%	FC	99,74%
Institut de Biologie Clinique (Schaffner)	**98,89%**	**FC**	**98,89%**	98,89%	FC	98,89%
BARLA	**98,36%**	**FC**	**98,36%**	99,84%	FC	99,84%
BIOPAJ	**99,99%**	**FC**	**97,62%**	99,99%	FC	97,62%
BIOVAL	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
BIOSYNTHESE	**99,40%**	**FC**	**98,80%**	99,40%	FC	98,80%
CARRON	**99,87%**	**FC**	**99,87%**	99,87%	FC	99,87%
LABO DU BEFFROI	**99,92%**	**FC**	**99,68%**	99,92%	FC	99,92%
Novabio (ex Tixier—Perfitte-Avot)	**99,99%**	**FC**	**97,32%**	99,99%	FC	97,32%
Centre Biologique de Calais	**99,87%**	**FC**	**99,73%**	99,87%	FC	99,74%
LABO DU MARCHE	**99,99%**	**FC**	**99,39%**	99,99%	FC	99,99%
Bio Arvor (Treguier Lemoine)	**98,85%**	**FC**	**99,05%**	98,85%	FC	99,05%
AQUILAB	**98,89%**	**FC**	**99,09%**	98,89%	FC	99,09%
VAL DE GARONNE	**49,37%**	**EM**	**49,47%**	49,37%	EM	49,47%
Groupe Biologic (ex Jorion)	**99,99%**	**FC**	**99,99%**	99,99%	FC	99,99%
CBM CHARTRES	**100,00%**	**MERGER**	**97,32%**	99,99%	FC	97,31%
BIO ADOUR	**99,99%**	**FC**	**99,30%**	99,12%	FC	99,27%
BRIGOUT	**100,00%**	**MERGER**	**99,75%**	100,00%	FC	99,74%
Laboratoire Bioliance (Ex Erdre et Loire)	**97,30%**	**FC**	**94,98%**	97,90%	FC	95,57%
BOUREL—ASSOCIES	**100,00%**	**MERGER**	**94,98%**	100,00%	FC	95,57%
Laboratoire de l'avenue (ex BuatoisS—Chamard)	**99,92%**	**FC**	**99,96%**	99,92%	FC	99,96%
ANABIO	**99,94%**	**FC**	**98,77%**	98,83%	FC	99,03%
Bioval Laboratoires (ex Greil)	**98,55%**	**FC**	**98,70%**	98,55%	FC	98,70%
VAL D'ORNE	**99,82%**	**FC**	**99,82%**	99,82%	FC	99,82%
BGCB	**98,54%**	**FC**	**98,69%**	98,54%	FC	98,69%
DEGRAEF POULIQUE	**100,00%**	**MERGER**	**94,98%**	100,00%	FC	95,57%
Anabiol	**100,00%**	**MERGER**	**98,36%**	98,79%	FC	98,79%
Pépin	**98,28%**	**FC**	**98,89%**	98,28%	FC	98,89%
Schemitick	**99,48%**	**FC**	**99,68%**	99,48%	FC	99,68%
Normabio	**96,91%**	**FC**	**97,31%**	96,91%	FC	97,31%
Bio Fin	**98,30%**	**FC**	**98,70%**	98,30%	FC	98,70%
LBM Labo Gascogne (Froment)	**98,84%**	**FC**	**98,84%**	98,84%	FC	98,84%
REFERENTIEL BIOLOGIE	**99,99%**	**FC**	**99,30%**	99,99%	FC	98,70%
Mazarin (ex Tranchand Turcon)	**98,68%**	**FC**	**98,88%**	98,68%	FC	98,88%
Axilab (ex Medilabo)	**98,63%**	**FC**	**98,71%**	98,63%	FC	98,71%
Verdun de Lore	**99,75%**	**FC**	**99,75%**	99,75%	FC	99,75%
Celab—Saint Céré	**99,93%**	**FC**	**99,02%**	99,93%	FC	99,02%
Sylab	**99,99%**	**FC**	**99,01%**	99,99%	FC	99,01%
Biologie Médicale (ex Selarl du Laonois/coquelet)	**99,96%**	**FC**	**97,28%**	99,96%	FC	97,28%
Sarl des Hauts de Garonne	**100,00%**	**MERGER**	**98,82%**	75,00%	FC	74,32%
CVDD	**100,00%**	**MERGER**	**98,70%**	99,99%	FC	98,69%
Biosix	**100,00%**	**FC**	**96,89%**	100,00%	FC	96,89%
Isolab	**99,97%**	**FC**	**99,28%**	99,97%	FC	99,28%
Gritti Chiali	**100,00%**	**MERGER**	**99,75%**	100,00%	FC	99,74%
Auguet Larroua	**100,00%**	**FC**	**98,77%**	100,00%	FC	99,03%
Medbio	**100,00%**	**FC**	**98,77%**	100,00%	FC	99,03%
Seudre Biologie	**100,00%**	**MERGER**	**99,28%**	100,00%	FC	99,28%
Labotri—Trichereau	**100,00%**	**MERGER**	**94,98%**	100,00%	FC	95,01%

Note 34 Group entities (Continued)

Designated entities	31.12.2013 % of control	31.12.2013 Consolidation Method	31.12.2013 % interest	31.12.2012 % of control	31.12.2012 Consolidation Method	31.12.2012 % interest
Jollivet Bernard	**100,00%**	**MERGER**	**99,76%**			
Chatelier Perroneau	**100,00%**	**MERGER**	**94,81%**			
Vial & Le Dunff	**100,00%**	**MERGER**	**98,70%**			
Baud David	**100,00%**	**MERGER**	**99,83%**			
Nottegem	**100,00%**	**MERGER**	**99,30%**			
Mallia	**100,00%**	**FC**	**98,74%**			
Chiche	**100,00%**	**FC**	**100,00%**			
SCM DE LA MARNE	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
SCM Vallée de la MEUSE	**49,28%**	**NC**	**49,28%**	49,28%	NC	49,28%
SCM LAD	**99,47%**	**FC**	**99,55%**	99,47%	FC	99,55%
SCM GROUPEMENT LABO	**65,90%**	**FC**	**66,04%**	65,90%	FC	66,04%
SCM ST COME	**45,61%**	**EM**	**45,61%**	45,61%	EM	45,61%
LABO CENTRE	**100,00%**	**FC**	**100,00%**	89,50%	FC	89,30%
SCM LE CENTRE	**99,87%**	**NC**	**99,87%**	99,87%	NC	99,87%
SCM BIOESSOR		**LIQUIDATION**		44,48%	EM	44,57%
SCM AZURLAB	**28,39%**	**EM**	**28,39%**	28,39%	EM	28,39%
SCM Biologis	**100,00%**	**FC**	**95,23%**	100,00%	FC	95,23%
SCM VAL DE RHONE		**LIQUIDATION**		39,97%	EM	39,98%
SCM GRAM	**39,48%**	**EM**	**39,56%**	39,48%	EM	39,56%
SCM BIO 76	**0,01%**	**NC**	**0,01%**	0,01%	NC	0,01%
SCM PIERRE BACHET	**9,91%**	**NC**	**9,91%**	9,91%	NC	9,91%
GIE SAMBRE AVENOIS	**98,19%**	**FC**	**98,33%**	98,19%	FC	98,33%
GIE LABCO 06	**99,44%**	**NC**	**99,44%**	99,44%	NC	99,44%
GIE LABCO 07	**100,00%**	**NC**	**98,19%**	100,00%	NC	98,19%
SAL	**57,71%**	**FC**	**57,68%**	57,71%	FC	57,68%
ENVIRONNEMENT & SANTE	**54,72%**	**NC**	**54,72%**	54,72%	NC	54,72%
LABO DES CHARENTES	**35,69%**	**ME**	**35,43%**	35,69%	ME	35,43%

EM: Equity Method / FC: Global integration / NC: Not consolidated

FOREIGN entities

Parent company: 0001 LABCO SAS

Designated entities	31.12.2013 % of control	31.12.2013 Consolidation Method	31.12.2013 % interest	31.12.2012 % of control	31.12.2012 Consolidation Method	31.12.2012 % interest
				Sweden		
LABCO DIAGNOSTICS SWEDEN AB	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
				Italy		
LABCO LOMBARDIA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
CAM	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
LABCO ITALIA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
ISTITUTO IL BALUARDO SPA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
BALUARDO SERVIZI SANITARI Srl	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
CAM ECO SERVICE SRL	**41,00%**	**EM**	**41,00%**	41,00%	EM	41,00%
Consorzio (GIE)	**25,00%**	**EM**	**25,00%**	25,00%	EM	25,00%
Consorzio genetico (GIE)	**50,00%**	**EM**	**50,00%**	50,00%	EM	50,00%
				Germany		
LABCO DEUTSCHLAND	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
LABCO PFLEGEZENTRUM	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
Aesculabor	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
MVZ SINTERHAUF	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
Labco Labor Köln	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
MVZ DILLENBURG	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
MVZ MARBURG	**0,00%**	**MERGER**	**0,00%**	100,00%	FC	100,00%
MVZ DUISBURG 2	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
MVZ SAAR	**0,00%**	**DISPOSAL**	**0,00%**	100,00%	FC	100,00%
				Spain		
LABCO ESPANA	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
General Lab—Holding	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
ANALISIS CLINICOS BIOCLINIC SL	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
VIDAL GENERAL LAB	**100,00%**	**MERGER**	**100,00%**	84,88%	FC	84,88%
TRIALS GENERAL LABORATORIES	**75,00%**	**FC**	**75,00%**	75,00%	FC	75,00%
Lab Dos Analisis SL	**50,00%**	**EM**	**50,00%**	50,00%	EM	50,00%

Note 34 Group entities (Continued)

Designated entities	31.12.2013 % of control	31.12.2013 Consolidation Method	31.12.2013 % interest	31.12.2012 % of control	31.12.2012 Consolidation Method	31.12.2012 % interest
GENETICA MOLECULAR LABORATORIO SL	77,60%	FC	77,60%	30,00%	EM	30,00%
Laboser	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Lallemand	100,00%	FC	100,00%	100,00%	FC	100,00%
Amparo Perea, S.L.	100,00%	LIQUIDATION	100,00%	100,00%	FC	100,00%
Avivar Analistas Asociados, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Centro De Patologia Celular Y Diagnostico Prenatal, S.A.	84,70%	FC	84,70%	84,70%	FC	84,70%
BiohPEAo KX 2000, SL	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Histocitomed, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Inmunogen, S.L.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Institut De Citologia I Histopatologia, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratorio Canga Arqueros, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Olot Análisis, S.L.	75,00%	FC	75,00%	75,00%	FC	75,00%
Picornell Salva, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sabater Pharma, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sanilab, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sanz Estebaranz, S.L.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Labco Spain S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratorio Global	100,00%	FC	100,00%			
CIC Barcelona	100,00%	FC	100,00%	100,00%	FC	100,00%
CIC Analises Brasil	99,50%	FC	99,50%	99,50%	FC	99,50%
CIC Analises Colombia	70,00%	FC	70,00%	70,00%	FC	70,00%
CIC Peru	100,00%	NC	100,00%			
Belgium						
LABCO BELGIUM	100,00%	FC	100,00%	100,00%	FC	100,00%
ROMAN PAIS	100,00%	FC	98,90%	100,00%	FC	98,51%
ELLIPSYS	100,00%	FC	98,14%	100,00%	FC	97,91%
Labco Finance	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratoire MAB	100,00%	FC	98,90%	100,00%	FC	98,51%
Portugal						
QUESTAO PEA ABERTO SA	100,00%	FC	100,00%	100,00%	FC	100,00%
GENERAL LAB PORTUGAL SA	100,00%	MERGER	100,00%	100,00%	FC	100,00%
GENERAL LAB Portugal (ex- SOCIEDADE DE PREPARACAO LABORATORIAL LDA)	100,00%	FC	100,00%	100,00%	FC	100,00%
GERMILAB	100,00%	FC	100,00%	100,00%	FC	100,00%
Clínica De Diagnósticos Da Azambuja, Dr. Fernando Teixeira, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Clínica De Diagnósticos De Ferreira Do Alentejo, Dr. Fernando Teixeira, S.A.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Clínica De Diagnósticos Dr. Fernando Teixeira, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Clinova—Centro De Diagnóstio Laboratorial De Torres Novas, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Délio Morgado, Limitada	100,00%	FC	100,00%	100,00%	FC	100,00%
Endoclab—Laboratório De Endocrinologia E Patologia Clínica Doutor I. Salcedo, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Flaviano Gusmão, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Gnóstica—Laboratório De Análises Clínicas, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
José Júlio De Castro Fernandes, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Labor—Análises Clínicas Dr. Fernando Godinho, Lda.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Laboratório Análises Drª Graça Duarte Nunes, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório De Análises Clínicas—Susana Pereira Rosas, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório De Análises Clínicas Da Covilha, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório De Patologia Clínica, Lda.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Laboratório J. Marinheira Monteiro—Laboratorio Médico De Patología Clínica, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratórios De Análises Clínicas Do Dr. João Ribeiro E Dra Maria Da Graça Cardoso, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Miranalise—Laboratório De Análises Clínicas Mira D' Aire, Lda	100,00%	FC	100,00%	100,00%	FC	100,00%
Novanalise—Laboratório De Análises Clínicas De Torres Novas, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Previlabor—Análises Clínicas, Saúde Ocupacional E Preventiva, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Rotarobal, Sgps, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sampletest—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sampletest II—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sgus Madeira—S.G.P.S., S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
GDPN	100,00%	FC	100,00%	100,00%	FC	100,00%

Note 34 Group entities (Continued)

Designated entities	31.12.2013 % of control	31.12.2013 Consolidation Method	31.12.2013 % interest	31.12.2012 % of control	31.12.2012 Consolidation Method	31.12.2012 % interest
Sscp—Serviços De Saúde Curativos Preventivos, Lda.	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
Macedo Dias	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
			UK			
IPP	**100,00%**	**FC**	**100,00%**	51,00%	JOINT VENTURE	51,00%
iPS	**100,00%**	**Set-up—FC**	**100,00%**			
Labco UK	**100,00%**	**FC**	**100,00%**	100,00%	FC	100,00%
			Switzerland			
Test SA	**48,00%**	**Set-up—FC**	**48,00%**			

EM: Equity Method / FC: Global integration / NC: Not consolidated.

Note 35 Events after the reporting period

Disposal of assets and acquisitions

Some acquisitions have been performed in February and March 2014 for a total consideration of 21,4 M€. It corresponds mainly to 4 entities, or asset deals in France and 3 entities or asset deals in Iberia operating esoteric clinical laboratories. Detailed information on entities acquired could not be disclosed as requested by IFRS 3 (2008) given the recent closings and the time necessary to obtain accounts on closing date.

Capital evolution

A shareholder's general meeting held on March 17, 2014 has decided (i) a distribution of the share premium to the shareholders for an amount of 21 906 983,06€, i.e., 0.32€ per shares, and (ii) a setup of a specific reserve for the warrants holders for an amount of 2 442 589,49€, which will be distributed when they exercise the rights attached to their warrants, if the conditions for exercising are met.

This operation had been approved by a majority of lenders of the revolving credit facility (RCF) earlier in March, while no specific prior consent was required under the indenture.

Note 36 Auditor fees

The amount of the signatory statutory auditors fees for the consolidated financial statements of Labco for the year 2013 for all the consolidated companies, where they are appointed is broken down as follow..

€ 000	Note	2013 Deloitte	2013 Aplitec	2012 Deloitte	2012 Scacchi & Associés
Legal audit		**583**	**98**	**713**	**112**
Agreed upon services	*(a)*	**33**	**0**	**512**	**140**
Other services		**0**	**0**	**0**	**0**
Auditor fees		**616**	**98**	**1 225**	**252**

(a) including fees related to issuance of letters of comfort for the 100 M€ additional bond issuance operation.

GROUP

LABCO
Quality Diagnostics

IFRS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

FOR THE PERIOD ENDED DECEMBER 31, 2012

LABCO

Société Anonyme—A Limited liability Company under French law

60-62, rue d'Hauteville
75010 Paris

Statutory Auditors' Report on the consolidated financial statements

For the year ended 31 December 2012

Deloitte & Associés	**Pierre-Henri Scacchi et Associés**
67, rue de Luxembourg	8-10, rue Pierre Brossolette
59777 Euralille	92300 Levallois-Perret

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

LABCO

Société Anonyme—A Limited liability Company under French law

60-62, rue d'Hauteville
75010 Paris, France

Statutory Auditors' Report on the Consolidated Financial Statements

For the year ended 31 December 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the accompanying consolidated financial statements of LABCO;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling testing techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Group as at 31 December 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Company Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Notes 3.9 and 3.10 to the consolidated financial statements outline the accounting rules and methods relating to the goodwill and indefinite useful life assets carrying amounts and retirement costs and other employee benefits.

Our procedures consisted in verifying the appropriateness of the accounting methods applied, data and assumptions used, documentation provided and resulting valuations. We also satisfied ourselves that Notes 3.9 and 24 provide appropriate disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

III—Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Lille and Levallois-Perret, April 5, 2013

The Statutory Auditors

French original signed by

Deloitte & Associés	Pierre-Henri Scacchi et Associés
Gérard BADIN	Pierre-Henri SCACCHI

Contents

Consolidated statement of income

For the year ended 31 December 2012

CONSOLIDATED STATMENT OF INCOME (€ 000)	Notes	2012	2011
Revenue		**564 661**	504 790
Other income		**3 436**	3 670
Total revenue	*Note 7*	**568 097**	**508 460**
Cost of sales		**(129 884)**	(115 934)
Payroll related expenses	*Note 8*	**(238 929)**	(214 837)
Share based payment (warrants)		**(565)**	(2 111)
Other operating expenses	*Note 9*	**(86 881)**	(80 351)
Transactions costs for usual small size acquisitions		**(1 626)**	(3 015)
EBITDA		**110 213**	**92 212**
Depreciation and amortization expenses		***(20 028)***	*(18 074)*
Provisions, impairment losses and reversals on assets		***(467)***	*403*
Provisions, impairment losses and reversals on liabilities		***326***	*(397)*
Depreciation, impairment losses and amortization, provisions and reversals		**(20 169)**	(18 068)
Results from operating activities before non-recurring activities		**90 044**	**74 144**
Restructuring Expenses and Provisions for major litigations		**(9 235)**	*(10 988)*
Perimeter effect		**(2 715)**	*(422)*
Impairment and reversal of impairment on non-operational assets and liabilities		**(33 073)**	*(98 988)*
Gains/losses on sale of assets		**360**	*530*
Non recurring income and expenses	*Note 10*	**(44 663)**	(109 869)
Results from operating activities after non-recurring activities		**45 380**	**(35 725)**
Financial income		***1 073***	*2 465*
Financial costs		***(55 645)***	*(78 084)*
Net finance costs	*Note 11*	**(54 572)**	(75 618)
Income tax expenses	*Note 12*	**(18 811)**	(17 133)
Share of profit of associates		**(69)**	(267)
Net profit of the period		**(28 073)**	**(128 743)**
Profit attribuable to non controlling interest		**382**	241
Profit attribuable to the owners of the company		**(28 454)**	(128 984)

€	Notes	2012	2011
Basic earnings per share	*Note 31*	**−0,46**	−3,00
Diluted earnings per share	*Note 31*	**−0,46**	−3,00

Consolidated statement of comprehensive income

For the year ended 31 December 2012

€ 000	2012	2011
Net Profit of the period	**(28 073)**	**(128 743)**
Actuarial gains or losses on pension obligations	**302**	(578)
Taxes on Actuarial gains or losses on pensions obligations	**(104)**	172
Items that will not be reclassified to profit or loss (a)	**198**	**(406)**
Net change in fair value of available for sale assets		
Taxes on Net change in fair value of available for sale assets		
Fair value adjustments on cash flow hedge derivatives instruments	**0**	3 454
Taxes on Fair value adjustments on cash flow hedge derivatives instruments	**0**	(1 174)
Foreign exchange gains and losses		
Other		
Items that may be reclassified subsequently to profit or loss (b)	**0**	**2 280**
Revenues and expenses directly recognized in equity (a) + (b)	**198**	**1 873**
Total consolidated comprehensive income	**(27 874)**	**(126 870)**
Equity holders of the parents	**(28 256)**	**(127 111)**
Non-controlling interests	**382**	**241**

The accompanying notes are an integral part of the financial statements

Consolidated statement of financial position

As at 31 December 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ 000)

	Notes	31.12.2012	31.12.2011
ASSETS			
Goodwill	*Note 13*	**620 619**	616 124
Intangible assets	*Note 14*	**12 606**	10 163
Property, Plant and Equipment	*Note 15*	**59 853**	54 528
Investments in associates	*Note 16*	**2 340**	2 452
Other non-current assets	*Note 17*	**8 938**	7 354
Deferred tax assets	*Note 18*	**7 614**	3 453
NON CURRENT ASSETS		**711 969**	**694 073**
Inventories	*Note 19*	**8 938**	9 697
Trade Receivables	*Note 20*	**97 442**	98 992
Other current assets	*Note 20*	**13 704**	11 557
Cash and cash equivalents	*Note 21*	**56 595**	69 833
CURRENT ASSETS		**176 679**	**190 079**
Assets classifed as held for sale	*Note 5.1.2*	**0**	0
TOTAL ASSETS		**888 648**	**884 152**

	Notes	31.12.2012	31.12.2011
EQUITY & LIABILITIES			
Share Capital		**68 459**	43 337
Additional paid-in capital		**210 995**	208 727
Reserves attributable to owners of the parent		**(85 583)**	40 453
Currency translation adjustements		**(169)**	(59)
Net income (Group share)		**(28 454)**	(128 984)
Equity attributable to owners of the parent		**165 250**	**163 474**
Non-controlling interests		**1 168**	1 366
TOTAL EQUITY		**166 417**	**164 839**
Provisions—non current	*Note 26*	**858**	344
Employee benefits liabilities	*Note 24*	**8 158**	7 370
Borrowings and other financial liabilities—non current	*Note 23*	**548 675**	555 555
Other non-current liabilities	*Note 28*	**2 310**	3 417
Deferred tax liabilities	*Note 18*	**2 369**	2 302
NON-CURRENT LIABILITIES		**562 370**	**568 988**
Provisions—current	*Note 26*	**5 846**	7 625
Current financial liabilities	*Note 23*	**31 917**	33 996
Trade Liabilities	*Note 28*	**56 971**	52 688
Other current liabilities	*Note 28*	**65 129**	56 015
CURRENT LIABILITIES		**159 862**	**150 324**
Liabilties classifed as held for sale	*Note 5.1.2*	**0**	0
TOTAL EQUITY AND LIABILITIES		**888 648**	**884 152**

The accompanying notes are an integral part of the financial statements

Consolidated statement of changes in equity

As at 31 December 2012

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2012	**43 337**	**208 727**	**4 037**	**(0)**	**(91 922)**	**(59)**	**(646)**	**163 474**	**1 366**	**164 840**
Total comprehensive income for the period										
Net result of the period					(28 454)			**(28 454)**	382	**(28 073)**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax								**0**		**0**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax				0				**0**		**0**
Actuarial gains or losses on pension obligations					198			**198**		**198**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**0**	**198**	**0**	**0**	**199**	**0**	**199**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**(28 256)**	**0**	**0**	**(28 256)**	**382**	**(27 874)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase	25 123	2 268						**27 391**		**27 391**
Dividends								**0**	(165)	**(165)**
Share-based payment transactions			(533)		2 634			**2 101**		**2 101**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**25 123**	**2 268**	**(533)**	**0**	**2 634**	**0**	**0**	**29 492**	**(165)**	**29 327**
Other variations						(110)		**(110)**		**(110)**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					**649**			**649**	**(414)**	**235**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**649**	**0**	**0**	**649**	**(414)**	**235**
Total transactions with owners	**25 123**	**2 268**	**(533)**	**0**	**3 283**	**(110)**	**0**	**30 031**	**(580)**	**29 452**
Balance at 31 December 2012	**68 459**	**210 995**	**3 504**	**(0)**	**(116 894)**	**(169)**	**(646)**	**165 250**	**1 168**	**166 417**

The accompanying notes are an integral part of these consolidated financial statements.

As at 31 December 2011

€ 000	Share Capital	Share premium	Stock Option Plan reserve	Fair value reserve	Retained Earnings	Currency translation reserve	Own shares	Total	Non-controlling interest	Equity
Balance at 1 January 2011	**43 064**	**204 607**	**1 926**	**(2 478)**	**37 575**		**(646)**	**284 048**	**1 008**	**285 056**
Total comprehensive income for the period										
Net result of the period					(128 984)			**(128 984)**	241	**(128 744)**
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net of tax								**0**		**0**
Net change in fair value of cash flow hedges, transferred to profit & loss, net of tax				2 280				**2 280**		**2 280**
Actuarial gains or losses on pension obligations					(406)			**(406)**		**(406)**
Other changes								**0**		**0**
Total other comprehensive income	**0**	**0**	**0**	**2 280**	**(406)**	**0**	**0**	**1 874**	**0**	**1 874**
Total comprehensive income for the period	**0**	**0**	**0**	**2 280**	**(129 390)**	**0**	**0**	**(127 110)**	**241**	**(126 869)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Capital increase	273	4 120						**4 393**		**4 393**
Dividends								**0**	(109)	**(109)**
Share-based payment transactions			2 111					**2 111**		**2 111**
Treasury shares								**0**		**0**
Total contributions by and distributions to owners	**273**	**4 120**	**2 111**	**0**	**0**	**0**	**0**	**6 504**	**(109)**	**6 395**
Other variations				198	(60)	(59)		**79**		**79**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest					(46)			**(46)**	226	**180**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**(46)**	**0**	**0**	**(46)**	**226**	**180**
Total transactions with owners	**273**	**4 120**	**2 111**	**198**	**(106)**	**(59)**	**0**	**6 536**	**117**	**6 653**
Balance at 31 December 2011	**43 337**	**208 727**	**4 037**	**(0)**	**(91 922)**	**(59)**	**(646)**	**163 474**	**1 366**	**164 840**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2012

CONSOLIDATED STATEMENT OF CASH FLOW (€ 000)	Notes	2012	2011
EBITDA		**110 213**	**92 212**
Other calculated revenues and expenses		**1 237**	2 778
Dividends received from associates		**372**	302
Cash from (used in) non recurring expenses net		**(8 066)**	(11 265)
Changes in inventories		**1 132**	(278)
Changes in trade and other receivables from operations		**679**	(9 309)
Changes in trade and other payables from operations		**8 412**	(857)
Changes in other receivables and payables		**(3 832)**	7 109
Income tax paid		**(19 979)**	(18 218)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**90 167**	**62 475**
Purchases of intangible, property, plant and equipment		**(15 714)**	(13 498)
Proceeds on disposals of intangible, property, plant and equipment		**344**	1 561
Purchases of investments, net of cash acquired and changes in debt related to acquisitions		**(44 473)**	(93 315)
Net decrease (increase) in other assets		**216**	(2 755)
Changes effet in consolidation scope		**(349)**	1 817
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(59 976)**	**(106 190)**
Proceeds from share capital increase		**27 391**	4 394
Cash from (used in) net financial profit (loss)		**(51 088)**	(43 201)
New borrowings and other financial liabilities		**616 398**	678 771
Repayment of borrowings and other financial liabilities		**(627 681)**	(603 089)
Repayment of finance lease liabilities		**(6 699)**	(5 973)
Dividends paid		**(97)**	(97)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(41 776)**	**30 804**
TOTAL CASH FLOWS (A+B+C)		**(11 584)**	**(12 911)**
Cash and cash equivalent at the begining of the period		**67 740**	**80 676**
Change effect in foreign exchange rate		**(27)**	(26)
Cash and cash equivalent at the end of the period	*Note 21*	**56 129**	**67 740**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(11 584)**	**(12 911)**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2012

Note 1 Reporting entity

Labco SAS (the "Company"), converted in Labco SA, société anonyme, on January 12, 2012, is a company domiciled in France. The address of the Company's registered office is 60 - 62, rue de Hauteville, 75010, Paris, France. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group primarily is involved in clinical diagnostics testing and screening services mainly in France, Spain, Portugal, Italy, Belgium, Germany and the United Kingdom and we also provide clinical laboratory testing services to customers in Latin America, the Middle East and North Africa.

Note 2 Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU) and IFRS as published by IASB effective as at December 31, 2012. As a reminder, the Group's consolidated financial statements have been prepared for the first time in 2010 in accordance with IFRSs, the opening IFRS balance sheet being prepared as of January 1, 2009.

The accounting policies retained are the same as those used in preparing the consolidated financial statements at 31 December 2011, except for

- The Standards and Interpretations adopted by the European Union applicable as from 1 January 2012, which have no significant effect on the consolidated financial statements of the Group
- Certain Standards and Interpretations adopted by the European Union not mandatorily applicable as from 1 January 2012 but for which the Group has elected to implement early adoption and which have limited impact on the consolidated financial statements of the Group:
    - Amendment to IAS 1—*Presentation of Items of Other Comprehensive Income*
    - Amendment to IAS 19—*Employee Benefits*

The consolidated financial statements were authorised for issue by the Board of Directors on April 4, 2013.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2012

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1. 2012 and have been adopted by the European Union. The following amendments and interpretations are mandatorily applicable as of January 1. 2012:

- Amendment to IFRS 7—Disclosures—*Transfers of Financial Assets*

This amendment has no material impact on the consolidated financial statements.

2.2.2. Standards, amendments and interpretations not mandatorily applicable as of January 1, 2012

The Group has elected to early adopt the following amendment whose application is not mandatory as of January 1, 2012:

- Amendment to IAS 1—*Presentation of Items of Other Comprehensive Income*
- Amendment to IAS 19—*Employee Benefits*

The impact for the Group of this amendment is limited since the Group already recognizes all actuarial gains and losses in other comprehensive income.

Note 2 Basis of preparation (Continued)

2.2.3. New standards, amendments and interpretations not applicable as of January 1. 2012

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements.

- IFRS 9—*Financial Instruments: Classification and Measurement*
- Amendment to IFRS 7—*Financial Instruments: Disclosures* and Amendment to IAS 32—*Financial Instruments: Presentation*
- Amendment to IAS 12—*Deferred Tax: Recovery of Underlying Assets*
- *IFRS 10—Consolidated Financial Statements, IFRS 11—Joint Arrangements and IFRS 12—Disclosures of Interests in Other Entities,* as well as the resulting *revised IAS 27* and *IAS 28*
- *IFRS 13—Fair Value Measurement*

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

2.2.4. Summary of options used on the first time adoption of IFRS

As a first time adopter in 2010, the opening IFRS balance sheet has been prepared as of January 1, 2009 (i.e. date of transition to IFRS) using IFRSs as adopted by the European Union effective December 31, 2010. In accordance with IFRS 1, the Group has elected to use the following main exemptions for the preparation of its first IFRS financial statements:

- business combinations that occurred before the date of transition to IFRS are not retrospectively restated in accordance with IFRS 3—*Business Combinations;*
- the long term employee benefits have been fully recorded;
- for the share based payment transactions, only the 2008 scheme has been restated according to IFRS 2, and
- financial instruments held have all been classified as financial assets available for sale at the date of transition, with the exception of liabilities and receivables and trade receivables.

2.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value
- certain long term financial assets are measured at fair value

2.4. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

2.5. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 2 Basis of preparation (Continued)

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- **Note 3.1.1**—Subsidiaries and consolidation method
- **Note 3.2.2**—Derivative financial instruments, including hedge accounting
- **Note 3.7**—Leased assets
- **Note 3.9.2**—Non-financial assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 3.6.1** and **Note 6**—Goodwill and acquisition of subsidiaries

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1. Basis of consolidation

3.1.1. Subsidiaries and consolidation method

Subsidiaries are entities controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Regulations governing the ownership and certification of laboratories in certain jurisdictions require us to hold each clinical laboratory or a limited number of the clinical laboratories through a separate subsidiary. Certain countries also regulate the corporate form through which laboratories may be held, such as "SELs" (société d'exercice liberal) in France or "MVZs" (Medizinisches Versorgungszentrum) in Germany.

In France, we are subject to regulatory constraints on the ownership of share capital and voting rights of SELs operating clinical laboratories by persons other than laboratory doctors and laboratory companies.

To comply with such constrain, we have established a specific corporate structure pursuant to which and subject to a few exceptions, we directly and indirectly hold shares representing approximately up to 99.9% of the share capital of our SELs and the laboratory doctors operating such SELs hold the remainder. However, the articles of association of all of our SELs grant to the laboratory doctors operating them 50.01% of the voting rights at all the shareholders' general meetings.

Although we cannot have the majority of the voting rights in our SELs, we have put in place mechanisms that grant us substantially all of the economic rights over such SELs and allow us to control, within the French regulatory framework, and fully consolidate our French network: As we acquire SELs, we change their articles of association to implement the capital structure described above but also to adopt specific provisions, in particular with respect to governance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests ("minority interests") represent the part of net income or loss, and of net equity not held by the Group. They are presented in the consolidated Income Statement, the Consolidated Statement of Comprehensive Income and in equity in the Consolidated Statement of Financial Position, separately from equity attributable to the owners of the Company. In the case of medical biology companies, whether controlled de jure or de facto, minority interests of other shareholders, i.e. laboratory doctors, must be assessed based on the financial rights attached to their shares rather than voting rights. These shares of stock are entitled to a priority dividend, calculated on a formula defined in each company's by-laws so long as their holders are professionally active in the company. However their rights to any surplus on liquidation (net assets) are strictly limited, which gives this portion a non-significant accounting value. Most by-laws of consolidated French companies call for two classes of shares. Class A shares are held by laboratory doctors associated in the SELs (Sociétés d'exercice liberal). They are awarded a priority dividend according to a formula worked out in the by-laws of each company and representing a profit sharing arrangement. They have this right as long as they are professionally active in the company. They are not actually minority interests but rather a mechanism of compensation for the services such professionals render to the Group. Consequently dividends thereon are recognized as compensation expense in profit or loss in the period in which services giving rise to profit sharing are rendered.

3.1.2. Investments in associates (equity accounted investees)

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

3.1.3. Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Jointly controlled entities are consolidated using the equity method in accordance with the option provided by IAS 31, Interests in Joint Ventures.

3.1.4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any internal income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Internal losses are eliminated in the same way as internal gains, but only to the extent that there is no evidence of impairment.

3.1.5. Business combinations

For acquisitions on or after 1 January 2009, the Group applies IFRS 3 revised (2008) and measures goodwill as the difference between (a) the sum of (i) the fair value of the consideration transferred, (ii) the recognised amount of any non-controlling interest in the acquiree, (iii) the acquisition date fair value of any previously held interest in the acquiree, and (b) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. It also includes the fair value of any contingent consideration. When this difference is negative (negative goodwill), a bargain purchase gain is recognized immediately in profit or loss.

For business combinations that occurred since 2009, the Group measured any non-controlling interest in majority of cases at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

If a business combination is achieved in stages, re-measurement of any previously held equity interest in the acquiree at its acquisition-date is performed at fair value with any resulting gain or loss recognized in the statement of earnings.

Note 3 Significant accounting policies (Continued)

A contingent liability of the acquiree assumed in a business combination is recognized only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

If consideration transferred include a contingent consideration (earn-out for example), it is recorded at fair value at acquisition date. For a contingent consideration recorded as financial instrument in the scope of IAS 39, subsequent fair value variations are recognized in statement of income. If a contingent consideration is classified as equity, it will not be remeasured.

Acquisitions and disposal of non-controlling interests

Acquisitions and/or disposal of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore no goodwill is recognized or derecognized as a result of such transactions.

3.2. Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets comprise available-for-sale financial assets, loans and receivables carried at amortized cost including trade and other receivables, and financial assets measured at fair value through income, including derivative financial instruments. Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities.

3.2.1. Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity and debt securities, trade and other receivables, loans and borrowing at amortized cost and trade and other payables.

The Group initially recognizes trade and other receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Available-for-sale financial assets

The Group's investments in equity securities (generally the non-consolidated investments) and certain debt securities are classified as available-for-sale financial assets. These items are measured at fair value on initial recognition, which generally correspond to the acquisition cost plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans and receivables at amortized cost

Loans and receivables, including trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables primarily include loans and advances to associates or non-consolidated companies, and guarantee deposits, are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Note 3 Significant accounting policies (Continued)

Financial liabilities including trade and other liabilities

Financial liabilities, such as loans and borrowings carried at amortized cost, trade and other payables are recognized initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. On initial recognition, any issue or redemption premiums and discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities comprise:

- Financial liabilities with a settlement or maturity date within 12 months of the statement of financial position date
- Financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date

3.2.2. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures, for certain contracts the formal documentation of hedging relationship at inception has been prepared enabling hedge accounting according to IAS 39, whereas other instruments used in economic hedges have not been formally documented as hedging relationship therefore not qualifying for hedge accounting.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss as financial income or expenses.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Note 3 Significant accounting policies (Continued)

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

3.3. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, bank current accounts, and other bank deposits and short term investments considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts that are repayable on demand and form an integral part of Group's cash management are recorded under "Short term borrowings" but included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.4. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (Treasury shares)

Own equity instruments which are repurchased (treasury shares) are presented as a deduction from equity. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancelation of the Group own equity, but the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3.5. Property, plant and equipment

3.5.1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives or provide benefits in a different pattern, they are accounted for as separate items (major components) of property, plant and equipment, thus necessitating the use of different depreciation rates and methods.

An item of property, plant and equipment is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within results from non-recurring activities in profit or loss. When revaluated assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3.5.2. Depreciation

Depreciation is based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. The residual value is estimated to be nil at the end of the useful life, except for real estate in certain cases.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Note 3 Significant accounting policies (Continued)

The estimated useful lives for the current and comparative periods are as follows:

• buildings	15 - 30 years
• leasehold improvements & fixtures	3 - 10 years
• Laboratory & Office equipment	3 - 10 years
• fixtures and fittings	2 - 10 years
• Other	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.6. Intangible assets

3.6.1. Goodwill

Goodwill that arises upon the acquisition of subsidiaries, either through share deals or asset deals, is included in intangible assets. For the measurement of goodwill at initial recognition, see *Note 6—Acquisitions of subsidiaries*

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

3.6.2. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets consist primarily of software and licenses.

3.6.3. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.6.4. Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

• Licenses	1 - 5 years
• Software	1 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.7. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the finance lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Note 3 Significant accounting policies (Continued)

The Group regularly reviews its contracts and arrangements to determine whether an arrangement is, or contains a lease. The analysis is based on the substance of the arrangement at inception date. If the Group believes the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, then the arrangement contains a lease and IAS 17 is applicable to the lease element. At inception, payments required by the arrangement are split into lease payments and payments related to other elements of such arrangement based on their relative fair values.

The Group uses equipment for its medical analyses. The contracts in use for this activity stipulate that the equipment is put at disposal for free if the laboratory buys exclusively from the supplier chemical reagents for a certain indicative volume during the term of the contract. As stated before, despite the fact that these agreements are not in the legal form of a lease, the arrangements qualify as lease contracts and Labco applied the requirements of IAS 17 to the lease element whereby the payments required by the arrangement are split into lease payments and payments relating to the other elements of the arrangement based on their relative fair values. For these contracts that are classified as finance leases, the related assets have been recognised in the statement of financial position of the Group.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Operating lease payments are recognised as an expense in the consolidated statement of income.

3.8. Inventories

Inventories consist of raw materials ("reagents") and consumables and are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average unit costs, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9. Impairment

3.9.1. Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant (more than 30%) or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.9.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, but other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same date time during the year-end closing process, and additionally whenever there is an indication that such assets may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, all the other risks specific to the assets being considered in the estimated future cash flows from the assets. Depending on the timely availability each year of long term business plans, future cash flows are either estimated based on the long term 5 year business plans approved by senior management or estimated based on the budget prepared for the following year and which are afterward extrapolated over the next 4 years consistently with the latest 5 years business plan, plus in any case the estimate of the terminal value using a perpetual growth rate.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

For the purposes of goodwill impairment testing, the lowest level at which goodwill is monitored for internal reporting purposes corresponds to the following geographical areas: France, Germany, Iberia, Italy, Belgium and United Kingdom. Goodwill acquired in a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets (Labco SA, Labco Belgium, Labco Finance) could not be allocated on a reasonable and consistent basis to each cash-generating units. As such, they are included in the group of cash-generating units' impairment test (global test). Local holdings are included in their respective country.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units or group of units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired. Such impairment loss can be reversed if the recoverable amount subsequently increases.

3.10. Employee benefits

3.10.1. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10.2. Long term employee benefits, including retirement agreements

Depending on the laws and practices in force in the countries where Labco operates, Group companies have legal obligations in terms of pensions, early retirement payments and retirement bonuses. Such obligations are generally defined State contribution plans, which costs are expensed based on the amount of contribution payable in the period.

The Group is also concerned by other post-employment or post-retirement employee benefits which correspond to the legal retirement indemnity mainly applicable in France and Italy.

Commitments at retirement date and other similar advantages essentially correspond to the retirement compensations due to employees when they retire. Their assessment is made on the basis of an actuarial calculation using the projected unit credit method and taking into account the rate of staff turnover and mortality rates which are determined based on official age tables and estimated future salary increase. Discount rates are determined by the reference to the yield at the measurement date on high-quality corporate bonds.

Note 3 Significant accounting policies (Continued)

In compliance with IAS 19 revised, actuarial gains and losses are recognized directly in other comprehensive income in equity and are not amortized in the Income Statement.

3.10.3. Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.10.4. Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the period required for the employees unconditionally becoming entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

3.11. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions giving rise to a cash outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and risks that are specific to the liability and not included in expected cash flows. The unwinding of the discount is recognised as finance cost.

3.12. Revenue

The Group earns revenues from medical analyses both routine and esoteric which are invoiced to insurance companies, hospitals, individuals, pharmacies, and National Heath entities.

Revenue from medical analyses in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue in connection with rendered services is recognized at the time the service is provided. Revenue is based on the net amount billed or billable if it can be estimated reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The process of estimating the ultimate collection of receivables associated with our clinical testing business involves significant assumptions and judgments. Billings for services reimbursed by third-party payers, including social security systems, are recorded as revenue net of allowances for differences between amounts billed and the estimated receipts from such payers. Adjustments to the allowances, based on actual receipts from the third-party payers, are recorded upon settlement as an adjustment to net revenue.

Government payers

Payments for clinical laboratory testing services made by the government are based on fee schedules set by governmental authorities. Collection of such receivables is normally a function of providing the complete and correct billing information within the various filing deadlines. Collection varies from country to country.

Note 3 Significant accounting policies (Continued)

Private insurers

Reimbursements from private insurers are based on negotiated fee-for-service schedules and on capitated payment rates.

Substantially all of the accounts receivable due from private insurers represent amounts billed under negotiated fee-for-service arrangements. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, historical collection experience and other factors.

Client payers

Client payers include physicians, hospitals, employers and other commercial laboratories. Credit risk and ability to pay are more of a consideration for these payers than healthcare insurers and government payers. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, as well as specific account reviews, historical collection experience and other factors.

Patient receivables (individuals)

Patients are billed based on established patient fee schedules, subject to any limitations on fees negotiated with healthcare insurers or physicians on behalf of their patients. Collection of receivables due from patients is subject to credit risk and ability of the patients to pay. We utilize a standard approach to establish allowances for doubtful accounts for such receivables, which considers the aging of the receivables, historical collection experience and other factors.

Other income in revenue mainly corresponds to interests earned on operating receivables as well as income generated by activities not directly related to clinical diagnostics and screening services.

3.13. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability (effective interest rate method).

3.14. Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on hedging instruments that are recognised in profit or loss, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise of cost of net debt and other financial expenses. Cost of net debt includes interest expense on borrowings and financial leases, as well as expenses related to derivatives. Other financial expenses mainly include unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Labco Group does not own any qualifying asset.

3.15. Income tax

Income tax (income or expense) comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Note 3 Significant accounting policies (Continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends; are recognized at the same time that the liability to pay the related dividend is recognized;

For French entities of the Group, the former Business Tax has been modified by a law enacted December 30, 2009. The Business Tax now consists of two components:

- "Cotisation Foncière des Entreprises (CFE)", which is a tax on rental value of lands
- "Cotisation sur la Valeur Ajoutée des Entreprises (CVAE)", which is a tax determined on added value as defined based on statutory accounts

In accordance with the definition of income tax in IAS 12 and the definition of added value stipulated by article 1586 sexies of French Tax code, and by homogeneity with the treatment in other countries of taxes based on net aggregate of income and charges, Labco considers that the CVAE tax should be recorded as an income tax given its definition.

3.16. Results from operating activities, and net non-recurring expenses

Results from operating activities correspond to the operating performance of the various activities performed by Labco Group. Results from operating activities before non-recurring activities is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance".

In order to facilitate understanding of recurring operating performance, non-recurring expenses and income lines have been defined and include non recurring, unusual, items that are clearly not related to recurring activities and of certain significance. Those non recurring expenses and income consist of:

- Impairment and reversal of impairment on non-operational assets and liabilities
- Gains / losses on sale of assets
- Restructuring expenses and provisions for major litigations
- Perimeter effect including transaction costs for significant and unusual acquisitions (cancelled or realized as for realized acquisitions, costs are expensed according to IFRS 3 revised guidance implemented starting 2009 by Labco), as well as earn out variations of fair value subsequent to the 1 year window period.

Note 3 Significant accounting policies (Continued)

3.17. Earnings per share

The Group has not issued shares in a public market and is not in the process of doing so. Therefore the Group is not required to but has decided to present voluntarily basic and diluted earnings per share (EPS) data for its ordinary shares in accordance with IAS 33. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and warrants and free shares granted to employees.

3.18. Geographical information

The Group has not issued shares in a public market and is not in the process of doing so. Therefore the Group is not required to disclose segment information as required by IFRS 8. However the Group has decided to disclose a breakdown of revenue by country provided in *Note 7—Geographical information*

Iberia corresponds to the aggregate of Portugal and Spain.

3.19. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

EBITDA is a non-Gaap measure but corresponds to an aggregate that is commonly used by stakeholders for analyzing the Group's performance. EBITDA has been defined by the Group based on Results from operating activities before non-recurring activities restated for net depreciation, amortization and impairment, provisions and reversal.

3.20. Share based payment transactions and transaction costs for usual small size acquisition

Labco presents in its operating result certain cost items on a specific line in order to help management and financial investors to better understand the Group' economic performance because it identifies separately elements which are non operational and inherently difficult to predict due to their irregular nature, even if the costs are for a certain period not very significant.

3.21. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3.21.1. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

3.21.2. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The net carrying value is considered as a reasonable estimate of their fair value considering the short payment and settlement periods applied by Labco Group. This fair value is determined for disclosure purposes.

Note 3 Significant accounting policies (Continued)

3.21.3. Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness on an ad-hoc basis by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values also reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

3.21.4. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3.21.5. Share-based payment transactions

The fair value of employee share options is generally measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of similar quoted entities), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 4 Financial risk management

4.1. Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

4.2. Risk management framework

The Board of Directors, previously Strategic Committee before the conversion into "société anonyme", has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures.

4.3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Detailed quantitative information on credit risk are provided in *Note 20 Trade and other receivables*.

4.3.1. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentrations of credit risks due to the large numbers of customers and individually immateriality of amounts due. The Group performs ongoing credit evaluations of its receivables and establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

4.3.2. Investments and cash and cash equivalents

The Group's exposure to credit risk arises from default of the counterparty. The Group limits its exposure to credit risk by investing mainly in liquid securities with counterparties that have a high credit rating. Management actively monitors its investments and does not expect any counterparty to fail to meet its obligations.

4.4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This planning considers the maturity of both its financial assets, and its projected cash flow from operations.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. In addition, the Group maintains a line of credit (Revolving Credit Facility) under which drawings could be made for financing acquisitions or for general financing purposes. Refer to the *Note 23 Borrowings and other financial liabilities* for a description of the main characteristics of our Revolving Credit Facility.

Detailed quantitative information on liquidity risk are provided in *Note 29 Financial instruments*.

4.5. Market risk—interest rate risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's exposure to the risk of changes in market interest rates relates primarily to the debt drawn on the revolving credit facility (RCF). Major part of our Group long term debt is at fixed rate, enabling to limit the impacts of market risks.

Detailed quantitative information on interest rate risk are provided in *Note 29 Financial instruments*.

4.6. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity or impair operational independence of laboratory managers in countries where regulations emphasize medical independence of laboratory managers.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- compliance with regulatory and other legal requirements
- review regular accreditation procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified

Note 4 Financial risk management (Continued)

- requirements for the reporting of operational losses and proposed remedial action
- training and professional development
- Ethical and business standards.

4.7. Capital management

The Board of Directors's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Neither Labco SA nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 5 Significant events

5.1. Acquisitions, business set-up, disposals and mergers

5.1.1. Acquisitions and business set-up

Refer to *Note 6—Acquisition of subsidiaries* for detailed information on acquisitions performed in 2012.

Main acquisitions during the reporting period are shown below by country.

Acquisition date	Country	Entities	
02.01.2012	France	Biobassin	
03.01.2012	France	Evlab	
29.02.2012	France	Isolab	
01.03.2012	UK	FMC contract acquisition (retroactive start as of January 2012)	Contract purchase
30.10.2012	France	Gritti Chiali	
30.10.2012	France	Brigout	Controlling ownership purchase
20.11.2012	France	Chancé	
30.11.2012	France	Degraef Pouliquen	Controlling ownership purchase
30.11.2012	France	Sèvre et Loire biologie	Controlling ownership purchase
30.11.2012	France	Trets	Commercial goodwill
17.12.2012	France	Medbio	
27.12.2012	France	Archambeaud	Commercial goodwill
27.12.2012	France	Mariani	Commercial goodwill
28.12.2012	France	Seudre Biologie	
28.12.2012	France	Labotri (Trichereau)	
28.12.2012	France	Auguet Lauroua	

iPP, our joint venture for developing business in the United Kingdom and consolidated under equity method, has started on June 1st 2012 the operation of the contract with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust. Through this contract, iPP delivers the full range of laboratory services to a Joint Venture operated by iPP and the Trusts whilst the clinical interpretation and clinical advice functions continue to be provided by the Trusts' medical staff who remain employed by the NHS. The partnership and related contract will last for 20 years. Whilst the partnership currently focus on providing services to both Trusts, which provide healthcare for a population of 500,000 along with over 100 GP practices in the area, the joint venture has been deliberately structured in a way that allows other Trusts in the region to join the collaboration and benefit from investment in the new service and the wide range of innovations and service improvements it will deliver. As at December 31, 2012 iPP generates a turnover of 7,6 M£ (at 100%).

Note 5 Significant events (Continued)

5.1.2. Disposals

Labco management decided to dispose the non-core business entity (operating imaging business) Centro Diagnostico Missori Srl in Italy, owned at 50% by Labco Group and consolidated fully in the group financial statements. Centro Diagnostico Missori Srl classified as assets held for sale under IFRS 5 as at March 31, 2012, have been effectively disposed in June 2012 generating a consolidated gain on sale.

5.1.3. Mergers and legal reorganisation

Labco Group has continued in 2012 to implement numerous mergers between French SELs, in order to reinforce, in compliance with French regulation, synergies actions by concentrating laboratories. Similar merger operations have been performed in Spain and Portugal, as well as finalization of the legal structure reorganisation in order to optimize the number of existing tax groups and enables to have only one tax group in Spain starting 2012, and one tax group in Portugal in 2014.

Country	Mergers
France	Labco Artois has been merged in Schaffner renamed Institut de Biologie Clinique
France	Filab has been merged in Celab
France	Labocentre has been merged in Labco Midi
France	Bioh has been merged in Labco Midi
France	Sainte Victoire has been merged in Tranchand Turcon renamed Mazarin
France	Tonin Mazarin has been merged in Tranchand Turcon renamed Mazarin
France	Solcalab has been merged in GDLCB
France	Gerylab has been merged in Anabio
France	Capeyron has been merged in Anabio
France	Bio Bassin has been merged in Anabio
France	Sorela has been merged in Biopaj
France	Laboratoire du Port has been merged in Anabiol
France	Bigo Maudens has been Merged in Novabio
France	Evlab has been Merged in Verdun de Lore
Iberia	Louro & Pires has been merged in Flavio Gusmao
Iberia	Sampletest Spain has been merged in Labco Spain
Iberia	Analisis Clinicos Jose Luis Vallejo has been merged in Sanilab
Iberia	David Santos Pinto has been merged in Texeira
Italy	Mifra has been merged in Centro Analisi Monza (CAM)

5.2. Legal conversion of Labco into a SA ("Société Anonyme") and capital increases

Legal conversion of Labco into a SA ("Société Anonyme")

On January 12, 2012, an extraordinary general meeting of Labco's shareholders decided the conversion of Labco from the corporate form of SAS ("Société par actions simplifiée") into a SA ("Société anonyme"). As a consequence, the corporate governance bodies have evolved.

Under the French company law applicable to SA, Labco SA's affairs are now managed by the board of directors (*conseil d'administration*), whose members are elected by our shareholders. Decisions are now taken within the board of directors under the rule of "one man—one vote". Labco's board of directors elected a Chairman (*président du conseil d'administration*), Andreas Gaddum, and appointed a General Manager (*directeur général*), Philippe Charrier.

Capital increases

On March 12, 2012, the board of directors recorded an increase in the share capital of our Company of €54 367 corresponding to 54 367 issued C shares deriving from exercise of financial investors warrants.

Pursuant to the deliberations of the extraordinary shareholders' meeting held on March 12, 2012, a capital increase of the Company of €24 748 796 has been carried out as of March 28, 2012 through the issuance at par of 24 748 796 shares with a par value of one euro each.

Note 5 Significant events (Continued)

The share capital was increased from €43 391 100 to €68 139 896. The preferential subscription rights have been maintained and the shares have been subscribed solely in cash. As of September 30, 2012 the costs directly related to the capital increase have been recorded as a deduction of issuance premium balances for an amount of 138 K€.

On June 7, 2012, the board of directors recorded an increase in the share capital of our Company of €115 756 as a consequence of its decision taken on April 5, 2012, using the delegation of powers granted by the general meeting of shareholders held on March 12, 2012, to increase the share capital and additional paid in capital of €1 034 859 by the issuance of 115 756 A shares at a subscription price of 8,94 € per share.

On October 30, 2012, an extraordinary general meeting of Labco's shareholders decided an increase in the share capital of our Company of €192 485 by the issuance of 192 485 A shares subscribed through contribution in kind.

On December 6, 2012, the board of directors recorded an increase in the share capital of our Company of €11 185 as a consequence of its decision taken on October 4, 2012, using the delegation of powers granted by the general meeting of shareholders held on March 12, 2012, to increase the share capital and additional paid in capital of €99 994 by the issuance of 11 185 A shares at a subscription price of 8,94 € per share.

In total, the share capital amounts as at December 31, 2012 to €68 459 322

5.3. Non-recurring restructuring plans

Restructuring in Germany

At year-end 2011, a restructuring of the laboratory MVZ Duisburg was implemented with a restructuring provision recorded for an amount of 0,8 M€. As at December 31, 2012, restructuring expenses have been recorded for 0,4 M€ and remaining provision amounts to 0,4 M€ mainly covering onerous renting contracts for unused sites.

End 2012, German management decided to restructure fundamentally the Mittelhessen region in which Labco operates 3 labs by especially merging the activities of those labs ("Hessen merger"). Restructuring plan in Mittel-Hessen (Marburg/Giessen) consist of closing of labs, dismissal of employees, build up of a new platform and lastly merger of Marburg/Giessen.

As a consequence, non-recurring restructuring expenses have been incurred in 2012 for 172 K€ and a restructuring provision of 199 K€ has been recorded as at December 31, 2012.

To take into account new facts in Germany relating notably to the impact of the new federal quota system announced in December 2012 and the full impact of the remediation of the alleged fraudulent activities in MVZ Dillenburg (refer to the *Note 27 Litigations and Contingent liabilities)* Labco has performed an impairment test on the Cash Generating Unit Germany resulting in an impairment amounting to 36 M€ of goodwill allocated to Cash Generating Unit Germany. Refer to *Note 13 Goodwill* for a detailed explanation on impairment analysis.

"Deep Dive" efficiency program in France

In the context of additional price pressure in French biology, driven by the overall economic environment, Management has decided to launch a full and detailed review of French operations in order to restructure the French network by identifying productivity improvements through accelerated concentration and in-depth reorganization. This "Deep Dive" program into the French network took place throughout first semester 2012 and resulted in a human resources optimization plan including its associated implementation cost (severance packages).

As a consequence, non-recurring restructuring expenses have been incurred in 2012 for 663 K€ and a restructuring provision of 115 K€ has been recorded as at December 31, 2012 for people notified before year-end. Further costs are expected in 2013 with the finalization of the "Deep Dive" efficiency program.

Note 5 Significant events (Continued)

Restructuring in Iberia (Portugal and Spain)

At year-end 2011, a significant restructuring program was initiated both in Spain and Portugal. As a consequence, a restructuring provision was recorded for an amount of 2,2 M€. Some restructuring measures have been implemented in 2012 leading to use the provision for an amount of 1,1 M€. As at December 31, 2012 the remaining restructuring provision amounts to 1,1 M€ for the residual measures to be implemented.

5.4. RCF Financing agreement amendments

RCF Financing agreement amendments

We have issued a "Request for Amendments" to Natixis, acting as Agent pursuant to the Revolving Credit Facility Agreement.

The amendments consisted of an amendment of the "Leverage ratios", an amendment of the "Incurrence Ratios" and a technical amendment. Please refer to *Note 23 Borrowings and other financial liabilities* for details of amended ratios. Natixis, acting as Agent pursuant to the Revolving Credit Facility Agreement, confirmed that the "request for Amendments" reached the consent of the Majority Lenders on April 13, 2012. The amendments entered into force immediately and had their first application for the calculation of the compliance certificates for the Quarter ending on March 31, 2012.

5.5. Strategic projects

In May 2012, Labco management received indications of interest from potential buyers interested in acquiring Labco. In compliance with the terms of our shareholders' agreement, our largest shareholder, 3i, appointed strategic advisors and organized an orderly sale process, which is currently ongoing. 3i has informed us that they have received non-binding offers from potential buyers who have expressed interest in acquiring a minority, a majority or all of our share capital. We understand that 3i is currently reviewing the offers received and at the same time considering the potential of stand-alone value creation for Labco. 3i intends to enter into more detailed discussions with one or more selected potential buyers. However, 3i may suspend or end the process, at any time.

Moreover, Labco has incurred non-recurring expenses for an amount of 2.8 M€ related mainly to external advisors and lawyers for diligences work used internally for various strategic options.

A sale of a controlling or significant stake in the Company may constitute a "Change of Control" under the Indenture and the Revolving Credit Facility agreement, and thereby trigger a requirement, unless waived by the holders of the Notes, that we offer to repurchase the Notes from holders at a price of 101% of their principal amount, plus accrued and unpaid interest. Additionally, a change of control under the Revolving Credit Facility Agreement, unless waived by the lenders, results in the cancellation of the commitments under the Revolving Credit Facility and all amounts outstanding under the Revolving Credit Facility would become due and payable. Refer to *Note 34 Events after the reporting period* for a description of the subsequent issuance on February 13, 2013 of Additional 8.5% Senior Secured Notes due 2018 issued for an aggregate nominal of 100 M€.

Note 6 Acquisitions of subsidiaries

Business combination

Main acquisitions during the 2011 reporting period are shown below by country. At the end of the 1 year window period, most goodwill have been confirmed with no significant changes apart from CIC group goodwill which has been decreased by 2.6m€.

Acquisition date (€ 000)	Country	Entities	Goodwill
08.09.2011	France	Sylab	17 973
14.10.2011	France	Laonnois	11 384
14.11.2011	France	Tonin—MAZARIN	10 770
19.09.2011	Portugal	Macedo Dias	8 680
23.08.2011	Brazil & Spain	CIC Groupe	5 572
12.05.2011	France	Laboratoires Associés	5 091
30.06.2011	France	Filab	4 225
16.12.2011	France	CvDD	3 989
29.03.2011	France	Celab Saint-Céré	3 448
14.09.2011	France	Lemaitre Godefrood	2 622
01.12.2011	France	Lafarge Poupart	2 294
31.08.2011	Belgium	Laboratoire M. A. B	2 177
31.12.2011	France	Maton Pelletier	2 133
30.03.2011	France	Henryon Lecat Decamaret	2 100
04.02.2011	Italy	Mifra	2 044
28.10.2011	France	Hauts de Garonne	1 638
01.07.2011	France	George	1 590
29.04.2011	France	Belloc	1 534
30.06.2011	France	Napoli	1 454
31.10.2011	France	Hegaret Vaurette	1 423
31.12.2011	France	Gerylab	1 266
30.11.2011	France	BioH—Hichri	1 146
29.11.2011	France	Analabo	1 072
06.05.2011	France	Sofilab 45	1 029
15.02.2011	France	Pallure	1 000

Main acquisitions during the reporting period are shown below by country:

Acquisition date	Country	Entities	Goodwill
29.02.2012	France	Isolab+Labo des Charentes	19 826
20.11.2012	France	Chancé	5 314
28.12.2012	France	Labotri (Trichereau)	3 788
28.12.2012	France	Seudre et Loire	2 392
20.12.2012	France	Acquisition of asset deal Mariani	2 380
30.11.2012	France	Sel Biologie—Sèvre et Loire controlling ownership purchase	1 396
20.12.2012	France	Acquisition of asset deal Archambeaud	1 284
30.11.2012	France	Degraef Pouliquen controlling ownership purchase	1 275
30.10.2012	France	Gritti Chiali	941
03.01.2012	France	Evlab	869
02.01.2012	France	Biobassin	748
30.10.2012	France	Brigout controlling ownership purchase	750
28.12.2012	France	Auguet Lauroua	715

All companies acquired earn revenues from medical analyses. Through these acquisitions the Group expects to reduce costs through economies of scale, and the goodwill thus represents the fair value of the expected synergies resulting from the acquisition. All amounts are provisional and subject to modification in the twelve months period following the acquisition date.

Note 6 Acquisitions of subsidiaries (Continued)

The cumulative effect of acquisitions on the Group's assets and liabilities on acquisition date corresponding to identifiable assets acquired and liabilities assumed for share deals acquisitions performed in 2012 as well as cumulative consideration transferred is presented below:

Acquisition price	**41 452**
In thousand of euros	**TOTAL**
Property, Plant and Equipment	**2 344**
Intangible assets	**175**
Investment in equity accounted investees	**0**
Other non-current assets	**460**
Deferred tax assets	**31**
Inventory	**281**
Trade Receivables	**2 035**
Other current assets	**347**
Cash and cash equivalents	**4 229**
TOTAL ASSETS	**9 902**
Provisions	**65**
Employee benefits liabilities	**111**
Deferred tax liabilities	**0**
Financial liabilities	**2 596**
Trade Liabilities	**1 214**
Other current liabilities	**2 106**
TOTAL LIABILITIES	**6 092**
Contingent liabilities	**0**
Total net identifiable assets	**3 809**
Goodwill	**37 643**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the companies into the Group. On top of goodwill generated by share deals, Labco also made acquisitions of asset deals that generated an increase of goodwill amounting to 4,2 M€.

Note 7 Geographical information

Detailed of revenue by country break down as follows:

€ 000	**2012**	**%**	**2011**	**%**
France	**301 786**	**53%**	250 082	49%
Germany	**53 881**	**9%**	55 280	11%
Iberia	**149 412**	**26%**	144 206	28%
Belgium	**25 923**	**5%**	22 196	4%
Italy	**35 844**	**6%**	36 696	7%
United Kingdom	**1 252**	**0%**	0	0%
Total revenue	**568 097**	**100%**	**508 460**	**100%**

Iberia corresponds to the aggregate of Portugal and Spain.

Note 8 Payroll related expenses

€ 000	2012	2011
Subcontracting and temporary staff	**(10 051)**	**(9 713)**
Salaries and wages	**(168 953)**	**(152 318)**
Social security contributions	**(50 381)**	**(44 828)**
Other personnel related costs	**(9 544)**	**(7 978)**
Total payroll related expenses	**(238 929)**	**(214 837)**

Number of persons	2012	2011
Executives	**356**	331
Employees	**4 346**	4 026
Total Number of persons	**4 702**	**4 357**

Other personnel related costs include amongst other profit sharing, pensions expenses, travel expenses, fees for training of personnel, food allowances.

Salaries and wages expenses include also the variable remuneration paid to biologists under various legal forms, either compensation paid as salary or fees or, mainly for French biologists, the priority dividends paid on the current year result.

As explained in the basis of preparation section, the priority dividends to be paid to certain laboratory doctors after year-end are recognized as employee benefits expense and liability in the current year.

Information about the share based payment transactions is included in *note 25—Share based payment schemes.*

Note 9 Other operating expenses

€ 000	2012	2011
Operating lease & rental expenses	**(29 781)**	(26 926)
Taxes	**(2 423)**	(1 976)
Repairs & maintenance & insurance expenses	**(13 829)**	(11 329)
Consulting & advisory fees	**(12 010)**	(14 733)
Utilities	**(19 211)**	(16 714)
Other expenses	**(9 628)**	(8 673)
Total other operating expenses	**(86 881)**	**(80 351)**

Other operating expenses include amongst other service charges relating to security and cleaning, marketing related expenses, storage costs.

According to IFRS 3 revised the transactions costs related to acquired entities are recorded in the consolidated statement of income, as well as with transaction costs for abandoned deals. Given the non operational, irregular or non-recurring nature of these costs, they have been presented on a separate line of consolidated statement of income, and depending on the amount of costs incurred by transaction project, they are qualified as transaction costs for usual small size acquisitions recorded as other operating expenses, or they are qualified as transaction costs for significant and unusual transactions recorded as non recurring operating expenses in the line Perimeter effect

The Group incurred acquisition-related costs of 1 626 K€ in 2012 (2011: 3 015 K€) for usual small size acquisition relating to external legal fees, due diligence costs and stamp taxes.

Note 10 Non recurring income and expenses

€ 000	2012	2011
Restructuring expenses and provisions for major litigations	**(9 235)**	(10 988)
Perimeter effect	**(2 715)**	(422)
Impairment of goodwill	**(36 000)**	(95 000)
Impairment and reversal of impairment on other non-operational assets and liabilities	**2 927**	(3 988)
Gains/(losses) on sale of assets	**360**	530
Non-recurring income and expenses	**(44 663)**	**(109 869)**

Restructuring expenses, provisions for major litigations, impairment and reversal of impairment on other non-operational assets and liabilities and impairment of goodwill mainly include in 2012 following expenses or provisions:

- 2,3 M€ of restructuring expenses mainly in relation with the restructuring schemes implemented in Spain, Portugal, Germany (Duisburg) and Belgium (MAB) announced at year-end 2011 and the finalization of the closure of Brussels headquarter. Those costs having been accrued, corresponding use of restructuring provisions have been recorded in the line Impairment and reversal of impairment on other non-operational assets and liabilities for 2,3 M€.
- 0,3 M€ of non-recurring expenses for the repurchase of the shares of a French laboratory owned by a biologist stopping to operate, already accrued as at December 31, 2011 with therefore corresponding reversal of the provisions being recorded in the line "Provisions, impairment losses and reversals on liabilities".
- 0,8 M€ of restructuring expenses and provisions in relation with the "Deep dive" efficiency program implemented in France during first semester 2012 and 0,4 M€ of restructuring expenses and provisions for the 2012 restructuring scheme implemented in Germany (Mittelhessen merger).
- 1,7 M€ of major litigation against former vendors of Dillenburg for alleged fraudulent activities and related consequences
- 1,8 M€ of net non-recurring income related to the settlement indemnity to be received in context of the early termination of a clinic contract in France, net of estimated restructuring expenses.
- 1,5 M€ of IFRS 2 expenses as a consequence of the cancellation of the Restricted Stock Unit "Free shares 2011" scheme in Q2 2012.
- 2,8 M€ of non-recurring costs expensed mainly in relation to strategic projects, which corresponds principally to advisors fees.
- 36 M€ of impairment of goodwill allocated to Germany Cash Generating Unit as a consequence of annual impairment test.

The Gains on sale of assets correspond mainly to consolidated gain on the sale of Centro Diagnostico Missori Srl.

Restructuring expenses and provisions for major litigations mainly included in 2011 expenses relating to strategic refinancing projects (4,2 M€), net severance costs mainly in Iberia and Germany (5,8 M€) and non-recurring major litigations expenses and provisions mainly related to Germany (4,5 M€). Moreover an impairment of goodwill of 95 M€ allocated to Iberian Cash Generating Unit has been recorded.

Perimeter effect corresponds to earn out variations of fair value subsequent to the 1 year window period for an amount of 386 K€ (2011: 422 K€) as well as earn out contracted on the acquisition of the CIC Group expensed for an amount of 2 329 K€.

Note 11 Net finance costs

€ 000	2012	2011
Financial income	**1 073**	2 465
Interest Expenses on Financial liabilities measured at amortized costs	**(52 677)**	(75 210)
Other interest expenses	**(2 009)**	(1 751)
Derivatives for hedging	**0**	0
Derivatives at fair value through P&L	**(35)**	(385)
Subtotal Cost of net debt	**(53 649)**	**(74 881)**
Other financial expenses	**(923)**	(737)
Net Finance Costs	**(54 572)**	**(75 618)**

Other financial expenses correspond mainly to unwinding of the discount on provisions and other financial charges like foreign exchanges gains and losses.

As a consequence of the Refinancing operations in January 2011, and the early repayments of historical debts, a total of 26,1 M€ of one-off financial charges has been expensed in 2011 (write off of previous financing debt issuance costs and break up costs for early cancelation of previous financing and derivatives instruments).

The interest expenses correspond now mainly to the 500 M€ Senior Secured Bonds at an effective interest rate of 9%, the RCF interests expenses on the drawn part of the RCF and commitments fees and amortization of RCF debt issuance costs for the undrawn part of the Revolving Credit Facility. Furthermore it includes some one-off costs related to the covenant amendments implemented in April 2012 for 0,6 M€.

Note 12 Income tax expenses

€ 000	2012	2011
Current income tax expenses	**(19 790)**	**(14 840)**
CVAE Tax in France	(2 921)	(1 475)
Deferred tax expenses	**3 900**	**(817)**
Total income tax expenses	**(18 811)**	**(17 133)**

Reconciliation of effective tax rate

The Group has operations in various tax jurisdictions which have different tax laws and rates. Consequently, the effective tax rate on consolidated income may vary from year to year, according to the source of earnings.

The Group has incurred losses amounting to 11,1 M€, for which no deferred tax asset has been recognized because the Group is to date not expecting future tax benefits which according to financial

Note 12 Income tax expenses (Continued)

projections can be used to offset future taxable income in a timeframe of 5 years. It is mainly related to losses incurred by holdings.

€ 000	2012	2011
Net profit of the period	(28 454)	(128 744)
Share of profit of associates	(69)	(267)
Income tax recorded	(18 811)	(17 133)
including CVAE tax in France	*(2 921)*	*(1 475)*
Recorded income tax before CVAE tax	**(15 890)**	**(15 658)**
Consolidated earnings before tax and before impairment	26 808	(16 344)
Consolidated earnings before tax and impairment (inc. CVAE)	**23 887**	**(17 819)**
Tax rate	33,33%	33,33%
Theoretical income tax expense (1)	**−7 962**	**5 939**
Recorded income tax expense (2)	**−15 890**	**−15 658**
Difference (2) − (1)	**−7 929**	**−21 597**
Permanent differences between book to tax result	1 004	(112)
Unrecognized deffered tax assets	(11 539)	(24 062)
Tax adjustment on prior period	632	1 813
Other Taxes (IRAP + withholding tax)	(1 093)	498
Cancellation in consolidation of German and Italian goodwill amortization locally d	2 294	3 134
Non-deductible expenses recorded in consolidation	(2 634)	(2 527)
Consolidated gain on sale of CDM in 2012 & Laboratoire Central in 2011	60	333
DTA recognition	4 243	
Write off of Deferred Tax Assets	0	(1 604)
Cancellation of hedging financial instruments		770
Other (including tax rates difference impact)	(895)	160
Total explained	**(7 929)**	**(21 597)**

The non-deductible expenses correspond mainly to the effect of the restatements of priority dividends paid to French biologists that have been classified as remuneration expenses under IFRS according to a "substance over form" analysis. In fact priority dividends recorded as personnel expenses in the consolidated financial statements are not an expense recorded in local books, and as a consequence it will not generate any Tax deductibility.

Tax losses and tax credits not recognised as deferred tax assets amounted to 136 M€ as of December 31,2012, tax losses mainly originated in Germany and Iberia.

€ 000	
Total tax losses carried forward at 1 January 2012	**124 904**
Losses generated during the year	**17 017**
Losses utilised and time barred during the year	**(5 936)**
Total tax losses carried forward at 31 December 2012	**135 984**
—Expiring in less than five years	**8 334**
—Within seven years	**9 500**
—Expiring in more than 15 years (or indefinite tax loss carry-forwards)	**118 150**
Total tax losses carried forward at 31 December 2012	**135 984**

Note 13 Goodwill

€ 000	Goodwill
Gross amount	
Balance at 1 January 2011	**607 997**
Additions	**0**
Disposals	**0**
Perimeter variations	**103 128**
Other	**0**
Balance at 31 December 2011	**711 125**
Balance at 1 January 2012	**711 125**
Additions	**0**
Disposals	**(397)**
Perimeter variations	**40 892**
Other	**0**
Balance at 31 December 2012	**751 619**
impairment	
Balance at 1 January 2011	**0**
Amortisation for the year	**0**
Reversal	**0**
Impairment charge	**(95 000)**
Other	**0**
Balance at 31 December 2011	**(95 000)**
Balance at 1 January 2012	**(95 000)**
Amortisation for the year	**0**
Reversal	**0**
Impairment charge	**(36 000)**
Other	**0**
At December 31, 2012	**(131 000)**
Carrying amount	
At 1 January 2011	**607 997**
At 31 December 2011	**616 124**
At 1 January 2012	**616 124**
At 31 December 2012	**620 619**

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units defined at the level of a country, except for Iberia (including Spain and Portugal), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each group of unit and key assumptions of the impairment testing model are as follows:

€ 000	Total	France	Italy	Iberia	Germany	Belgium
Goodwill carrying amount at 31 December 2011	**616 124**	**303 861**	**30 968**	**166 623**	**96 872**	**17 801**
Goodwill carrying amount at 31 December 2012	**620 619**	**347 039**	**30 606**	**164 348**	**60 872**	**17 754**
Change in goodwill carrying amount 31.12.2012 - 31.12.2011	**4 495**	**43 178**	**(362)**	**(2 275)**	**(36 000)**	**(47)**
Perpetual Growth Rate 2011	**0.5% - 2.0%**	**0,50%**	**2,00%**	**0,50%**	**2,00%**	**2,00%**
Discount rate 2011	**8,50%**	**8,50%**	**8,50%**	**8,50%**	**8,50%**	**8,50%**
Perpetual Growth Rate 2012	**0.5% - 2.0%**	**0,5%**	**2,0%**	**0,5%**	**0,5%**	**2,0%**
Discount rate 2012	**8,5%**	**8,5%**	**8,5%**	**8,5%**	**8,5%**	**8,5%**

Note 13 Goodwill (Continued)

The recoverable amount of each cash-generating unit was based on its value in use which was determined by discounting the future cash flows generated from the continuing use of the unit. The main assumptions on which the value in use of a cash generating unit is based are the discount rate and trends in volumes, prices and direct costs (inflation) over the period. The calculation of the value in use was based on the following key components:

- The Group's 5 years business plans determined during Summer 2012 in context of strategic operations and rationalized with 2013 budget. Trends in volumes, prices and direct costs are based on past trends and on the future market outlook which include a certain level of uncertainties, especially in the current context of economic difficult environment in certain European countries.
- Given announcement of German EBM quotas (ie a capped percentage of the scheduled fees under the statutory health insurance ("EBM")) for fourth quarter 2012 at 95,4% and at 89,2% for first quarter 2013, as well as a deterioration of our German activity in 2012, German local management updated its business plans in relation with 2013 budget. That updated business plan was used to perform the annual impairment test analysis on Germany cash generating unit.
- The cash flows projections for the years 2013 to 2016 include also:
  - Taxes impact by applying an average theoretical rate per country;
  - Working capital variance;
  - Capital expenditures corresponding in general to 2,5% of forecasted annual turnover.
- The terminal value is then calculated by discounting the forecast flows of the last year (2016) using a perpetual growth rate between 0,5% and 2% depending on the cash generating unit. This percentage is management's best estimate of the expected market evolution based on an organic growth rate such as inflation.
- The discount rate is based on the Group's weighted average cost of capital (WACC) including a leveraged beta, cost of debt and cost of equity (including market risk premium and size premium); Discount rates used are post-tax discount rates applied to post tax cash flows. Applying those rates result in value in use similar to those computed using pre-tax discount rates applied to pre-tax cash flows. (as requested by IAS 36).

Result of annual impairment testing

After having performed the annual impairment testing on goodwill, an impairment charge of 36 M€ has been recorded to partially write off goodwill allocated to the German cash generating unit, to take into account the announced German central federal EBM quotas and the consequences of the alleged fraudulent activities in our Dillenburg laboratory and the likely impact on Labco's business.

With regards to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumption would cause the carrying value of the unit to exceed materially its recoverable amount, except for German cash generating unit subject to impairment.

By applying the sensitivity test to the discount rate and growing rate assumptions, it appears that an increase or a decrease of 100 basis point would not significantly change the conclusions of the impairment tests. In the case of Germany CGU, these sensitivity tests revealed that its goodwill would decrease by 3,5 M€ in the event of a 100 basis point decrease in the long term growth rate (meaning a negative growth rate of 0,5%) or by 6,1 M€ in the event of a 100 basis point increase in the discount rate.

Note 14 Intangible assets

€ 000	Software and patents	Others	Total
Cost or deemed cost			
Balance at 1 January 2011	**12 022**	**4 292**	**16 314**
Additons	1 697	490	**2 187**
Disposals	(211)	(30)	**(242)**
Perimeter variations	6 201	2 182	**8 383**
Other	76	(3 233)	**(3 158)**
Balance at 31 December 2011	**19 785**	**3 700**	**23 485**
Balance at 1 January 2012	**19 785**	**3 700**	**23 485**
Additons	1 539	1 114	**2 653**
Disposals	(116)	(167)	**(283)**
Perimeter variations	583	(11)	**573**
Other	2 824	(682)	**2 142**
Balance at 31 December 2012	**24 616**	**3 954**	**28 570**
Amortization and impairment losses			
Balance at 1 January 2011	**(8 022)**	**(3 536)**	**(11 557)**
Amortisation for the year	(2 138)	107	**(2 031)**
Reversal	163	0	**163**
Perimeter variations	(2 327)	(433)	**(2 760)**
Other	3	2 860	**2 863**
Balance at 31 December 2011	**(12 321)**	**(1 001)**	**(13 322)**
Balance at 1 January 2012	**(12 321)**	**(1 001)**	**(13 322)**
Amortisation for the year	(2 647)	(122)	**(2 769)**
Reversal	136	167	**303**
Perimeter variations	(576)	(13)	**(589)**
Other	59	356	**414**
At December 31, 2012	**(15 350)**	**(614)**	**(15 964)**
Carrying amount			
At 1 January 2011	**4 000**	**756**	**4 756**
At 31 December 2011	**7 464**	**2 698**	**10 162**
At 1 January 2012	**7 464**	**2 698**	**10 162**
At 31 December 2012	**9 266**	**3 340**	**12 606**

The line "Other" corresponds mainly to the acquisition of the Fresenius contract by Labco UK, recorded partly as an advanced payment in non-current other receivables at December 31, 2011.

Impairment testing on Software and Patents and other intangible assets

As of December 31, 2012, the Group has assessed that there were no impairment indicators relating to software, patents and other intangible assets.

Note 15 Property, plant and equipment

€ 000	Land and buildings	Technical equipment & Furniture	IT equipment and vehicles	Other tangible assets	Total
Cost or deemed cost					
Balance at 1 January 2011	**20 405**	**112 735**	**18 172**	**23 294**	**174 605**
Additions	1 178	12 574	3 185	3 356	**20 293**
Disposals	(875)	(9 163)	(1 251)	(729)	**(12 018)**
Perimeter variations	1 718	3 040	400	3 800	**8 957**
Other	2 124	(4 636)	(657)	1 114	**(2 055)**
Balance at 31 December 2011	**24 550**	**114 548**	**19 849**	**30 835**	**189 782**
Balance at 1 January 2012	**24 550**	**114 548**	**19 849**	**30 835**	**189 782**
Additions	517	10 766	2 701	5 544	**19 528**
Disposals	(6)	(6 829)	(877)	(429)	**(8 141)**
Perimeter variations	1 547	2 650	349	2 299	**6 844**
Other	385	(786)	193	(191)	**(399)**
Balance at 31 December 2012	**26 992**	**120 349**	**22 215**	**38 057**	**207 614**
Depreciation and impairment losses					
Balance at 1 January 2011	**(11 725)**	**(81 444)**	**(14 180)**	**(14 815)**	**(122 164)**
Depreciation for the year	(1 848)	(10 877)	(2 116)	(1 848)	**(16 688)**
Reversal	627	7 562	1 114	645	**9 947**
Perimeter variations	(608)	(2 485)	(320)	(2 932)	**(6 345)**
Other	(1 344)	2 977	(37)	(1 602)	**(6)**
Balance at 31 December 2011	**(14 898)**	**(84 267)**	**(15 538)**	**(20 552)**	**(135 254)**
Balance at 1 January 2012	**(14 898)**	**(84 267)**	**(15 538)**	**(20 552)**	**(135 254)**
Depreciation for the year	(1 562)	(11 134)	(2 249)	(2 298)	**(17 243)**
Reversal	49	6 167	734	380	**7 329**
Perimeter variations	(664)	(1 536)	(287)	(1 537)	**(4 024)**
Other	(194)	1 721	(198)	102	**1 431**
At 31 December 2012	**(17 270)**	**(89 049)**	**(17 539)**	**(23 905)**	**(147 761)**
Carrying amount					
At 1 January 2011	**8 680**	**31 290**	**3 992**	**8 479**	**52 441**
At 31 December 2011	**9 652**	**30 281**	**4 311**	**10 283**	**54 528**
At 1 January 2012	**9 652**	**30 281**	**4 311**	**10 283**	**54 528**
At 31 December 2012	**9 723**	**31 301**	**4 677**	**14 152**	**59 853**

Property, plant and equipment at 31/12/2012 break down by country as follows:

€ 000	France	Italy	Iberia	Germany	UK	Belgium	Total
Carrying amount							
At 1 January 2011	**19 131**	**4 099**	**19 137**	**7 618**	**0**	**2 456**	**52 441**
At 31 December 2011	**21 844**	**5 056**	**19 282**	**6 034**	**0**	**2 312**	**54 528**
At 1 January 2012	**21 844**	**5 056**	**19 282**	**6 034**	**0**	**2 312**	**54 528**
At 31 December 2012	**27 266**	**6 979**	**16 826**	**5 142**	**134**	**3 505**	**59 853**

Note 15 Property, plant and equipment (Continued)

Leased plant and machinery

Included in the Property, Plant and equipment schedule are the finance lease plant and machinery:

€ 000	31.12.2012	31.12.2011
Leasing—furniture, industrial fixtures, equipment and tooling (gross)	**42 175**	42 381
Leasing—furniture, industrial fixtures, equipment and tooling (amt)	**(26 261)**	(25 865)
Net-book value	**15 914**	**16 516**
Leasing—motor vehicles (gross)	**663**	595
Leasing—Motor vehicles (dep)	**(340)**	(247)
Net-book value	**323**	**349**
Net lease property under finance leases	**16 237**	**16 864**

The leased plant and machinery mainly relate to the automats included in technical equipment used for medical analyses. The contracts in use for this activity stipulate that, if the laboratory buys exclusively from the supplier chemical reagents for a certain indicative volume during the term of the contract, the supplier, in return, puts an automat at the disposal of the Group for free during the contractual period (referred to as "pay per test" equipment").

These "put at disposal" schemes, although not under the legal form of a leasing agreement, correspond, in substance, to a lease agreement whereby the global price paid for the reagent includes the cost of the consumable and the rent/lease of the machine. As a consequence under IFRS, such agreements are analysed in accordance with IAS 17 on leases with respect to the transfer of majority of risks and rewards.

A number of such contracts have been classified as finance leases. For these contracts, the relating finance lease assets and liabilities have been recognized on the balance sheet at the lower of the fair value of the asset and the present value of the minimum lease payment at inception of the contract. The assets are depreciated over the average lease term (60 months).

Note 16 Investments in associates

The Group's share of profit in its associates (equity accounted investees) for the year was (69) K€ (2011: (267) K€).

The Group has mainly a 51% interests in the joint venture iPP, a 49% interest in a French biology laboratory (Val de Garonne), a 36% interest in an entity, Labo des Charentes, owned by Isolab as well as a 50% interest in a Spanish biology laboratory (Lab Dos Analisis) and a 30% interest in a Portuguese laboratory (Genetica Molecular Laboratorio SL). In 2012, Labco group acquired the controlling ownership of the 3 French biology laboratories historically recorded under equity method (Brigout, Degraef Pouliquen and Sèvre et loire biologie)

Otherwise the Group owned interests between 10% and 50% in local Economic Interest Group (so called Société Civile de Moyens [SCM] in France and Consorzio in Italy), which corresponds to entity in which support functions are pooled and working for the Labco group labs but also other external entities. For those entities, the Group has significant influence but no control of the entities.

In 2012 the Group receives dividends from its investments in equity accounted investees for an amount of 372 K€ (2011: 302 K€).

Note 16 Investments in associates (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

€ 000	31.12.2012			
Companies	Equity	% interest	Gross value including goodwill	Provisions for losses
VAL DE GARONNE	2 437	**49%**	1 281	0
SCM AZURLAB	(6)	**28%**	(2)	0
SCM GRAM	(8)	**40%**	(3)	0
SCI ST COME	(122)	**48%**	0	58
CAM ECO SERVICE	155	**41%**	64	0
CONSORZIO	84	**25%**	21	0
CONSORZIO GENETICO	206	**50%**	103	0
LAB DOS ANALISIS	432	**50%**	229	0
GENETICA MOLECULAR LABORATORIO SL	192	**30%**	342	0
IPP	(3 373)	**51%**	(0)	1 720
LABO DES CHARENTES	855	**36%**	305	0
Total	**853**		**2 340**	**1 779**

€ 000	31.12.2011			
Companies	Equity	% intérêt	Gross value including goodwill	Provisions for losses
VAL DE GARONNE	2 165	**49%**	1 229	0
BRIGOUT	415	**49%**	203	0
SEVRE et LOIRE BIOLOGIE	574	**43%**	245	0
DEGRAEF-POULIQUEN	(27)	**43%**	(12)	0
SCM BIOESSOR	(153)	**45%**	(19)	49
SCM AZURLAB	(6)	**28%**	(2)	0
SCM VAL de RHONE	50	**40%**	20	0
SCM GRAM	(8)	**40%**	(3)	0
SCI ST COME	(122)	**48%**	0	58
CAM ECO SERVICE	149	**41%**	61	0
CONSORZIO	61	**25%**	15	0
CONSORZIO GENETICO	177	**50%**	88	0
LAB DOS ANALISIS	550	**50%**	289	0
GENETICA MOLECULAR LABORATORIO SL	176	**30%**	336	0
IPP	(1 191)	**51%**	0	608
Total	**2 810**		**2 452**	**716**

Summarized financial information for the main investments in associates is as follows (100% of amounts) :

€ 000	31.12.2012	31.12.2011
Current assets	**11 519**	6 198
Non current assets	**2 148**	3 497
TOTAL ASSETS	**13 667**	**9 695**
Shareholders' equity (Group share)	**853**	2 810
Financial debt	**5 300**	3 099
Other liabilities and provisions	**7 515**	3 785
TOTAL LIABILITIES	**13 667**	**9 695**
Income statement		
Revenue	**28 941**	11 820
Results from operating activities	**144**	(62)
Net profit for the period	**(520)**	**(452)**

Note 17 Other non-current assets

€ 000	31.12.2012	31.12.2011
Available-for-sale financial assets (non consolidated investments)	**687**	494
Other available-for-sale financial assets	**2 839**	3 228
Deposits and guarantees	**4 884**	2 974
Derivatives used for hedging	**0**	1
Non-current receivables	**528**	657
Other non current assets	**8 938**	**7 354**

Non-current assets correspond mainly to deposits and guarantees provided to lessors for the renting of buildings and other premises, as well as non-current other receivables.

For entities in which the Group has an ownership below 20% and no significant influence, they are not consolidated and the investments in those entities have been classified as available for sale financial assets pursuant to IAS 39 and, as such, recognized at fair value or historical value when fair value could not be reliably estimated. Unrealized gains and losses are taken directly to other comprehensive income, except for impairment losses that are recognized in the Income Statement. No unrealized gain or loss was recognized in 2012 and 2011.

The principal equity investments in unconsolidated companies held by the Group are as follows:

€ 000	31.12.2012	% ownership	31.12.2011	% ownership
Nancy Haut SCI	**13**	**3,16%**	13	3,16%
Clinique Jules Vernes	**0**	**2,28%**	59	2,28%
Clinique Saint Charles	**33**	**0,06%**	33	0,06%
Clinique Pasteur	**83**	**4,10%**		
SCI Pasteur	**76**	**2,18%**		
Inst. Medic. Alt Camp	**11**	**25,00%**	11	25,00%
C.M. Tarragona	**10**	**2,73%**	10	2,73%
Clinica de Sampedro, Lda	**100**	**29,73%**	100	29,73%
Centro Medico Delfos	**87**	**1,54%**	87	1,54%
Instituto Médico e Radiológico—IMRPT, S.A.	**34**	**10,00%**	34	10,00%
Clinévora, Clínica Médica de Évora, Lda.	**72**	**37,00%**	72	37,00%
Laboratorios Martinez Reig	**44**	**100,00%**		
CIC Columbia			10	70,00%
Labco Coporate Assistance	**10**	**100,00%**		
Labco Services France	**10**	**100,00%**		
Other unconsolidated equity investments	**104**		65	
Total unconsolidated equity investments	**687**		**494**	

The entities Labco Corporate Assistance and Labco Services France owned at 100% by Labco SA are not consolidated as at December 2012 because they were just created and had no activity. Those entities will join in 2013 the Labco SA tax integration but will remain with no activity until Labco management decides otherwise. The entity Laboratorios Martinez Reig has been recently acquired in 2012 with no financial information available timely and a limited activity.

Note 18 Deferred tax assets and liabilities

€000	Notes	31.12.2012	31.12.2011
Deferred tax assets on temporary differences book to tax		**1 311**	1 173
Deferred tax laibilities on temporray differences book to tax		**(3 115)**	(2 962)
Deferred tax assets on tax losses carried forward	(a)	**4 986**	1 176
Deferred tax liabilities relating to provisions (mainly retirement indemnities)		**1 846**	1 604
Deferred tax liabilities relating to fixed asset (mainly finance leases)		**149**	104
Deferred tax on derivatives		**69**	55
Net deferred tax		**5 246**	**1 150**
—Deferred tax assets		**7 615**	3 453
—Deferred tax liabilities		**(2 369)**	(2 302)
Net deferred tax		**5 246**	**1 150**

(a) Capitalized tax losses carried-forward represent French entities for 2,0 M€, Iberian entities for 2,4 M€, and Italian entities for 0,4 M€. The increase compared to 2011 is mainly explained by the activation of deferred tax assets on tax losses carried forward in Iberia for 2,1 M€ and in Labco SA for 2,1M€ after re-estimating the probability to use these losses within the next 5 years given changes in our forecasts following restructuring actions implemented cumulated with the impacts of the new Tax laws enacted in various countries.

Note 19 Inventories

€ 000	31.12.2012	31.12.2011
Raw materials	**1 705**	1 675
Reagents (net)	**7 233**	8 022
Total Inventories	**8 938**	**9 697**

There were no significant write-offs regarding inventories during 2011 and 2012.

Note 20 Trade receivables and other current assets

€ 000	31.12.2012	31.12.2011
Trade receivables	**97 442**	**98 992**
Other current assets	**13 704**	**11 557**
Prepaid expenses and accrued income	**2 963**	2 542
Receivables related to taxes	**6 527**	6 209
Other receivables	**4 214**	2 806
Trade receivables and other current assets	**111 146**	**110 549**

The decrease in Trade receivables is mainly explained by an improvement of overdue collection in Spain compared to December 31, 2011 position with increased payment delay in Iberia due to economic context and increased payment delay of Public Services, partly compensated by acquisition effects and increase in activity in Belgium or in France.

€ 000	Gross	Impairment	Net
Trade receivables	**100 478**	**(3 036)**	**97 442**
Other current assets	**14 279**	**(575)**	**13 704**
Prepaid expenses and accrued income	2 963	0	2 963
Receivables related to taxes	6 527	0	6 527
Other receivables	4 790	(575)	4 214
Trade receivables and other current assets	**114 757**	**(3 611)**	**111 146**

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed below.

Note 20 Trade receivables and other current assets (Continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

€ 000	31.12.2012	31.12.2011
Available-for-sale financial assets	**687**	494
Other available-for-sale financial assets	**2 839**	3 228
Cash and cash equivalents	**56 595**	69 833
Loans and receivables	**111 146**	110 549
Total	**171 266**	**184 104**

Impairment losses

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

€ 000	2012	2011
Balance at 1 January	**(3 713)**	**(2 508)**
Increase	**(1 553)**	(1 504)
Reversal	**996**	740
Perimeter variations	**(226)**	(238)
Other	**885**	(202)
Balance at 31 December	**(3 612)**	**(3 713)**

The Group has no significant concentrations of credit risk due to the large number of customers and individually non-significance of amounts due. The Group performs ongoing credit evaluations of its receivables. The actual write off relating to trade receivables as at 31 December 2012 relates mainly to several non-significant clients especially in Iberia and amounts to 1.6 M€. As at 31 December 2011 it amounts to 1,6 M€. Actual losses are however within management's expectations.

Given settlement received from Inami in Belgium in fourth quarter 2012, impairment losses of other receivables has been released (0.9 M€) and presented in the line "Other".

Based on historic default rates, the Group believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables. At 31 December 2012, as for 2011, the Group does not have any collective impairments on its loans and receivables or its investments.

Note 21 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts and cash equivalent. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

€ 000	31.12.2012	31.12.2011
Cash equivalents	**8 745**	15 590
Cash on hand and bank deposits	**47 850**	54 243
Cash and cash equivalents	**56 595**	**69 833**
Bank overdrafts	**(466)**	(2 093)
Cash and cash equivalents in the statement of cash flows	**56 129**	**67 740**

Note 21 Cash and cash equivalents (Continued)

Cash equivalents correspond, according to the categorization by hierarchy of fair values as stated by IFRS 7, to financial instrument of level 1. Revolving Credit Facility ("RCF") covenants impose to keep a minimum cash balance of 20 M€ at each quarter end.

Note 22 Capital and reserves attributable to owners of the parent

Ordinary shares

As at December 31, 2012 the authorised share capital comprised 68 459 322 shares. The shares have a par value of one euro (1 €), all shares being fully paid. The shares are denominated into five types, the holders of shares are entitled to the same rights to receive dividend, and are entitled to one vote per share at general meetings of shareholders of the Company. The share capital of Labco is divided into five types of shares, each held by a different category of shareholder:

- certain laboratory doctors from whom we acquired clinical laboratories (the "A Shareholders");
- our shareholders known as "founders" (the "B Shareholders");
- financial investors (the "C Shareholders"); and
- other shareholders (the "D Shareholders" and the "Ordinary Shareholders") such as our management, family members and estate planning entities of the laboratory doctors who are also our A Shareholders.

Approximately 193 laboratory doctors of our Group are A Shareholders, holding together with some of their affiliates who are also A Shareholders, approximately 20,3% of the Company's share capital. These laboratory doctors became shareholders of the Company by reinvesting a part of the purchase price we paid to acquire their laboratories. The aggregate shareholding of our A Shareholders and their affiliates (who are D Shareholders or Ordinary Shareholders) represents 30,9% of the Company's share capital.

The B Shareholders, representing the "founding" shareholders of our Group, are Eric Souêtre, Stéphane Chassaing, Luis Vieira and the shareholders from whom we acquired "General Lab S.A." in 2007. Together, they hold approximately 17,6% of the Company's share capital.

The C Shareholders are financial investors who together hold approximately 41,4% of the Company's share capital. To date, the investment vehicles managed by "3i" are, together, our largest shareholder, the latter having invested €115 million and holding approximately 17,8% of our share capital. "3i" is an international investor focused on private equity, infrastructure and debt management. Other financial investors include notably Viking Limited, a private equity firm that invested in Labco in 2004, CM-CIC Investissements, TCR Capital and Ixen Investissement.

The D Shareholders and the Ordinary Shareholders, comprised of our management and the family members and estate planning entities of the laboratory doctors who are also our shareholders, hold the remaining approximately 20.6% of the Issuer's share capital (i.e., approximately 19.6% of D shares and 0.9% of ordinary shares).

The remaining part of the share capital, ie approximately 0,1%, is held by the Company itself as Treasury shares.

In number of shares	2012	2011
On issue at 1 January	**43 336 733**	**43 063 885**
Issued for cash	**25 122 589**	272 848
Exercise of share options		
On issue at 31 December	**68 459 322**	**43 336 733**

Issuance of ordinary shares during the period

On March 12, 2012, the board of directors recorded an increase in the share capital of our Company of €54 367 corresponding to 54 367 issued C shares deriving from exercise of financial investors warrants. The share capital is increased from €43 336 733 to €43 391 100.

Note 22 Capital and reserves attributable to owners of the parent (Continued)

Pursuant to the deliberations of the extraordinary shareholders' meeting held on March 12, 2012, a capital increase of the Company of €24 748 796 has been carried out as of March 28, 2012 through the issuance at par of 24 748 796 shares with a par value of one euro each.

The share capital was increased from €43 391 100 to €68 139 896. The preferential subscription rights have been maintained and the shares have been subscribed solely in cash. As of June 30, 2012 the costs directly related to the capital increase have been recorded as a deduction of issuance premium balances for an amount of 138 K€.

On June 7, 2012, the board of directors recorded an increase in the share capital and additional paid in capital of 1 035 K€ by the issuance of 115 756 A shares at a subscription price of 8.94 € per share.

On October 30, 2012, an extraordinary general meeting of Labco's shareholders decided an increase in the share capital and additional paid in capital of 1 721 K€ by the issuance of 192 485 A shares at a subscription price of 8.94 € per share in order to remunerate the contribution in kind of remaining Isolab shares as agreed in the acquisition agreement dated February 2012.

On December 6, 2012, the board of directors recorded an increase in the share capital of our Company of €11 185 as a consequence of its decision taken on October 4, 2012, using the delegation of powers granted by the general meeting of shareholders held on March 12, 2012, to increase the share capital and additional paid in capital of €99 994 by the issuance of 11 185 A shares at a subscription price of 8.94 € per share.

In total, the share capital amounts as at December 31, 2012 to €68 459 322.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. As a consequence of refinancing operations performed in January 2011, all cumulative fair value changes of cash flow hedging instruments recorded in other comprehensive Income have been recycled in profit & loss.

Stock option plan reserve

The stock option reserve comprises the employee expenses relating to the share-based payment plans of the Group.

Actuarial gains and losses reserve

The actuarial gains and losses reserve comprises the cumulative net change in actuarial gains and losses (due to discount rate and main actuarial assumptions) computed for the long term employee benefits valuation.

Reserve for own shares

The reserve for own shares comprises the costs of the Company's shares held by the Group. As of December 31, 2011, the Group held 646 K€ of the Company's shares, corresponding to 80 728 shares. Twenty one (21) treasury shares have been sold during the three months ended 31 March 2012 to twenty managers, two (2) have been repurchased, and as of December 31, 2012, the Group held 646 K€ of the Company's shares, corresponding to 80 709 shares (80 707 A shares and 2 D shares)

Dividends

No dividends were declared and paid to the shareholders of Labco SA during 2011 and 2012.

Equity Warrant schemes

Labco has issued warrants to financial investors and key management personnel of our Group.

Note 22 Capital and reserves attributable to owners of the parent (Continued)

Warrants Issued to Financial Investors

During the year ended December 31, 2008, the Company issued three warrant schemes entitling the holders, upon exercise of the warrants to subscribe for other financial instruments or shares of the Company at a fixed price of €1 per share.

The number of warrants that can be exercised depends on the ability of the Group to meet certain financial and operational targets. The exact terms of the exchange at the exercise dates were determined when the Company entered into the issuance agreements. Subject to the fulfillment of their conditions, the warrants are exercisable at any time during a period of 15 years after their date of subscription.

A total of 4 223 394 "ABSA C1" were issued, i.e., 4 223 394 Class C shares to which a total of 16 893 576 warrants of four different kinds were attached, providing subscription rights for a maximum of 4 113 531 new Class C shares at a price of €1 per share. A total of 80 878 shares were issued in 2009 by the exercise of 80 878 warrants attached to the "ABSA C1", pursuant to their terms and conditions.

A total of 4 223 394 "ABSA C2" were issued, i.e., 4 223 394 Class C shares to which a total of 8 446 788 warrants of two different kinds were attached, giving subscription rights for a maximum of 2 323 852 new Class C shares at a price of €1 per share. A total of 27 049 shares were issued in 2010 by the exercise of 27 049 warrants attached to the "ABSA C2", pursuant to their terms and conditions.

A total of 1 967 083 "BEABSA" were issued, i.e., 1 967 083 options giving subscription rights for a maximum of 2 097 145 "ABSA C3", i.e., 2 097 145 Class C shares to which a total of 4 541 820 warrants of two different kinds could be attached, giving subscription rights for a maximum of 1 176 860 new Class C shares at a price of €1 per share. A total of 2 020 660 "ABSA C3" were issued in 2009 by exercise of the 1 967 083 "BEABSA", pursuant to their terms and conditions.

A total of 54 367 C shares were issued in 2012 by the exercise of 54 367 financial investors warrants.

Subsequently on January 18, 2013, general meetings of holders of certain securities issued by Labco and an extraordinary general meeting of Labco's shareholders decided to amend the terms and conditions of the ABSA C1, ABSA C2 and BEABSA in order to modify their conditions of exercise.

Warrants Issued to Mezzanine Lenders

Three additional warrant schemes were issued by the Company in July 2008. These warrants entitle the holders upon exercise of the instrument to buy one share of the Company at either a fixed price of €1 (mezzanine B and C) or €14,206582 (mezzanine A) per share. The warrants were granted at a price of €0,0001 per warrant. A total of 494 241 Senior Mezzanine warrants, split in 313 243 Senior Mezzanine A, 38 752 Senior Mezzanine B and 142 246 Senior Mezzanine C, were issued. A total of 6 018 shares were issued in 2010 by exercise of 6 018 Senior Mezzanine B warrants, pursuant to their terms and conditions.

A total of 1 464 175 Junior Mezzanine warrants, consisting of 927 975 Junior Mezzanine A, 114 800 Junior Mezzanine B and 421 400 Junior Mezzanine C, were issued. A total of 17 829 shares were issued in 2010 by exercise of 17 829 Junior Mezzanine B warrants, pursuant to their terms and conditions.

A total of 1 460 443 Junior additional Mezzanine warrants, consisting of 925 609 Junior Additional Mezzanine A, 114 508 Junior Additional Mezzanine B and 420 326 Junior Additional Mezzanine C, were issued. A total 17 784 shares were issued in 2010 by exercise of 17 784 Junior Additional Mezzanine B warrants, pursuant to their terms and conditions.

No mezzanine lenders' warrants were exercised in 2012.

Subsequently on January 18, 2013, Labco entered into a settlement agreement with the Mezzanine lenders and the C Shareholders regarding the exercise conditions of certain Mezzanine warrants.

Note 23 Borrowings and other financial liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans, borrowings, which are measured at amortized cost, and other financial liabilities. For more information

Note 23 Borrowings and other financial liabilities (Continued)

about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 29 *Financial Instruments*.

€ 000	31.12.2012	31.12.2011
At amortized cost		
Non-current liabilities	**548 477**	555 393
Secured bank loans at effective interest rate	**11 557**	14 054
8,5% Senior Secured Bonds at effective interest rate	**491 037**	489 246
RCF syndicated loans at effective interest rate	**35 056**	40 577
Finance lease liabilities	**10 775**	11 378
Other financial loans	**52**	138
Current liabilities	**31 917**	33 996
Secured bank loans at effective interest rate	**4 384**	4 172
Accrued interests on Senior Secured Bonds	**19 479**	19 479
Finance lease liabilities	**5 916**	5 767
Other financial loans	**101**	(4)
Bank overdraft	**466**	2 093
Recourse factoring	**1 570**	2 489
At fair value		
Non-current derivatives	**199**	162
Derivatives	**199**	162
Current derivatives	**0**	0
Derivatives	**0**	0
Total Non-Current	**548 675**	**555 555**
Total Current	**31 917**	**33 996**
Total	**580 591**	**589 551**

Labco performed a refinancing operation early 2011 that significantly modified the sources of fundings for Labco Group.

On January 14, 2011, Labco SAS issued High Yield Senior Secured Notes (also, the "Bond") due 2018 for 500M€ with international investors in London and with Deutsche Bank as Trustee. The main terms and conditions of the Notes are:

- Fixed interest rate amounting to 8.5%, with interests paid semi-annually in arrears.
- Maturity of the Notes is January 15, 2018
- The Notes are guaranteed on a senior secured basis by certain subsidiaries, mainly through first ranking liens over the capital stock of certain subsidiaries and certain present and future intercompany loan receivables
- Under the Notes indentures, Labco will have to respect certain covenants mainly related to reporting and information requirement.
- The Notes have been listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange.

The Notes proceeds have been primarily used to repay the December 31, 2010 existing bank debt facilities as well as fees related to this operation. Fees directly linked to the debt issuance or linked to the strategic refinancing project amounted to approximately 16 M€ (excluding VAT) and following their analysis have been either expensed or capitalized as debt issuance costs to be amortized over the Notes maturity using the effective interest rate method.

Note 23 Borrowings and other financial liabilities (Continued)

At the same time end of January 2011, Labco SAS entered into a 135 M€ revolving credit facility under a syndicated Revolving Credit Facility Agreement (the "RCF") with Credit Suisse, Deutsche Bank, Natixis and UBS as lead banks, and Natixis as agent. The main terms and conditions of the RCF are:

- Floating interest rate defined as Euribor + a margin of 4,5% per annum (margin that may reduced to 4.0% or 3.5% per annum by reference to a total net debt to adjusted EBITDA test);
- Maturity of the RCF is February 15th, 2017;
- Borrowings under the RCF will mandatory be used to finance part or all of purchase price and related costs of certain permitted acquisitions (as defined in the agreement), refinance existing indebtedness of entities acquired, finance restructuring costs in relation with acquisition, finance capital expenditure and fund working capital and other general corporate purposes of the Group, provided that the aggregate outstanding amounts of utilization under capital expenditure or working capital funding may not at any time exceed 50 M€;
- The RCF is guaranteed on a joint and several basis by certain subsidiaries qualified as Guarantors, mainly through first ranking liens over the capital stock of certain subsidiaries and certain present and future intercompany loan receivables. The RCF requires that the EBITDA of the Guarantors represent not less than 70% of consolidated EBITDA of the Group;
- The Revolving Credit Facility Agreement also requires Labco, each Borrower and each Guarantor (together, the "Obligors") to observe certain customary affirmative and restrictive covenants, subject to certain exceptions, including:
  - covenants relating to financial information and accounting;
  - covenants relating to obtaining required authorizations; compliance with laws; compliance with environmental laws; information about environmental claims; payment of taxes; *pari passu* ranking of unsecured payment obligations; insurance; granting of access; intellectual property; compliance with financial assistance laws; guarantor coverage (as described above); publicity; limitations on disposals and reorganizations; additional restrictions on distribution of dividends;
  - no other financial indebtedness ranking senior to, or *pari passu* with, the RCF (other than additional Notes and, subject to lenders' consent, additional revolving credit facilities);
  - restriction on incurring additional indebtedness subject to customary exceptions including up to (i) 25 M€ at any time for all members of the Group and (ii) 15 M€ at any time for all members of the Group other than the Borrowers and the Guarantors; and
  - restriction on incurring recourse factoring or similar arrangements in excess of 5.0 M€ in aggregate at any time.
- The Revolving Credit Facility Agreement also requires Labco to ensure compliance with some financial covenants detailed below.

Fees directly linked to the debt issuance amounted to approximately 8.8 M€ (excluding VAT) and have been capitalized as debt issuance costs to be amortized over the RCF maturity using the effective interest rate method.

An Intercreditor Deed Agreement has also been signed between, among others, the Obligors, Deutsche Bank AG, London Branch as Security Agent, Natixis as senior Agent, Deutsche Bank AG, London Branch as Senior Secured Notes Trustee, the Lenders (as Revolving Credit Facility Lenders), the Arranger (as Senior Arrangers), the Hedge Counterparties (each as defined in the Intercreditor Deed), and the Intra-Group Lenders (as defined in the Intercreditor Deed) to define securities and guarantees provided by certain subsidiaries in the context of Bond and RCF issuance.

As of December 31, 2012, the Group borrowings comprises

- A 500 M€ 8.5% Senior Secured Notes due 2018 net of debt issuance costs, with interests paid semi-annually in arrears;
- Some bilateral bank borrowings for a total of 15.8 M€;

Note 23 Borrowings and other financial liabilities (Continued)

- The Revolving Credit Facility (RCF) amounting 135 M€ entered into in January 2011 has been drawn as at December 31, 2012, for an amount of 41 M€ and debt issuance costs have been capitalized and amortized over RCF maturity.

€ 000	Secured bank loans	8,5% Senior Secured Bond	Accrued interests on 8,5% bonds	RCF Syndicated Secured loan	Finance lease liabilities	Derivatives	Other financial loans	Bank overdrafts	Total
Amount at 31.12.2011	**18 093**	**489 245**	**19 479**	**40 710**	**17 145**	**164**	**2 623**	**2 093**	**589 551**
Increase	48	9	0	616 907	4 711	37	2 782	0	**624 493**
Decrease	(3 951)	1 783	0	(622 501)	(6 699)	0	(3 180)	0	**(634 549)**
Change in scope of consolidation	1 739	0	0	15	1 020	0	(19)	7	**2 762**
Net change	0	0	0	0	0	(1)	0	(985)	**(987)**
Other	(63)	0	0	0	515	0	(484)	(648)	**(680)**
Amount at 31.12.2012	**15 866**	**491 037**	**19 479**	**35 131**	**16 692**	**199**	**1 722**	**466**	**580 591**

8.5% Secured Senior Notes covenants

Under the Notes indentures, Labco has to respect certain covenants mainly related to reporting and information requirement.

Revolving Credit Facility (RCF) covenants

The RCF includes certain financial covenants as defined in the agreements.

- leverage ratio tested quarterly (calculated as the ratio of consolidated total net debt at each quarter end to consolidated adjusted EBITDA for the 12 months ending on that quarter end),
- super senior gross leverage ratio tested quarterly (calculated as the ratio of total super senior gross debt at each quarter end to adjusted EBITDA for the 12 months ending on that quarter end);
- minimum cash balance of €20 million, tested quarterly; and
- operating capital expenditure for a financial year not to exceed 3.5% of consolidated group revenue

Furthermore, Labco should also achieve an incurrence ratio when we are willing to draw on the RCF. The incurrence ratio is calculated as the ratio of pro forma the acquisitions consolidated total net debt to consolidated adjusted EBITDA for the immediate preceding period pro forma the effect of acquisitions.

As stated in *Note 5 Significant Events*, we obtained an amendment of the “Leverage ratios”, an amendment of the “Incurrence Ratios” and a technical amendment. The amendments signed on April 13, 2012 entered into force immediately and have their first application for the calculation of the compliance certificates for the Quarter ending on March 31, 2012

Amended “Leverage Ratios” in clause 26.2(a) of the Revolving Credit Facility Agreement is as follows:

Relevant Period	Initial Ratio	Amended Ratio
Relevant Period expiring after 31 December 2011 but on or before 31 December 2012	*5.25:1*	**5.75:1**
Relevant Period expiring after 31 December 2012 but on or before 31 December 2013	*5.00:1*	**5.75:1**
Relevant Period expiring after 31 December 2013 but on or before 31 December 2014	*4.75:1*	**5.50:1**
Relevant Period expiring after 31 December 2014 but on or before 31 December 2015	*4.50:1*	**5.25:1**
Relevant Period expiring after 31 December 2015	*4.25:1*	**5.00:1**

Note 23 Borrowings and other financial liabilities (Continued)

Amended "Incurrence Ratios" in clause 27.14(c) of the Revolving Credit Facility Agreement is as follows:

Relevant Period	Initial Ratio	Amended Ratio
Relevant Period expiring after 31 December 2011 but on or before 31 December 2012	*5.00:1*	**5.25:1**
Relevant Period expiring after 31 December 2012 but on or before 31 December 2013	*4.75:1*	**5.25:1**
Relevant Period expiring after 31 December 2013 but on or before 31 December 2014	*4.50:1*	**5.00:1**
Relevant Period expiring after 31 December 2014 but on or before 31 December 2015	*4.25:1*	**4.75:1**
Relevant Period expiring after 31 December 2015	*4.00:1*	**4.50:1**

The Group requested also that the definition of EBITDA set forth in clause 26.1 (Financial definitions) of the Revolving Credit Facility Agreement be amended by adding a new paragraph (ix) under paragraph (a) of the EBITDA definition as follows: "before taking into account any VAT loss resulting from a corporate recharge".

As of December 31, 2012, Labco achieved the expected covenants ratio targets.

Finance lease liabilities

The Group has finance leases mainly for the technical equipment (refer to note 15 *Property, plant and equipment*).

Note 24 Employee benefit liabilities

All of employees of the Group are covered by state pension and collective plans managed by third parties if required under local legislation. Those plans are defined contribution plans.

In addition to these legal pension schemes, a provision is set up for post-employment benefits in France and Italy amounting to 8,2 M€ as of December 31, 2012 (6,2 M€ and 2,0 M€ thousand respectively). In Italy, there is a legal obligation (so called TFR) to pay 7,4% of the employee's annual remuneration for every working year at the departure date.

In France the principal assumptions used for the purposes of the actuarial valuations are as follows:

Principal assumptions	2012	2011
Voluntary departure	**100%**	100%
Discount rate	**3,00%**	4,30%
Social charge rate	**45%**	45%
Employer contribution rate	**50%**	50%
Age at retirement	**67 years**	67 years
Salary increase	**1,5%**	2%
Employee turnover rate	**low**	low

The movements in the provision for post employment benefits in France and in Italy can be summarized as follows:

€ 000	French Post Employment benefit	Italian Post Employment benefit	Total
Balance at 1 January 2012	**5 292**	**2 078**	**7 370**
Current service cost	288	(121)	**166**
Interest cost on benefit obligation	219		**219**
Net actuarial loss recognised in OCI	(302)		**(302)**
Impact from business combination	704	0	**704**
Balance at 31 December 2012	**6 201**	**1 957**	**8 158**

Note 24 Employee benefit liabilities (Continued)

The French post employment benefit and the portion of TFR before January 1st, 2007 accounted for as post employment benefit are not financed through external fundings.

The cumulative net actuarial gains and losses recognized in OCI is detailed in the table Other comprehensive Income and amount to 302 K€ (2011: (578) K€).

Note 25 Share based payment schemes

Warrants Issued to Management

On March 24, 2005, the Company established two manager share warrant schemes (denominated "BSA 2005-1-1" and "BSA 2005-1-2") that entitle key management personnel to subscribe for new shares of the Company, subject to the fulfillment of the conditions detailed in the corresponding issuance agreements. On June 7, 2006 ("BSA 2006-1-1"), March 13, 2007 ("BSA 2007-1-1"), December 30, 2007 ("BSA 2007-1-2"), March 5, 2008 ("BSA 2008-1-1") and September 20, 2010 ("BSA 2010-1-1"), additional manager share warrant schemes were implemented in favor of key management personnel of the Group.

Each share warrant gives the beneficiary the right to subscribe for one share of the Company at an exercise price determined on the allocation date, on predetermined graded vesting dates. The exercise conditions mainly depended on certain financial targets and, in some cases, include an employment condition. The meeting of the Strategic Committee of the Company held on April 23, 2008 established that the exercise conditions of the three categories of share warrants issued on June 7, 2006, March 13, 2007 and December 30, 2007 (BSA 2006-1-1, BSA 2007-1-1 and BSA 2007-1-2) were fulfilled, pursuant to their terms and conditions, so as to allow the holders to exercise such share warrants at any time.

The general meeting of shareholders held on December 30, 2008 modified the terms and conditions of the two categories of share warrants issued on March 24, 2005 (BSA 2005-1-1 and BSA 2005-1-2) to remove all constraints in order to allow the holders to exercise such share warrants at any time. As a result of these decisions and the modifications to the schemes, the beneficiaries can exercise the share warrants granted by these five schemes at any time, within a period of ten years following the date of subscription. According to IFRS 1, the Group did not apply IFRS 2 to 2005, 2006 and 2007 share-based payment arrangements since they had vested at the date of transition.

For the BSA 2008-1-1 scheme, the share warrants vest in 2009, 2010 and 2011. For the BSA 2010-1-1 scheme, the share warrants can be exercised only upon the sale or initial public offering of the Company.

No warrants issued to management were exercised in 2012.

On April 7, 2011, the Company established a Restricted Stock Unit Plan (denominated "Free Shares 2011") that entitle key management personnel to obtain up to 150 000 free shares, subject to the fulfillment of the conditions detailed in the issuance agreement. IFRS 2 was applied to the Free Shares 2011 plan and those free shares will vest in case of sale or initial public offering of Labco. The fair value of the services received in return for free shares is based on the fair value of the free shares granted, measured using the same weighted average models of scenarios than for the "BSA 2010-1-1" plan given the vesting conditions are similar based on exit price per share in case of sale or initial public offering of Labco. No pre-vesting forfeiture has been considered given the limited number of people involved. The total fair value of "Free Shares 2011" plan has been estimated to 2.6 M€.

The services received during 2012 (share-based payment expense) amounts to a total of 565 K€, 220 K€ for Restricted Stock Unit "Free Shares 2011" scheme Q1 2012 expense given the plan has been cancelled in Q2 2012 and 345 K€ for 2010 BSA schemes. Indeed, the 2008 BSA plan is now fully vested and the 2010 BSA schemes IFRS 2 expense has been revised due to the departure of certain beneficiaries. The Restricted Stock Unit scheme has been cancelled in Q2 2012 resulting in the residual IFRS 2 estimated charges initially spread over vesting period to be immediately recorded in consolidated statement of income for an amount of 1 537 K€ in non-recurring expenses and the whole amount of Fair Value reserve related to Restricted Stock Unit scheme of 3.5 M€ recycled in other consolidation reserves. The total amount of Fair Value reserves related to the stock options plans amounts to 3.5 M€ as at December 31, 2012 (4,0 M€ as at December 31, 2011).

Note 25 Share based payment schemes (Continued)

Terms and conditions of the share option programs

The terms and conditions relating to the grants of share warrants are as follows; all share warrants are to be settled by physical delivery of shares:

Plan	Number of instruments	Exercise period	Exercise price	Option price	Average fair value at grant date
BSA 2005-1-1	907 067	At any time between 30 December 2008 and 23 June 2015	1	0,1	0,21
BSA 2005-1-2	108 782	At any time between 30 December 2008 and 23 June 2015	1	0,1	0,21
BSA 2006-1-1	6 796	At any time between 23 April 2008 and 7 June 2016	1	0,1	1,08
BSA 2007-1-1	109 806	At any time between 23 April 2008 and 13 March 2017	2,5	0,25	1,34
BSA 2007-1-2	104 337	At any time between 23 April 2008 and 30 December 2017	2,5	0,25	3,74
BSA 2008-1-1	438 317	At any time between 1 January 2009, 1 January 2010 and 1 January 2011 (each tranche 1/3 of the options)	8	0,8	4,97
BSA 2010-1-1	279 268	Upon sale or initial public offering of Labco	14,84	1,5	7,02
Total	**1 954 373**				

Given the dilutive effect of March 12, 2012 capital increase at par value, all equity warrants holders have been granted a protection right against the dilutive effect. In fact, pursuant to the ninth resolution adopted by the general shareholders' meeting held on March 12, 2012, holders of securities granting access to the share capital will be allowed to subscribe to new shares as of right, at the ratio of four new shares with a par value of one euro each for seven shares subscribed with their securities (seven shares subscribed by exercise of their securities granting access to the share capital giving the right to subscribe to four additional new shares at a subscription price of one euro per share).

Fair value of the options granted during the period

The fair value of the services received in return for share options is based on the fair value of the share options granted, measured using the Binomial model for 2008 scheme and using a weighted average models of scenarios for the "BSA 2010-1-1" scheme and "Free Shares 2011" plan with the following inputs:

	2010 scheme	2008 scheme
Expected volatility (% pa) (based on average volatility on certain indicators of results of comparable quoted entities)	na	32,95
Risk-free interest rate (% pa)	na	4
Expected dividend yield (% pa)	na	nil
Rate of pre-vesting forfeiture (% pa)	20%	nil
Rate of post-vesting leaving (% pa)	na	nil
Multiplier	na	3
Number of nodes	na	200

The Group recognized as share-based payment expense 345 K€ during the year (1 233 K€ in 2011) for 2010 schemes and 220 K€ for Free shares 2011 for Q1 2012 as well as 1 537 K€ in non-recurring expenses following cancelation of the Free shares plan (878 K€ in 2011). The total amount of reserves related to the stock options plans amounts to 3 504 K€ (4 037 K€ in 2011).

Note 25 Share based payment schemes (Continued)

Movements in share options during the year

	2012		2011	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding at the beginning of the year	**1 954 373**	**5**	1 954 373	5
Granted during the year	**0**	**0**	0	0
Forfeited during the year	**0**	**0**	0	0
Exercised during the year	**0**	**0**	0	0
Expired during the year	**0**	**0**	0	0
Outstanding at the end of the year	**1 954 373**	**5**	1 954 373	5
Of which exercisable at the end of the year	**1 675 105**		1 675 105	

No options have been exercised in 2011 or in 2012.

As a reminder, the protection right of equity warrants holders against the dilutive effect of March 12, 2012 capital increase enables them to subscribe in case of exercise of the warrants new shares at the ratio of four new shares with a par value of one euro each for seven shares subscribed with their securities.

Note 26 Provisions

€ 000	**Provision for litigations**	**Provisions for restructuring**	**Other provisions**	**Total**
At 1 January 2012	**3 722**	**3 523**	**724**	**7 969**
Provisions made during the period	1 218	542	574	**2 334**
Provisions utilized/reversed during the period	(1 314)	(1 873)	(412)	**(3 599)**
Other	(908)	(148)	1 055	**(1)**
At 31 December 2012	**2 718**	**2 045**	**1 941**	**6 704**
Current at the end of the period	2 069	1 836	1 941	**5 846**
Non-current at the end of the period	649	209		**858**

Provision for litigation

In the normal conduct of its business, the Group has legal suits relating to different matters (personnel, taxes, suppliers) with uncertainties about the amount or timing of the outflows. According to management and as confirmed by legal counsels, the recorded provision is considered to be sufficient to cover probable losses. The line "Other" corresponds mainly to the reversal of the provision for tax litigation recorded at year end 2011 for Labco SA tax reassessment for period 2008 - 2010 and actual expenses have been recorded for the same amount.

The main provision (1.0 M€) for litigation is related to the major litigation with former vendors of Dillenburg for alleged fraudulent activities and the related consequences.

Provisions for restructuring

The provisions for restructuring correspond mainly to remaining provisions for restructuring in Iberia and Germany (Duisburg) recorded at year-end 2011 covering principally the severance payments and the remaining rental fees for the building to be abandoned as well as provisions set up in 2012 for restructuring plan Mittelhessen merger in Germany and Deep dive efficiency plan in France (refer to *Note 5.3 Non-recurring restructuring plans*).

Other Provisions

The other provisions correspond mainly to the provision for negative share of investments in associates recorded under equity method and the increase in 2012 is related to the shares of iPP net losses.

Note 27 Litigations and Contingent liabilities

Group companies are involved in various legal proceedings arising in the ordinary course of business, including disputes concerning professional liability and employee related matters, as well as inquiries from governmental agencies and health insurance carriers regarding, among other things, billing issues or litigations with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel, for the various litigations.

We had a lawsuit against the seller of one of our clinical laboratories which, although not material to us, is referred to in other notes as the Duisburg litigation. We also summarize below the lawsuit against the seller of another clinical laboratories MVZ Dillenburg in a context of alleged fraudulent activities.

MVZ Duisburg

In 2009, one of our German subsidiaries, MVZ Labor Duisburg GmbH, brought an arbitral claim for breach of contract against the laboratory doctor from whom it had acquired a clinical laboratory in Duisburg. Following the acquisition, the laboratory lost one of its larger clients, a blood bank owned by the laboratory's former owner and his wife. In the proceedings, MVZ Labor Duisburg GmbH claims that the loss of the contract constitutes a breach of the non-compete clause of the acquisition agreement. This case was settled in 2011. Pursuant to the settlement agreement, the defendant paid € 1 million to MVZ Labor Duisburg GmbH.

MVZ Dillenburg

In 2008, we acquired MVZ Medizinisches Fachlabor Dillenburg ("Dillenburg"), a German laboratory company. In April 2012, we discovered that the selling shareholders of Dillenburg had charged unlawful fees to the German Doctors' Insurance Billing Organization (Kassenärztliche Vereinigung Hessen, or "KV Hessen") and private health insurance companies. The new management promptly ended this practice upon its discovery. The actions of the selling shareholders are subject to an ongoing internal investigation.

The new management has notified both the state prosecutor and KV Hessen of the fraud, has enabled the clarification of facts and is closely cooperating with the state prosecutor and KV Hessen who have initiated a criminal investigation against the selling shareholders of Dillenburg. We believe that the German Doctors' Insurance Billing Organization and other private health insurance companies may commence reimbursement claims against Dillenburg to recover fees inappropriately charged. The fraudulent charging of fees could also result in a withdrawal of the license of Dillenburg. However, we believe this is unlikely, due to the fact that Labco was victim of a fraud when we acquired the shares of Dillenburg GmbH, because the sellers had practiced the fraudulent charging before the acquisition and because the new management of Dillenburg has promptly notified the state prosecutor and KV Hessen of the fraud. We are currently reviewing any other action we may commence against the selling shareholders of Dillenburg. As of December 31, 2012 we have also recorded a non-recurring litigation expense of €1.7 million in relation to this issue.

No contingent liability has been identified for which it will be necessary to disclose information in the notes to the consolidated financial statements.

Additionally, we operate in a regulated industry. As such, in the ordinary course of business, we are subject to national and local regulatory scrutiny, supervision and controls.

Below is a summary of the challenges and proceedings brought against us by the French Ordre des pharmaciens and Ordre des médecins and of the litigation we brought against the Ordre des pharmaciens before the European Commission.

Ordre des Pharmaciens and Ordre des Médecins

In France, the Ordre des pharmaciens and, to a lesser extent, the Ordre des médecins have challenged our organization and legal structure. In numerous instances, the Ordre des pharmaciens instituted disciplinary actions against our laboratories or laboratory doctors. In 2003, shortly after our creation, the Ordre des pharmaciens and the Ordre des médecins (together, the "Ordres" in a joint letter to Labco) expressed the view that Labco's project of creating a network of laboratories contravened the principle of independence of laboratory doctors. In their joint letter, the Ordres singled out two aspects of Labco's structure: (i) capital ownership and voting rights arrangements between the laboratory doctors working in each laboratory company and the rest of the Labco Group; and (ii) the ultimate ownership of a network of laboratories by a financial holding company not subject to the French regulations pertaining to clinical laboratories.

In keeping with this initial position, the Ordre des pharmaciens, as well as in several instances the Ordre des médecins, have raised a number of objections to the organization of our French operations in the context of their administrative review of proposed changes in the articles of association or ownership structure of clinical laboratories. These objections were communicated to the French administrative authorities in charge of granting the administrative authorization necessary to operate our laboratories. All such authorizations were nevertheless eventually granted. Most of the objections raised by the Ordres dealt with the capital ownership structure of our French laboratory companies. The Ordres argued that ownership of a large majority of shares in a clinical laboratory by a person or entity other than the laboratory doctors working in that laboratory constituted a threat to the independence of such laboratory doctors—notwithstanding the fact that such laboratory doctors retained a majority of the voting rights at shareholders' meetings, as required by French law. It also challenged the separation of voting rights from economic rights in such a manner. In addition, the Ordre des pharmaciens expressed the view that the supermajority voting provisions contained in the articles of association of our SELs for certain matters were incompatible with the principle of independence of laboratory doctors insofar as they took away from doctors practicing within the laboratory the final decision making power over a number of matters pertaining to the laboratory. Finally, the Ordre des pharmaciens challenged the formula set out in the articles of association of SELs for the distribution of Priority Dividends to those laboratory doctors who are also shareholders in their laboratory company. The Ordre des pharmaciens argued that such a formula, by limiting ex-ante the share of dividends to be distributed to laboratory doctors, was incompatible with the principle of the independence of laboratory doctors. Both the Ordre des pharmaciens and the Ordre des médecins have, in several cases, raised objections to the registration, based on one or more of the above grounds, of one of our SELs on their respective national registries.

At the disciplinary level, the Ordre des pharmaciens introduced a number of actions against SELs in the Labco network, as well as against laboratory doctors practicing within these SELs. Several of these actions, some of which are still pending, directly challenge the capital ownership structure and the supermajority voting provisions contained in the articles of association of our French laboratory companies as a breach of the principle of independence of laboratory doctors. Labco has appealed decisions of the disciplinary body of the Ordre des pharmaciens in the highest French administrative court (Conseil d'Etat) and has won a number of cases on procedural grounds. No final decision has, however, been reached on the merits of these cases. The Ordre des pharmaciens has also regularly brought, or threatened to bring, legal actions against our laboratory companies for failing to timely file with it proposed changes in articles of association or capital ownership. Some of these actions are still pending. We have appealed some of these decisions and have won a number of such appeals on procedural grounds.

In addition, certain of our laboratory doctors and laboratory companies have been disciplined for failing to maintain adequate health, safety and quality standards. Certain of these disciplinary procedures, brought on the grounds of a failure to meet filing requirements or to maintain adequate quality and safety standards, resulted in decisions to close, for periods ranging from one week to several months, several of our laboratories. In several instances, however, we successfully obtained from the responsible administrative authority a requisition order to prevent such closing, arguing the public need for access to local laboratory testing services.

In 2007, Labco filed a complaint with the European Commission, arguing that the Ordre des pharmaciens had inappropriately used the administrative and disciplinary powers granted to it to impede the development of free competition and the creation of groups of laboratories in the French clinical laboratories services market.

On December 8, 2010, the Commission ruled against the Ordre des pharmaciens, finding that the Ordre des pharmaciens had (i) systematically targeted groups like Labco since 2003 with the aim of impeding their development and (ii) attempted to set minimum prices on the French market between September 2004 and September 2007 by seeking to impose minimum prices for the provision of clinical laboratory services, limiting the negotiation of discounts under contracts with large customers such as hospitals or insurance bodies. The Commission held that the Ordre des pharmaciens had breached the

Note 27 Litigations and Contingent liabilities (Continued)

antitrust rules and provisions on restrictive business practices of the Treaty establishing the European Community by introducing such distortions to competition without adequate public health grounds to do so, and imposed a 5 M€ fine on the Ordre des pharmacien and its governing bodies. According to the press release issued by the European Commission commenting on this decision, the Commission's ruling did not extend to an appreciation of the French laws regulating the clinical laboratories market, but was only directed at the behavior of the Ordre des pharmaciens. The Ordre des pharmaciens has since appealed this decision before the General Court of the European Communities.

Pending a decision on appeal, aggrieved parties such as Labco are entitled to seek damages before French courts on the basis of the European Commission's findings.

Note 28 Trade and other liabilities

€ 000	31.12.2012	31.12.2011
Trade liabilities	**56 971**	52 688
Other liabilities	**67 439**	59 432
Payables related to aquisitions of subsidiaries	**8 852**	9 435
Payables related to fixed assets suppliers	**3 384**	1 637
Accrued charges	**1 725**	1 727
Priority Dividends payable	**1 674**	3 202
Taxes and payroll and on-costs amounts payable	**50 482**	39 352
Other payables	**1 322**	4 081
Total	**124 409**	**112 120**
Non current	**2 310**	**3 417**
Current	**122 099**	**108 704**

Payables relating to the acquisition of subsidiaries are as follows:

000€ Country	Company	Debt on financial participation	2012	Less than 1 year	Between 1 and 5 year	2011
France, Belgium, Spain, Germany	JPBS, Labco midi, Bioval Laboratoires,, Aquilab, Celab, Anabio, Roman Pais, Labco Diagnostics Espana, Dillenburg, Other	Tranchand Turcon, Bio H, CVDD, Celab, Les hauts de garonne, Filab, Sylab, Gerylab, Capeyron, General Lab, MAB, CIC, Dillenburg, Other				9 435
France, Belgium, Spain, Germany, UK	Aquilab, Celab, Axilab, Anabio, Novabio Diagnostics, Bioval Laboratoire, Isolab, Laboratoire Bioliance, Roman Pais, Labco Espana, Dillenburg, Labco UK, Other	Celab, Les Hauts de garonne, Filab, Tranchand Turcon, Medbio, Auguet arroua, Chancé, CVDD, Seudre Biologie, Degraef minoroties, Sevres et loire minorities, Trichereaud, MAB, CIC, Dillenburg, Fresenius, Other	**7 499**	7 499		
France, Belgium, Germany, UK	Labco Midi, Centre Biologique, Roman Pais, Dillenburg, Labco UK	Bio H, Brigout minorities, MAB, Dillenburg, Fresenius	**1 353**		1 353	
Total			**8 852**	**7 499**	**1 353**	**9 435**

Note 29 Financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, debentures, finance leases, trade payables, purchase contracts and loans granted. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivables and cash and short-term deposits, which arise directly from its operations.

€ 000	Breakdown by accounting classification							
	Carrying amount	Market value	Fair value through income	Available for sale	Loans and receivables	Amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
Non-current assets								
Non-current financial assets	8 938	8 938		3 526	5 412			0
Current assets								
Trade receivables	97 442	97 442				97 442		
Other current financial assets	0	0						0
Cash and cash equivalents	56 595	56 595				56 595		
Non-current liabilities								
Borrowings and other financial liabilities—non current	548 675	548 675				548 476		199
Current liabilities								
Borrowings and other financial liabilities—current	31 917	31 917				31 917		0
Other current financial liabilities								
Trade payables	56 971	56 971				56 971		

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. Under our current financing strategy, the Secured Senior Notes are 8,5% fixed rate, therefore we are only exposed to market risk arising from fluctuations in interest rates of our Revolving Credit Facility (the RCF) drawn as at December 31, 2012 for a net amount of 41 M€. We are not required to enter into hedging transactions or to use derivative financial instruments to mitigate the adverse effects of interest rate fluctuations pursuant to the RCF Agreement. We do not enter into financial instruments for trading or speculative purposes. The derivatives existing as at December 31, 2010 have been early cancelled as a consequence of the refinancing operation early 2011.

Labco has only one non-significant instrument for a laboratory in Belgium and is accounted for as trading derivatives (fair value through P&L). That derivative corresponds, according to the categorization by hierarchy of fair value as stated in IFRS 7, to level 2 financial instruments. Labco do not have any level 3 financial instruments.

Due to the Group's specific interest rate risk position and funding structure, risk management policies require to manage the cash flow volatility.

Liquidity risk

The Group monitors its risk to a shortage of funds using a systematic liquidity planning scheme. This scheme considers the maturity of its financial investments and assets and the projected cash flows from operations.

Please refer to Note 23 *Borrowings and other financial liabilities* for a detail of maturities of financial indebtedness, as well as for a description of the covenants in place with the RCF agreement. Under these covenants, if the Group does not respect contractual requirements, it may result in early repayment clause being activated by syndicated borrowers.

€ 000	31.12.2012	31.12.2011
Cash and cash equivalents	**56 595**	69 833
Undrawn line of credit (RCF)	**94 000**	87 000
Total gross amount of liquidity	**150 595**	**156 833**
Current loans and borrowings	**31 917**	33 996
Total liquidity net of current loans and borrowings	**118 678**	**122 836**

Note 29 Financial instruments (Continued)

Revolving Credit Facility ("RCF") covenants impose to keep a minimum cash balance of 20 M€ at each quarter end.

The refinancing operation performed February 13, 2013 has subsequently modified the source of financing, please refer to Note 34 *Events after the reporting period* and to the prospective liquidity analysis presented in that paragraph.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

€ 000	31.12.2012	31.12.2011
Fixed rate instruments		
Financial assets	**0**	0
Financial liabilities	**524 382**	525 850
Variable rate instruments		
Financial assets	**56 595**	69 833
Financial liabilities	**36 264**	43 777

The fixed rate financial liabilities correspond to 8.5% Senior Secured Notes, the finance leasing, the recourse factoring and the bilateral loan and borrowings, that are under fixed rate, whereas the variable rate instruments correspond to cash and cash equivalent for financial assets and to the RCF drawn and floating rates loan and borrowings, as well as bank overdrafts.

The other financial instruments of the Group that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

Given the refinancing operation performed February 13, 2013 resulting in the RCF being fully reimbursed (refer to *note 34 Events after the reporting period*), a change of 100 basis points in interest rates would have increased or decreased the annual interest rate charges by less than 0.1 M€ (2011: 2.4 M€). This analysis assumes that all other variables remain constant and financial income on financial assets is considered as not significant.

Fair values

The fair values of financial assets and liabilities, together that are not at fair value in the statement of financial position, are not significantly different from recorded carrying amounts.

The basis for determining fair values is disclosed in note 3.21 *Determination of fair values*.

Note 30 Capital commitments and contingencies

Operating lease and commercial commitments

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between two and five years with no renewal option included in the contracts.

€ 000	31.12.2012	31.12.2011
Within one year	**8 097**	5 871
Between 1 and 5 years	**5 096**	4 884
More than 5 years	**0**	143
Operating lease Equipment	**13 193**	**10 898**

Note 30 Capital commitments and contingencies (Continued)

Furthermore Labco leases almost all of the properties where its labs are located. The lease in France is on a 3/6/9 year lease contracts and in Portugal and Spain, situation is such that Labco can exit leases at 6-12 months notice.

€ 000	31.12.2012	31.12.2011
Within one year	**17 744**	11 520
Between 1 and 5 years	**36 700**	30 701
More than 5 years	**14 024**	6 230
Operating lease Buildings	**68 468**	**48 452**

Operating lease expense related to property amounted to 21.0 M€ in 2012 (2011: 19.1 M€) and equipment lease expense of around 8.7 M€ (2011: 7.8 M€).

Finance lease and commercial commitments

Reagents suppliers in certain instances provide the testing equipment free of charge to laboratories in exchange for exclusive purchasing commitments, including sometimes minimum volume commitments. Management believes minimum volume commitments for consumables are substantially below current volumes and therefore we do not consider these minimum purchase commitments to be material for us.

As stated in *Note 15 Property, Plant and Equipment*, some of these contracts have been qualified as capital lease over an average duration of 5 years because the contracts have tacit renewal clauses, but no purchase options. Renewals are at the option of the specific entity that holds the leases. Future minimum lease payments under the finance leases are as follows:

€ 000	31.12.2012	31.12.2011
Within one year	**6 611**	6 631
Between 1 and 5 years	**11 248**	11 856
More than 5 years	**57**	105
Total finance lease commitments	**17 916**	**18 592**

Off balance sheet commitments given and received

As of December 31, 2012, the Group's off-balance sheet commitments consist principally of guarantees given in the course of its investing and financing activities, especially securities given to secure the Notes and the RCF.

Indeed the obligations taken by Labco in the Senior Secured Notes indentures and by the borrowing entities, direct subsidiaries of Labco, according to the RCF agreement, have been guaranteed by commitments given by a certain number of Group entities, called Guarantors.

Commitments given to the Security Agent are mainly:

- The initial Guarantors and Borrowers agreed to pledge the shares of certain subsidiaries they owned;
- If a Guarantor or Borrower acquires a subsidiary company which has an annual EBITDA equal to or greater than 750 K€, it agreed to pledge the shares of the said subsidiary company;
- If a company accedes to the RCF Agreement as a new Borrower, the said company must pledge the shares held in its direct subsidiaries which has an annual EBITDA equal to or greater than 750 K€;
- If a company accedes to the RCF Agreement as a new Guarantor, the said company must pledge the shares held in its direct subsidiaries which has an annual EBITDA equal to or greater than 1 M€;
- In any case, additional Borrowers and Guarantors agreed to pledge the long term intercompany loans receivables with other members of the Group they have or they could enter in the future arising under any intra group loan in excess of 1 M€.

Note 30 Capital commitments and contingencies (Continued)

As at December 31, 2012, the Guarantors are the following entities:

Guarantors

Country	Name of Guarantor	Registration number (or equivalent, if any) Jurisdiction of Incorporation
France	Analyses et Biologie du Littoral—Anabiol	419 066 246 RCS Nice—France
	Biofrance	314 818 600 RCS Valenciennes—France
	Biologistes Associés Regroupant des Laboratoires d'Analyses	782 596 670 RCS Nice—France
	Biopaj	783 860 919 RCS Valenciennes—France
	Bioval	382 676 443 RCS Valenciennes—France
	Centre Biologique	328 264 197 RCS Boulogne-Sur-Mer—France
	Eslab	389 394 065 RCS Orléans—France
	Laboratoire d'Analyses de Biologie Médicale Christine Pépin—Philippe Leluan—Patricia Sannier—Didier	781 026 729 RCS Le Havre—France
	Laboratoire de Biologie Médicale Delaporte	390 753 895 RCS Orléans—France
	Laboratoire Goudaert—Dauchy—Leclerq—Capelle—Bourlart	414 023 465 RCS Douai—France
	Groupe Biologic (formerly known as Laboratoire de Biologie Médicale Jorion)	492 916 150 RCS Macon—France
	Laboratoire de Biologie Médicale Schemitick Vorlet et Associés	353 998 230 RCS Chambéry—France
	Labco Artois merged in Institut de Biologie Clinique in Jan 2012	451 035 323 RCS Arras—France
	Labco Midi	450 376 603 RCS Montpellier—France
	Norden	349 027 466 RCS Sedan—France
	Institut de Biologie Clinique (formerly known as Laboratoire Schaffner)	347 402 307 RCS Arras—France
	Novabio Diagnostics	306 446 824 RCS Saint-Quentin—France
	Normabio	440 849 909 RCS Alençon—France
	Laboratoire Bioliance	352 016 836 RCS NANTES—France
	Mazarin (formerly known as Tranchand Turcon	394473227 RCS Marseille—France
	Sylab	423 395 276 RCS AURILLAC—France
	La Biologie Médicale	302 730 817 RCS SAINT-QUENTIN—France
	Isolab	325 940 724 RCS Saintes—France
Belgium	Labco Finance	0 826 013 990—Belgium
	Laboratoire d'Analyses Médicales Roman Païs	0 440.299.628—Belgium
Germany	Labco Deutschland GmbH	HRB 59270 (commercial register of the local court of Köln)—Germany
	Medizinisches Versorgungszentrum Labor Saar GmbH	HRB 16959 (commercial register of the local court of Saarbrücken)—Germany
	Aesculabor-Karlsruhe GmbH	HRB 103859 (commercial register of the local court of Hamburg)—Germany
	MVZ Dr. med. Sinterhauf, Dr. med. Lammert Laboratoriumsmedizin, Medizinische Mikrobiologie und	HRB 6640 (commercial register of the local court of Gießen)—Germany
	MVZ Medizinisches Fachlabor Dillenburg GmbH	HRB 5621 (commercial register of the local court of Wetzlar)—Germany
Spain	Labco Diagnostics España, S.L.	Volume 39,744, Page 84, Sheet B-353,263, Inscription 4, Commercial Register of Barcelona—Spain
	General Lab SA	Volume 39,143, Page 47, Sheet B-21,984, Inscription 51, Commercial Register of Barcelona—Spain
	Sabater Analisis S.A. Unipersonal merged in General Lab in 2011	Volume 23,074, Page 17, Sheet B-48,244, Inscription 16, Commercial Register of Barcelona—Spain
	Labco Madrid SA (formerly known as Sanilab SA)	Volume 315, Page 133, Sheet M-6,288, Inscription 4, Commercial Register of Madrid—Spain
Portugal	Clinica de Diagnosticos Dr. F. Teixeira SA	NIPC 500 065 012—Portugal
	Flaviano Gusmao, Limitada	NIPC 501367993—Portugal
	General Lab Portugal, S.A.	NIPC 501 871 942—Portugal
	Gnóstica—Laboratório de Análises Clínicas, S.A.	NIPC 501 668 462—Portugal
	Dr. Macedo Dias—Laboratorio de Anatomia Patologica	NIPC 502 613 653—Portugal
	Laboratorio Medico Dr. David Santos Pinto, S.A. merged in Teixeira in Dec 2012	NIPC 501 085 351—Portugal
Italy	C.A.M., Centro Analisi Monza S.p.A	00967150152 Monza e Brianza—Italia
	Labco Italia S.r.l.	06254340968 Milan—Italia
	Istituto Il Baluardo S.p.A.	00887530103 Genova—Italia

The list of off-balance sheet commitments was as follows:

	Description	Beneficiaries
	FRANCE	
Pledge of financial assets	**LABCO SA**	
Shares & intra-group receivables pledged	12 469 shares held in Labco Midi (ex Laboratoire Vaultier)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	16 488 shares held in Laboratoire d'Analyses de Biologie Médicale Delaporte	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	3781 shares held in Barla (Biologiste Associés Regroupant des Laboratoires d'Analyses)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	9 990 shares held in Groupe Biologic	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	420 shares held in Bioval	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	10 000 000 shares held in Labco Finance	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited, Deutsche Trustee Company Limited
	Totality of the shares held in Labco Deutschland GmbH	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of shares held in Labco Italia Srl	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Totality of shares held in Labco Diagnostics Espana SL	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited, Deutsche Trustee Company Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Pledge of the profit participating loan granted by Labco S.A. to Labco Diagnostics España, S.A. dated July 1, 2012 for a principal amount of €60,000,000	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
Joint Guarantees	By Bioliance SAS for the obligation of the general partners of the SEL Chauvet-Douet-Lissajoux	
Comfort letter	Comfort letter dated November 19, 2012 : Labco has committed itself towards its subsidiary Dillenburg to guarantee that the latter will be able to pay its eligible debts, until the 31/12/2013, within the limit of 3,000,000 euros.	
	Comfort letter dated June 8, 2012 : Labco has committed itself towards its subsidiary Duisburg to guarantee that the latter will be able to pay its eligible debts, until the 30/06/2013, within the limit of 12,400,000 euros.	
	Comfort letter : Labco has committed itself for fiscal year 2012 towards its joint venture subsidiary iPP to assist the latter in meeting its liabilities as and when they fall due; but only to the extent that money is not otherwise available to iPP.	
Letter of intent	Commitments to mobilize resources to Biopaj in order to reimburse its loan	Crédit Lyonnais

Furthermore in the context of iPP starting the operations of the contract with Taunton and Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust, Labco has issued a parent company guarantee to the benefit of the Trusts according to which it guarantees the performance of the operating obligations of iPP under the outsourcing contract and for a period lasting over contract period plus two years in general. Labco has also issued similarly a parent company guarantee to the benefit of Southwest Pathology Services in relation to the performance of the supply chain agreement contracted between iPP and Southwest Pathology Services.

	Description	Beneficiaries
	GDLCB (formerly AGDL)	
PLEDGED	2 192 982 shares of Biopaj	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	85 786 shares of Novabio Diagnostics (ex-Tixier-Pierfitte- Avot)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ANABIO	
OTHER GUARANTEES	Other commitments given for 18 842 €	
	BARLA	
PLEDGED	86 509 shares of Anabiol	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	BIOFRANCE	
PLEDGED	298 190 shares of Norden	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	2 426 368 shares of Isolab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	198 328 shares of Isle	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOVAL	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	CENTRE BIOLOGIQUE	
PLEDGED	equipment for an amount of 850 000 €	HSBC
	DELAPORTE	
PLEDGED	1 190 036 shares of Biofrance	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	899 956 shares of Institut de Biologie Clinique (formerly Schaffner)	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	BIOLIANCE (formerly ERDRE ET LOIRE)	
PLEDGED	Business asset of laboratoire de Sainte Luce (1 829 000 €)	CA
	ESLAB	
PLEDGED	59 788 shares of Aubert	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	JPBS (merged in AXILAB)	
Joint Gurantee	Guarantee given (400 000 €) wihin the framework of the acquisition of Tranchand Turcon	M. Tranchand and Mrs Turcon
	GROUPE BIOLOGIC (formerly JORION)	
PLEDGED	10 487 shares of Laboratoire de l'avenue	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	LABCO MIDI	
PLEDGED	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	99 896 shares of Laboratoire d'analyses médicales Carron	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	14 987 shares of Eslab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	NOVABIO DIAGNOSTICS	
PLEDGED	10 226 shares of La Biologie Médicale	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	INSTITUT DE BIOLOGIE CLINIQUE (formerly SCHAFFNER)	
PLEDGED	62 134 shares of GDLCB	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
OTHER GUARANTEES	Other commitments given for 320 737 €	

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	BIOARVOR (formerly TREGUIER LEMOINE)	
OTHER GUARANTEES	Other commitments given for 515 000 €	
	NORMABIO	
OTHER GUARANTEES	Other commitments given for 475 220 €	
	SPAIN **LABCO DIAGNOSTICS ESPANA**	
PLEDGED	All shares of General Lab	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	11000 shares held in Labco Sweden	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares held in Laboser	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE RECEIVED	Labco made a downpayment of 550 K€ for services to be performed in 2013, guaranteed by a "Pagare" due August 2013 (in context of Call option signed Nov 22, 2012 to acquire Integra/ Global)	Labco SA
	GENERAL LAB	
PLEDGED	All shares of General Lab Portugal—are pledged by "Laboratório Médico Dr. David Santos Pinto e Dr . Fernando Teixeira, S.A." (former "Clínica de Diagnósticos Dr. Fernando Teixeira, S.A".). General Lab Portugal was sold by General Lab (Spain) to Clínica de Diagnósticos Dr. Fernando Teixeira, S.A. on the 31.12.2012	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE	Warranty associated to public subsidy granted to General Lab amounting for 97k€.	Public organization
	BELGIUM **LABCO FINANCE**	
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ROMAN PAIS	
PLEDGED AS REAL PROPERTY COLLATERAL	Business asset of Roman Pais	Fortis
	Bank accounts	Fortis
	PORTUGAL **LABORATORIO MEDICO Dr. DAVID SANTOS PINTO E Dr. FERNANDO TEIXEIRA, S.A (formerly CLINICA DE DIAGNOSTICOS DR FERNANDO TEIXERA)**	
PLEDGED	All shares of Flaviano Gusmao	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares of Gnostica—Laboratorio de Analises Clinicas	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	ITALY **LABCO ITALIA**	
PLEDGED	All shares of Istituto il Baluardo	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares of Labco Lombardia	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	All shares of Centro Analisi Monza	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited

Note 30 Capital commitments and contingencies (Continued)

	Description	Beneficiaries
	ISTITUTO IL BALUARDO	
PLEDGED	37 485 shares of Labco Midi	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	29 985 shares of Groupe Biologic	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	11 298 shares of Barla	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
	49 489 shares of Delaporte	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE	Guarantee on rent of buildings andon a public tender amounting for 158 605 €	Balua Immobiliare and AMIU Credito Emiliano
	BALUARDO SERVIZI SANITARI	
GUARANTEE	Guarantee on rent of buildings amounting for 76 712 €	Balua Immobiliare
	CAM	
GUARANTEE	1.75 million as guaruantee in context of renting agreement for the new site located in Viale Elvezia, Monza	Supplier
PLEDGED	All shares of Labco Lombardia	Natixis, Crédit Suisse International, Deutsche
GUARANTEE	Standard R&W amounting for 100 000 €(in case of non declared liabilities with some cases as agreed)	CEIMA, IMAGING SERVICE, INTERMEDICAIMAGING
GUARANTEE RECEIVED	Bank guarantee received amounting for 500 000 € from Ceima, Imaging service, Intermedia (CDM buyer) if they do not pay the agreed whole price	CAM
	GERMANY **LABCO DEUTSCHLAND**	
PLEDGED	100% of shares held in Labco Pfegezentrum	Deutsche Bank A.G. London Branch
	Commitments to master pledge all Intra-group receivables and cash pooling current accounts arising under any intragroup loans over 1 M€	Natixis, Crédit Suisse International, Deutsche Bank A.G. London Branch, UBS Limited
GUARANTEE	Guarantee amounting to 490 000 € to collateralize receivables resulting from vehicles lease agreement	Kazenmaier Fleetservice

Note 31 Earnings per share

Computation of weighted average number of actions for basic and diluted earnings per share:

Weighted average number of shares as at December 31

€		2012	2011
Number of shares as at January 1st	*(1)*	**43 336 733**	43 063 885
Number of own shares as at January 1st	*(2)*	**80 728**	80 731
Weighted number of own shares issued (disposed) over the period	*(3)*	**(15)**	0
Weighted number of shares issued (disposed) during the period	*(4)*	**18 992 670**	0
Basic weighted average number of shares as at December 31	*(1) − (2) − (3) + (4)*	**62 248 690**	**42 983 154**
Dilutive Warrants and equity instruments		**10 784 205**	7 768 982
—Financial BSA		***7 675 697***	*5 209 108*
—Mezzanine BSA		***1 149 773***	*1 027 481*
—Management BSA		***1 958 735***	*1 532 393*
Diluted weighted average number of shares as at December 31		**73 032 894**	**50 752 136**

€ 000	2012	2011
Basic Net Profit attributable to the parent entity	**(28 454)**	(128 984)
Diluted Net Profit attributable to the parent entity	**(28 454)**	(128 984)

€	2012	2011
Basic earnings per share	**− 0,46**	− 3,00
Diluted earnings per share	**− 0,46**	− 3,00

Note 32 Related party transactions

Transactions with key management personnel

Key executive management compensation

With the exception of the standing independent members of the board of directors, members of the board of directors and the executive committee receive no compensation for their services on either of these committees. The independent member of the board of director, Daniel Bour, received in 2012 a compensation of €40 000 per year.

Certain members of the board of directors (Philippe Charrier, Andreas Gaddum, Stéphane Chassaing, Albert Sumarroca, Philippe Dauchy, Philippe Sellem, Xavier Merlen, Thierry Mathieu, Gilles Meshaka) and the executive committee (Philippe Charrier, Albert Sumarroca, Luis Vieira, Etienne Couelle, Oliver Harzer, Santiago Valor, Philippe Cailly, Andrew Geoffrey Searle and Vincent Marcel) are, or were in 2012, compensated for certain other services they render to our Group. Such remuneration is paid to them (or to professional companies wholly owned by them) by way of a fixed annual salary (or fees) and an annual bonus. In 2011, the executive committee was enlarged with members starting during second semester 2011 and exceptional bonuses have also been paid to certain key management personnel in relation with refinancing operations. The aggregate remuneration paid to or accrued on behalf of members of the board

Note 32 Related party transactions (Continued)

of directors and the executive committee for such other services was approximately 5.8 M€ for the year ended December 31, 2012 (2011: 6.9 M€).

€ 000	Note	2012	2011
Short term benefits		**5 788**	5 788
Post-employment benefits	*(i)*	**NS**	NS
Termination indemnities		**0**	0
Share-based payments	*(ii)*	**0**	1 145
Total		**5 788**	**6 933**

(i) : Post-employment benefits are not significant and correspond only for the few members concerned to French legal post-employment benefits due to employees as described in *note 24 Employee benefit liabilities*.

(ii) : Restricted Stock Unit "Free Shares 2011" scheme to the benefit of certain senior management members has been canceled in Q2 2012 resulting in the residual IFRS 2 estimated charges initially spread over vesting period to be immediately recorded in consolidated statement of income for an amount of 1 537 K€ as described in note 25. Furthermore the 2008 BSA plan is now fully vested and no senior management members have any remaining 2010 BSA.

Other related party transactions with key management members

Secondment Agreement with 3i Gestion SA

Labco SAS and 3i Europe plc, an affiliate of 3i, entered in the past into a secondment agreement pursuant to which Mr. Etienne Couelle was seconded to Labco. The contract terminated on October 1st, 2011 with Etienne Couelle being hired by Labco. In 2011, 3i France was paid 220 K€ under that contract.

Legal Services

We have engaged Maryse Coppet Souêtre, a partner in the law firm Cabinet Coppet Sprl, to provide us with various legal services. Mrs. Coppet Souêtre was the wife of Mr. Eric Souêtre, one of our founding shareholders and a member of the board of directors. We believe that Mrs. Coppet Souêtre's legal services are negotiated on an arm's length basis. Our payments to Cabinet Coppet Sprl amounts to nil as at December 31, 2012 (2011: 0.2 M€).

Other related party transactions

Balances and transactions between Labco SA and its subsidiaries, which are related parties of Labco SA, have been eliminated on consolidation and are not disclosed in this note.

A number of associates accounted for under the equity method incur expenses for certain subsidiaries of the Group. These operating expenses are recharged to the relevant subsidiaries. The net operating expenses that have been recharged by the associates accounted amounted to nil in 2012 (2011: 856 K€).

All transactions and outstanding balances with the related parties during the year are priced on an arm's length basis. None of the balances is secured.

Note 33 Group entities

Subsidiaries of Labco Deutschland group are consolidated in the financial statements herewith presented. In accordance with § 246B of German commercial laws (HGB), these entities may benefit from the exemption of publishing financial report and consolidated financial statements pursuant to German GAAP. Subsidiaries that have opted for this exemption are listed below.

The consolidation scope at December 31, 2012 and December 31, 2011 was established as follows:

	French Entities					
	31.12.2012			31.12.2011		
Designated entities	% of control	Consolidation Method	% interest	% of control	Consolidation Method	% interest
AGDL	98,42%	FC	97,33%	96,94%	FC	96,94%
LGESTION	100,00%	FC	100,00%	100,00%	FC	100,00%
AUBERT H	99,66%	FC	99,40%	99,66%	FC	99,40%
BIOFRANCE	99,32%	FC	99,31%	99,32%	FC	99,31%
NORDEN	98,56%	FC	98,71%	98,56%	FC	98,71%
ISLE	99,13%	FC	99,28%	99,13%	FC	99,28%
LABCO MIDI—VAULTIER (MOSSON)	99,96%	FC	99,96%	99,96%	FC	99,96%
DELAPORTE	99,99%	FC	99,99%	99,99%	FC	99,99%
ESLAB	99,79%	FC	99,74%	99,79%	FC	99,74%
Institut de Biologie Clinique (Schaffner)	98,89%	FC	98,89%	98,89%	FC	98,89%
LABCO ARTOIS	100,00%	MERGER	98,89%	100,00%	FC	98,89%
LABOCENTRE—MARCOUT	100,00%	MERGER	99,83%	99,83%	FC	99,83%
BARLA	99,84%	FC	99,84%	99,84%	FC	99,84%
BIOPAJ	99,99%	FC	97,62%	97,28%	FC	97,28%
BIOVAL	100,00%	FC	100,00%	100,00%	FC	100,00%
BIOSYNTHESE	99,40%	FC	98,80%	98,90%	FC	99,10%
CARRON	99,87%	FC	99,87%	99,87%	FC	99,87%
LABO DU BEFFROI	99,92%	FC	99,92%	99,92%	FC	99,92%
Novabio (ex Tixier-Perfitte-Avot)	99,99%	FC	97,32%	99,99%	FC	96,93%
Centre Biologique de Calais	99,87%	FC	99,74%	99,87%	FC	99,74%
LABO DU MARCHE	99,99%	FC	99,99%	99,99%	FC	99,99%
Bio Arvor (Treguier Lemoine)	98,85%	FC	99,05%	98,85%	FC	99,05%
AQUILAB	98,89%	FC	99,09%	98,89%	FC	99,09%
VAL DE GARONNE	49,37%	EM	49,47%	49,37%	EM	49,47%
Groupe Biologic (ex Jorion)	99,99%	FC	99,99%	99,95%	FC	99,99%
CBM CHARTRES	99,99%	FC	97,31%	96,92%	FC	96,92%
BIO ADOUR	99,12%	FC	99,27%	99,12%	FC	99,27%
BRIGOUT	100,00%	FC	99,74%	48,88%	EM	48,87%
PORT	100,00%	MERGER	98,59%	98,59%	FC	98,59%
Sorela (ex Bioliance)	100,00%	MERGER	97,25%	97,25%	FC	97,25%
Laboratoire Bioliance (Ex Erdre et Loire)	97,90%	FC	95,57%	87,17%	FC	87,17%
BOUREL—ASSOCIES	100,00%	FC	95,57%	42,71%	EM	42,71%
Laboratoire de l'avenue (ex BuatoisS—Chamard)	99,92%	FC	99,96%	99,92%	FC	99,96%
ANABIO	98,83%	FC	99,03%	98,83%	FC	99,03%
Bioval Laboratoires (ex Greil)	98,55%	FC	98,70%	98,55%	FC	98,70%
VAL D'ORNE	99,82%	FC	99,82%	99,82%	FC	99,82%
BGCB	98,54%	FC	98,69%	98,54%	FC	98,69%
DEGRAEF POULIQUE	100,00%	FC	95,57%	43,49%	EM	43,50%
Bigo Maudens	100,00%	MERGER	97,61%	97,27%	FC	97,27%
Anabiol	98,79%	FC	98,79%	98,79%	FC	98,79%
Pépin	98,28%	FC	98,89%	98,28%	FC	98,48%
Schemitick	99,48%	FC	99,68%	99,48%	FC	99,68%
Normabio	96,91%	FC	97,31%	96,91%	FC	96,92%
Bio Fin	98,30%	FC	98,70%	98,30%	FC	98,70%
LBM Labo Gascogne (Froment)	98,84%	FC	98,84%	98,84%	FC	98,84%
REFERENTIEL BIOLOGIE	99,99%	FC	98,70%	99,99%	FC	98,70%
Mazarin (ex Tranchand Turcon)	98,68%	FC	98,88%	98,68%	FC	98,88%
Sainte victoire	100,00%	MERGER	93,74%	93,55%	FC	93,74%
Axilab (ex Medilabo)	98,63%	FC	98,71%	98,63%	FC	98,71%
Verdun de Lore	99,75%	FC	99,75%	99,75%	FC	99,75%
Solcalab	100,00%	MERGER	97,32%	99,99%	FC	96,93%
Celab- Saint Céré	99,93%	FC	99,02%	99,93%	FC	99,02%
Filab	100,00%	MERGER	99,02%	100,00%	FC	99,02%
Sylab	99,99%	FC	99,01%	99,99%	FC	99,01%
Biologie Médicale (ex Selarl du Laonois/coquelet)	99,96%	FC	97,28%	99,96%	FC	96,89%
Sarl des Hauts de Garonne	75,00%	FC	74,32%	75,00%	FC	74,32%

Note 33 Group entities (Continued)

	French Entities					
	31.12.2012			31.12.2011		
Designated entities	% of control	Consolidation Method	% interest	% of control	Consolidation Method	% interest
Tonin—selarl MAZARIN	100,00%	MERGER	98,86%	99,98%	FC	98,86%
BioH	100,00%	MERGER	99,95%	99,99%	FC	99,95%
Bio Bassin	100,00%	FC—MERGER during the acquisition year	100,00%			
Selarl Gerylab	99,81%	MERGER	98,84%	99,81%	FC	98,84%
Selarl du Capeyron	99,99%	MERGER	99,02%	99,99%	FC	99,02%
CVDD	99,99%	FC	98,69%	99,99%	FC	98,69%
Evlab	100,00%	FC—MERGER during the acquisition year	100,00%			
Biosix	100,00%	FC	96,89%	100,00%	FC	96,89%
Isolab	99,97%	FC	99,28%			
Gritti Chiali	100,00%	FC	99,74%			
Chancé	100,00%	FC—MERGER during the acquisition year	100,00%			
Auguet Larroua	100,00%	FC	99,03%			
Medbio	100,00%	FC	99,03%			
Seudre Biologie	100,00%	FC	99,28%			
Labotri	100,00%	FC	95,01%			
SCM DE LA MARNE	100,00%	FC	100,00%	100,00%	—	100,00%
SCM Vallée de la MEUSE	49,28%	NC	49,28%	49,28%	NC	49,28%
SCM LAD	99,47%	FC	99,55%	99,47%	FC	99,55%
SCM GROUPEMENT LABO	65,90%	FC	66,04%	65,90%	FC	66,04%
SCM ST COME	45,61%	EM	45,61%	45,61%	FC	45,61%
LABO CENTRE	89,50%	FC	89,30%	89,50%	FC	89,30%
SCI Centre Médical CLAYE SOUILLY	—	—	—	—	—	—
SCM LE CENTRE	99,87%	NC	99,87%	99,87%	NC	99,87%
SCM BIOESSOR	44,48%	EM	44,57%	44,48%	EM	44,57%
SCM AZURLAB	28,39%	EM	28,39%	28,39%	EM	28,39%
SCM Biologis	100,00%	FC	95,23%	64,91%	FC	64,92%
SCM VAL DE RHONE	39,97%	EM	39,98%	39,97%	EM	39,98%
SCM GRAM	39,48%	EM	39,56%	39,48%	EM	39,56%
SCM BIO 76	0,01%	NC	0,01%	0,01%	NC	0,01%
SCM PIERRE BACHET	9,91%	NC	9,91%	9,91%	NC	9,91%
GIE SAMBRE AVENOIS	98,19%	FC	98,33%	98,19%	FC	98,33%
GIE LABCO 06	99,44%	NC	99,44%	99,44%	NC	99,44%
GIE LABCO 07	100,00%	NC	98,19%	100,00%	NC	98,19%
SAL	57,71%	FC	57,68%	57,71%	FC	57,68%
ENVIRONNEMENT & SANTE	54,72%	NC	54,72%	54,72%	NC	54,72%
LABO DES CHARENTES	35,69%	ME	35,43%			

EM: Equity Method / FC: Global integration / NC: Not consolidated

Note 33 Group entities (Continued)

Designated entities	31.12.2012 % of control	31.12.2012 Consolidation Method	31.12.2012 % interest	31.12.2011 % of control	31.12.2011 Consolidation Method	31.12.2011 % interest
	FOREIGN entities					
Sweden						
LABCO DIAGNOSTICS SWEDEN AB	100,00%	FC	100,00%	100,00%	FC	100,00%
Italy						
LABCO LOMBARDIA	100,00%	FC	100,00%	100,00%	FC	100,00%
CAM	100,00%	FC	100,00%	100,00%	FC	100,00%
LABCO ITALIA	100,00%	FC	100,00%	100,00%	FC	100,00%
ISTITUTO IL BALUARDO SPA	100,00%	FC	100,00%	100,00%	FC	100,00%
BALUARDO SERVIZI SANITARI Srl	100,00%	FC	100,00%	100,00%	FC	100,00%
CENTRO DIAGNOSTICO MISSORI SRL	85,00%	DISPOSAL	85,00%	50,00%	FC	50,00%
CAM ECO SERVICE SRL	41,00%	EM	41,00%	41,00%	EM	41,00%
Consorzio (GIE)	25,00%	EM	25,00%	25,00%	EM	25,00%
Consorzio genetico (GIE)	50,00%	EM	50,00%	50,00%	EM	50,00%
Mifra	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Germany						
LABCO DEUTSCHLAND	100,00%	FC	100,00%	100,00%	FC	100,00%
LABCO PFLEGEZENTRUM	100,00%	FC	100,00%	100,00%	FC	100,00%
Aesculabor	100,00%	FC	100,00%	100,00%	FC	100,00%
MVZ SINTERHAUF	100,00%	FC	100,00%	100,00%	FC	100,00%
Labco Labor Köln	100,00%	FC	100,00%	100,00%	FC	100,00%
MVZ DILLENBURG	100,00%	FC	100,00%	100,00%	FC	100,00%
MVZ MARBURG	100,00%	FC	100,00%	100,00%	FC	100,00%
MVZ DUISBURG 2	100,00%	FC	100,00%	100,00%	FC	100,00%
MVZ SAAR	100,00%	FC	100,00%	100,00%	FC	100,00%
Spain						
LABCO ESPANA	100,00%	FC	100,00%	100,00%	FC	100,00%
General Lab—Holding	100,00%	FC	100,00%	100,00%	FC	100,00%
ANALISIS CLINICOS BIOCLINIC SL	100,00%	FC	100,00%	100,00%	FC	100,00%
VIDAL GENERAL LAB	84,88%	FC	84,88%	84,88%	FC	84,88%
TRIALS GENERAL LABORATORIES	75,00%	FC	75,00%	75,00%	FC	75,00%
Lab Dos Analisis SL	50,00%	EM	50,00%	50,00%	EM	50,00%
GENETICA MOLECULAR LABORATORIO SL	30,00%	EM	30,00%	30,00%	EM	30,00%
Laboser	100,00%	FC	100,00%	100,00%	FC	100,00%
Lallemand	100,00%	FC	100,00%	100,00%	FC	100,00%
Amparo Perea, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Analisis Clínicos Jose Luis Vallejo, S.L.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Avivar Analistas Asociados, S.L. *	100,00%	FC	100,00%	100,00%	FC	100,00%
Centro De Patologia Celular Y Diagnostico Prenatal, S.A. *	84,70%	FC	84,70%	84,70%	FC	84,70%
BiohPEAo KX 2000, SL	100,00%	FC	100,00%	100,00%	FC	100,00%
Centro Médico Analítico Otte-Lopez, S.L. *	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Citopath, S.L. *	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Histocitomed, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Inmunogen, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Institut De Citologia I Histopatologia, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratorio Canga Arqueros, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Olot Análisis, S.L.	75,00%	FC	75,00%	75,00%	FC	75,00%
Patología Diagnóstica, S.L.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Picornell Salva, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sabater Pharma, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sabater Tobella Análisis, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sampletest Spain, S.L.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Sanilab, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sanz Estebaranz, S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
Labco Spain S.L.	100,00%	FC	100,00%	100,00%	FC	100,00%
CIC Barcelona	100,00%	FC	100,00%	100,00%	FC	100,00%
CIC Analises Brasil	99,50%	FC	99,50%	100,00%	FC	100,00%
CIC Analises Colombia	70,00%	FC	70,00%			
Belgium						
LABCO BELGIUM	100,00%	FC	100,00%	100,00%	FC	100,00%
ROMAN PAIS	100,00%	FC	98,51%	100,00%	FC	100,00%
ELLIPSYS	100,00%	FC	97,91%	100,00%	FC	100,00%
Labco Finance	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratoire MAB	100,00%	FC	98,51%	100,00%	FC	100,00%

EM: Equity Method / FC: Global integration / NC: Not consolidated

Note 33 Group entities (Continued)

Designated entities	31.12.2012 % of control	31.12.2012 Consolidation Method	31.12.2012 % interest	31.12.2011 % of control	31.12.2011 Consolidation Method	31.12.2011 % interest
		Portugal				
QUESTAO PEA ABERTO SA	100,00%	FC	100,00%	100,00%	FC	100,00%
GENERAL LAB PORTUGAL SA	100,00%	FC	100,00%	100,00%	FC	100,00%
SOCIEDADE DE PREPARACAO LABORATORIAL LDA	100,00%	FC	100,00%	100,00%	FC	100,00%
GERMILAB	100,00%	FC	100,00%	100,00%	FC	100,00%
Ascensão Afonso, Lda.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Analisis Clinicos Sabater, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Clínica De Diagnósticos Da Azambuja, Dr. Fernando Teixeira, Lda.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Clínica De Diagnósticos De Ferreira Do Alentejo, Dr. Fernando Teixeira, S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Clínica De Diagnósticos Dr. Fernando Teixeira, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Clinova—Centro De Diagnóstio Laboratorial De Torres Novas, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Délio Morgado, Limitada*	100,00%	FC	100,00%	100,00%	FC	100,00%
Endoclab—Laboratório De Endocrinologia E Patologia Clínica Doutor I. Salcedo, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Flaviano Gusmão, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Gnóstica—Laboratório De Análises Clínicas, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
José Júlio De Castro Fernandes, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Labor- Análises Clínicas Dr. Fernando Godinho, Lda.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório Análises Drª Graça Duarte Nunes, S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório De Análises Clínicas—Susana Pereira Rosas, Lda.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório De Análises Clínicas Da Covilha, S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório De Análises Clínicas Dr. Francisco Ferreira Crespo, Lda.*	100,00%	DISSOLVED	100,00%	100,00%	FC	100,00%
Laboratório De Patologia Clínica, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório Dra. Margarida Fanha, Lda.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Laboratório J. Marinheira Monteiro—Laboratorio Médico De Patología Clínica, S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Laboratório Médico Dr. David Santos Pinto, S.A.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Laboratórios De Análises Clínicas Do Dr. João Ribeiro E Dra Maria Da Graça Cardoso, Lda.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Louro E Pires, Lda.	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Lpd—Laboratório Português De Análises Clínicos, Lda.*	100,00%	MERGER	100,00%	100,00%	FC	100,00%
Magalhães & Maria, Lda.*	100,00%	DISSOLVED	100,00%	100,00%	FC	100,00%
Miranalise—Laboratório De Análises Clínicas Mira D' Aire, Lda*	100,00%	FC	100,00%	100,00%	FC	100,00%
Novanalise—Laboratório De Análises Clínicas De Torres Novas, Lda.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Partilab S.G.P.S., S.A.	100,00%	DISSOLVED	100,00%	100,00%	FC	100,00%
Previlabor—Análises Clínicas, Saúde Ocupacional E Preventiva, Lda.	100,00%	FC	100,00%	100,00%	FC	100,00%
Rotarobal, Sgps, S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%

Note 33 Group entities (Continued)

Designated entities	31.12.2012 % of control	Consolidation Method	% interest	31.12.2011 % of control	Consolidation Method	% interest
Sampletest—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.	100,00%	FC	100,00%	100,00%	FC	100,00%
Sampletest II—Consultoria E Gestão De Laboratórios De Análises Clínicas, S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Sgus Madeira—S.G.P.S., S.A.*	100,00%	FC	100,00%	100,00%	FC	100,00%
GDPN	100,00%	FC	100,00%	100,00%	FC	100,00%
Sscp—Serviços De Saúde Curativos Preventivos, Lda.*	100,00%	FC	100,00%	100,00%	FC	100,00%
Macedo Dias	100,00%	FC	100,00%	100,00%	FC	100,00%
UK						
IPP	14514,94%	Joint Venture—EM	14460,31%	51,00%	JOINT VENTURE	51,00%
Labco UK	14514,94%	FC	14460,31%	100,00%	FC	100,00%

EM: Equity Method / FC: Global integration / NC: Not consolidated.

* Companies which are sub-consolidated in Questao.

Note 34 Events after the reporting period

Additional 8,5% Senior Secured Notes due 2018 issued for an aggregate nominal of 100 M€

Labco S.A. issued on February 13, 2013 €100 million in aggregate principal amount of its 8.5% Senior Secured Notes due 2018, which constitutes an add-on of, and form a single class with, Labco's existing 500 M€ 8.5% Senior Secured Notes due 2018. The Additional Senior Secured Notes will mature on January 15, 2018. The gross proceeds of the issuance amounts to 103 M€, ie meaning a yield of 7.75% and will be used to repay the outstanding amounts borrowed under Labco's revolving credit facility, pay the costs, fees and expenses in relation to the issuance transaction and for general corporate purposes. As a consequence Labco revolving credit facility amounting to 135 M€ will be fully reimbursed but not canceled and the unused portion of the proceeds of the Additional Senior Secured Notes will remain as cash and cash equivalent on our balance sheet.

Prospective liquidity analysis at refinancing date taking into account balances for other financial debts and trade payables as at December 31st, 2012 is as follows

€ 000	Note	2012 Carrying amount	Cash Flow	1 year or less	1 - 5 years	More than 5 years
Non derivatives financial instruments						
Bonds loans		**600 000**	**(855 000)**	(51 000)	(804 000)	
Revolving Credit Facility	*(a)*		**(29 700)**	(7 425)	(22 275)	
Other financial debts	*(b)*	**53 834**	**(56 930)**	(32 550)	(22 245)	(2 135)
Trade payables		**56 971**	**(56 971)**	(56 971)		

(a) Revolving Credit Facility amounting 135 M€ has been fully reimbursed with the proceed of the additional Notes issuance (RCF was drawn for an amount of 67 M€ as at additional Notes issuance date ie February 13, 2013). Amounts to be paid are estimated at refinancing date as the commitments fees paid on undrawn facility until early 2017 with a rate corresponding to 45% of margin (margin being estimated at 4.5%). Revolving Credit Facility will be however drawn for financing future acquisitions as soon as the excess cash obtained from additional €100 million Notes issuance would have been used.

(b) Other financial debt corresponds to other loans and borrowings, finance lease liabilities, accrued HYB interests to be paid in January 2013 and factoring debt.

Disposal of assets and acquisitions

Some acquisitions have been performed in February and March 2013 for a total consideration of 5,2 M€. It corresponds mainly to 3 entities, or asset deals in France and to the acquisition of the 25% minority interests in the entity Hauts de Garonne. Detailed information on entities acquired could not be

Note 34 Events after the reporting period (Continued)

disclosed as requested by IFRS 3 (2008) given the recent closings and the time necessary to obtain accounts on closing date.

Evolution of Dillenburg litigation

Labco S.A. and its subsidiaries, Labco Deutschland and MVZ Medizinisches Fachlabor Dillenburg GmbH, have signed a settlement agreement on March 27, 2013 with the former vendors of our laboratory in Dillenburg in the context of the major litigation initiated given the alleged fraudulent activities, and related consequences. That agreement stipulates the payment of a total indemnity of 5,5 M€ by the former vendors of Dillenburg and the waiver of the litigations they had initiated against Labco and its subsidiaries.

Note 35 Auditor fees

The amount of the signatory statutory auditors fees for the consolidated financial statements of Labco for the year 2012 for all the consolidated companies, where they are appointed is broken down as follow..

		2012		2011	
€ 000	**Note**	**Deloitte**	**Scacchi & Associés**	**Deloitte**	**Scacchi & Associés**
Legal audit		**713**	**112**	**694**	**122**
Agreed upon services	*(a)*	**512**	**140**	**0**	**0**
Other services		**0**	**0**	**111**	**0**
Auditor fees		**1 225**	**252**	**805**	**122**

(a) including fees related to issuance of letters of comfort for the 100 M€ additional bond issuance operation.

REGISTERED OFFICE OF THE ISSUERS

Ephios Bondco PLC
5th Floor,
6 St. Andrew Street,
London EC4A 3AE
United Kingdom

Ephios Holdco II PLC
5th Floor,
6 St. Andrew Street,
London EC4A 3AE
United Kingdom

LEGAL ADVISORS TO THE ISSUERS

As to U.S. and English law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

As to German law
Clifford Chance Deutschland LLP
Mainzer Landstraße 46
60325 Frankfurt am Main
Germany

As to French law
Clifford Chance Europe LLP
1 Rue d'Astorg
75008 Paris
France

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. and English law
Latham & Watkins LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to German law
Latham & Watkins LLP
Reuterweg 20
60323 Frankfurt am Main
Germany

As to French law
Latham & Watkins AARPI
45 rue Saint Dominique
75007 Paris
France

PAYING AGENT AND TRANSFER AGENT

Elavon Financial Services Limited, UK Branch
Fifth floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

SECURITY AGENT AND TRUSTEE

U.S. Bank Trustees Limited
Fifth Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

REGISTRAR

Elavon Financial Services Limited
Block E, 1st Floor
Cherrywood Business Park
Loughlinstown
Dublin 18
Ireland

LEGAL ADVISORS TO THE TRUSTEE AND SECURITY AGENT

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

INDEPENDENT AUDITORS OF SYNLAB

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft, Stuttgart, office Eschborn
Mergenthalerallee 3-5
65760 Eschborn
Germany

INDEPENDENT AUDITORS OF LABCO S.A.

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine
France

Aplitec
4-14 rue Ferrus
75014 Paris
France

LISTING AGENT

Dillon Eustace Solicitors
33 Sir John Rogerson's Quay
Dublin
Ireland

synlab®

lab services

LABCO

Quality Diagnostics